Fiscal Year 2003

ANALYTICAL PERSPECTIVES

Budget of the United States Government

THE BUDGET DOCUMENTS

Budget of the United States Government, Fiscal Year 2003 contains the Budget Message of the President and information on the President's budget and management priorities, including assessments of agencies' performance.

Analytical Perspectives, Budget of the United States Government, Fiscal Year 2003 contains analyses that are designed to highlight specified subject areas or provide other significant presentations of budget data that place the budget in perspective.

The *Analytical Perspectives* volume includes economic and accounting analyses; information on Federal receipts and collections; analyses of Federal spending; detailed information on Federal borrowing and debt; the Budget Enforcement Act preview report; current services estimates; and other technical presentations. It also includes information on the budget system and concepts and a list of Federal programs by agency and account, as well as by budget function.

Historical Tables, Budget of the United States Government, Fiscal Year 2003 provides data on budget receipts, outlays, surpluses or deficits, Federal debt, and Federal employment over an extended time period, generally from 1940 or earlier to 2007. To the extent feasible, the data have been adjusted to provide consistency with the 2003 Budget and to provide comparability over time.

Budget of the United States Government, Fiscal Year 2003—Appendix contains detailed information on the various appropriations and funds that constitute the budget and is designed primarily for the use of the Appropriations Committee. The *Appendix* contains more detailed financial information on individual programs and appropriation accounts than any of the other budget documents. It includes for each agency: the proposed text of appropriations language, budget schedules for each account, new legislative proposals, explanations of the work to be performed and the funds needed, and proposed general provisions applicable to the appropriations of entire agencies or group of agencies. Information is also provided on certain activities whose outlays are not part of the budget totals.

Budget System and Concepts, Fiscal Year 2003 contains an explanation of the system and concepts used to formulate the President's budget proposals.

Budget Information for States, Fiscal Year 2003 is an Office of Management and Budget (OMB) publication that provides proposed State-by-State obligations for the major Federal formula grant programs to State and local governments. The allocations are based on the proposals in the President's Budget. The report is released after the budget.

AUTOMATED SOURCES OF BUDGET INFORMATION

The information contained in these documents is available in electronic format from the following sources:

CD-ROM. The CD-ROM contains all of the budget documents and software to support reading, printing, and searching the documents. The CD-ROM also has many of the tables in the budget in spreadsheet format.

Internet. All budget documents, including documents that are released at a future date, will be available for downloading in several formats from the Internet. To access documents through the *World Wide Web,* use the following address:

http://www.whitehouse.gov/omb/budget

For more information on access to electronic versions of the budget documents (except CD–ROMs), call (202) 512–1530 in the D.C. area or toll-free (888) 293–6498. To purchase a CD–ROM or printed documents call (202) 512-1800.

GENERAL NOTES

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

U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON 2002

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: (202) 512–1800 Fax: (202) 512–2250
Mail: Stop SSOP, Washington, DC 20402–0001
ISBN 0–16–051029–5

TABLE OF CONTENTS

TABLE OF CONTENTS—Continued

BUDGET AND PERFORMANCE INTEGRATION

1. BUDGET AND PERFORMANCE INTEGRATION

This Budget marks a significant step on the long road to a results-oriented government. It starts using performance measures to develop policies, to make budget decisions, and to improve everyday program management. The Administration is creating a government that promotes the outcomes that Americans want—such as better education for our children, the freedom to travel safely, and protection of our health—and does this in a cost-effective and efficient way.

Achieving better program performance—particularly better performance for each dollar spent—is a high priority of this Administration. Congressional interest, reflected in the Government Performance and Results Act of 1993, set agencies to identifying performance goals, planning to achieve them, and reporting on results.

What has been missing is systematic use of these measures to make decisions. In particular, performance measures are not directly linked to the budget—and yet it is the budget that drives policy development, allocates resources, and has undeveloped potential to support better management.

- Past and planned results are not shown with budget requests, let alone linked in a cost-and-results relationship.
- Program managers responsible for achieving results often do not control the resources they use or have flexibility to use them efficiently.
- Performance and cost data are recorded in separate systems and not integrated to provide timely, analytical, feedback to decision-makers and managers.
- Americans cannot readily assess program results, and cannot compare performance and cost across programs.

Budgeting for Results. Eager to make government work better, the Administration used all of the performance information it could gather in making decisions for this Budget. It also began the transition to change the burden of proof, asking agencies and advocates to supply evidence of program effectiveness instead of assuming effectiveness in the absence of evidence to the contrary. In addition to funding high priority programs, the Budget devotes dollars to programs that are rated effective. The Budget proposes reforms for ineffective programs, reduces their funding or terminates them. Policy changes are proposed to increase program effectiveness and to improve the efficiency of programs and support services. The first section of this chapter, Budgeting for Results, analyzes shifts in resources and changes in policies made on the basis of this intense focus on performance.

Foundation for Results. To create a foundation for continual improvement in the effectiveness of government, the President has begun to make results the focus of the budget process. Planning and evaluation will be integral to budgeting. The budget takes the first steps toward showing expected results and the resources requested to achieve each result. To give managers full information about programs and to encourage efficient use of resources, the budget needs a uniform measure of the full annual cost of the resources used that will be charged to each program and activity.

In October, the President transmitted to Congress the Managerial Flexibility Act of 2001. Title II of that Act will charge employing agencies for the full annual accruing cost of Federal pensions and retiree health benefits, as reflected in this Budget. The Administration is developing proposals to charge for support services, capital assets, and hazardous substances cleanup where these resources are used. As explained in the second section of this chapter, Foundation for Results, these proposals do not change total budget outlays, budget concepts, or public-private cost comparisons. However, they would provide a better assessment of program costs.

Managing for Results. Budget and Performance Integration is one of five interrelated initiatives in *The President's Management Agenda,* rolled out in August. The others are Strategic Management of Human Capital, Competitive Sourcing, Expanded Electronic Government, and Improved Financial Performance. The third section of this chapter, Managing for Results, shows that the objective of these five initiatives together is to create a transformation to year-round performance orientation through all levels of the Federal government.

"We are not alone..."

Governments here and around the world are devising strategies to assess and manage for results—both outputs (i.e., products and services delivered) and outcomes (i.e., the end result that is being sought, such as clean streets or reduced crime).

Here in the United States, a growing number of States, counties and municipalities use "performance budgeting" as a tool for making policy and management decisions. **Charlotte,** North Carolina, and **Dayton,** Ohio undertake regular performance measurement. **Sunnyvale,** California has become internationally recognized for performance budgeting—allocating funding for tasks rather than for personnel, equipment, and supplies, with quantified objectives that are expected to be achieved with the funding. **Indianapolis'** budget provides mission statements, allocations by outcome objectives, and comparative performance measures.

State governments are also using these tools. **Missouri, Texas, Louisiana** and **Virginia** use performance information extensively in the central budget office, while most States use performance information at the agency level.

Successful implementation of performance-based budgeting has not been limited to this country. Over the past two decades, every year an increasing number of the 30 countries in the Organization for Economic Cooperation and Development are adopting a performance-based approach to management. **New Zealand** focused on "buying outputs" ten years ago. **Australia** and the **United Kingdom** are the leaders in focusing on outcomes. **Canada** and the **Netherlands** are close behind, with **France** and **Japan** still in the early phases of transforming to an outcome-focused approach.

Australia develops effectiveness and efficiency outputs for its outcomes, and prices each output. The British system is more structured than Australia, employing performance service agreements, aim (or mission) statements, overarching objectives, performance targets, and statements of responsibility for delivery (achieving the targets). In linking resources with outcomes, the British Cabinet Committee's annual budget review allocates monies three years forward, making decisions on both broad outcome levels and the resources needed to achieve the outcome levels.

BUDGETING FOR RESULTS

Testifying before Congress last May, the Director of OMB signaled his intention to focus on performance. "Our main focus of the next months will be working toward full integration of budget and performance information, and using performance data to help make program and budget decisions." He described three specific steps in this direction.

- "First, we will insist that agencies develop a credible linkage between resources and performance. We need to be able to answer the question: 'What are we getting for what we are spending?' As we work to establish this linkage, we expect to make some changes to the traditional process of how we review budget requests, and the nature of our passback to the agencies on their requests.
- "Second, we intend to improve our ability to understand the true cost of each program. Full costing of certain program budget accounts will necessitate significant accounting changes, and we are developing a legislative proposal permitting us to assign currently unallocated costs and present these in the budget.
- "Third, you should see a more robust presentation of performance information in the FY 2003 President's Budget. We also intend to explore how a significant restructuring of the budget document itself might enhance public and Congressional understanding of government performance."

"Work is already underway on these and several related initiatives. These tasks will engage nearly every OMB office, and will comprise a significant part of the workload over the next year." The Director concluded: "We believe that this work will lead to a big potential payoff in improved effectiveness and efficiency of government."

OMB staff and agencies collected evaluations, studies, and performance documentation of all sorts from all sources to assess which programs were effectively improving desired outcomes. Within the Executive Branch, preliminary assessments of these materials were discussed, and agencies were urged to improve program performance and to improve evidence of effectiveness and linkage with program cost.

Below are some of the results of this performance-oriented process of policy development and budget allocation. The examples illuminate ways in which policy makers and program managers can help government better serve its citizens. Deliberately, they are chosen to represent "best practice"—examples from which other program managers and policy makers can learn. They are presented in five categories: (1) funding effective programs, which have demonstrated benefits greater than cost; (2) shifting resources toward more effective programs from less effective ones that have similar purposes; (3) setting program targets and strategies based on understanding performance and cost relationships; (4) adding incentives to enhance program effectiveness; and (5) improving efficiency in programs and support services.

Funding Effective Programs

Programs in this category are effective. They deliver real benefits for Americans—healthier babies and families, more disadvantaged youths off drugs and in school or job training, and advancing knowledge that can improve health and sustain economic growth. These programs have undergone evaluation, not only documenting their effectiveness, but developing understanding of the reasons for their success so that policy makers and program managers can sustain and build on it.

- ***Agriculture:*** Numerous government and private studies show that the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) is one of the nation's most successful and cost-effective early intervention programs. The program saves lives and improves the health of women, infants and children who are nutritionally at risk. The Budget reflects this demonstrated success by fully funding the program in 2003 to enable all eligible persons who seek services to receive them. The request is sufficient to provide 7.8 million persons with supplemental foods, nutrition education, and preventive health care each month in 2003. A contingency fund is available to serve an expanded number should that be necessary.
- ***Commerce:*** Although the U.S. gross domestic product (GDP) statistics are widely regarded as among the best in the world, they require continual improvement to keep pace with the nation's rapidly changing economy. Additional funding is proposed for the Bureau of Economic Analysis to improve and speed production of its statistics, on which government and business decision-makers depend.
- ***Health and Human Services:*** Community Health Centers provide high-quality health care that reduces hospitalizations and emergency room use, and prevents expensive chronic disease and disability. The Budget expands the number of centers by 1,200 to serve an additional 6.1 million patients by 2006. Together with the National Health Service Corps, the Centers increase the number of health care providers in underserved areas.
- ***Health and Human Services:*** The 1997 National Treatment Improvement Evaluation Study found that treatment decreased primary drug use by 48 percent, alcohol and drug-related medical visits by 53 percent, and criminal activity by as much as 80 percent. Welfare dependency, and homelessness also declined. The Budget supports an additional 52,000 drug treatment slots.
- ***Health and Human Services:*** Funding for the National Institutes of Health, the world's leading research institution for biomedical and behavioral research, will increase to double its 1998 level. NIH conducts research in its own laboratories, but the vast majority of its funding supports researchers in universities, hospitals, and research institutes around the country through peer-reviewed grants. NIH has supported great advances in the detection and treatment of disease, and its recent work on the human genome, cancer, and many other diseases gives promise of accelerating breakthroughs.
- ***Labor:*** The Budget will support four more Job Corps centers for residential vocational training for disadvantaged youth than in 2001. At a unit cost of roughly $31,700 per service year, the Job Corps is the Department of Labor's costliest training program. However, evaluations have demonstrated that its benefits exceed its costs. Job Corps participants get jobs, keep them, and increase earnings over their lifetimes.
- ***National Science Foundation:*** The NSF, a leader among Federal agencies that fund basic research, will get more funding and programs transferred from other agencies. Of NSF's grants, 94 percent are competitive, based on merit review. Each year, one-third of NSF's research and educational programs are evaluated for integrity, efficiency, and quality of results, so that all programs are reviewed in a three-year period. Of the dozen 2001 Nobel prize winners in the sciences, NSF supported eight for the research that won them the award. NSF quickly redirects resources to areas of emerging opportunity, and invests one-quarter of its research budget in areas where major breakthroughs are likely.

Shifting Resources toward More Effective Programs

Comparison of programs for similar purposes can lead to the conclusion that some are more effective than others. Shifting resources toward the better programs is one way to improve results, while the other programs seek ways to focus or reform their efforts.

- ***Commerce:*** Funding for technology innovation in the Department of Commerce was increased for the National Institute of Standards and Technology, a world leader in high-tech and basic industrial standards including work that led to the 2001 Nobel Prize in physics. The Patent and Trademark Office will also have more resources and set targets for faster patent and trademark processing. The Budget channels resources to higher performing programs by reducing funding for Manufacturing Extension Partnerships and the Advanced Technology Program, and terminating the Technology Opportunities Program.

- ***Housing and Urban Development:*** Housing vouchers are lower in cost per unit, at only 85 percent of the cost of Public Housing, and benefits are higher. More voucher recipients (26 percent) than Public Housing dwellers (8 percent) live in census tracts with less than 10 percent poverty; evaluations are finding better educational, social and behavioral outcomes from the greater opportunities available in these neighborhoods. The Budget increases funding for housing vouchers, expands opportunities for families to choose housing that best fits their needs, and provides more help to see that vouchers are used effectively.
- ***Labor/Training:*** This Budget begins a wide-ranging reform of Federal investments in training and employment. In 2002, there are at least 48 overlapping training and employment programs scattered around 10 agencies. For several programs that are duplicative or have a history of poor performance, funding is reduced or terminated, reducing the number of programs from 48 to 28. For the many other training programs where performance measures are inadequate or not comparable, a multi-year effort will begin to assess relative effectiveness, shift resources to programs that prove effective, and eliminate ineffective or duplicative programs.
- ***Labor:*** The backlog of the H1-B visa program will be eliminated by shifting funds from an ineffective grant program, and reforming the visa review process.
- ***Research:*** Rigorous peer review of proposals for research is an effective tool in selecting projects that are most likely to yield useful results. The Budget more than doubles funding for USDA's National Research Initiative, and reduces other agricultural research, in an effort to increase peer review. Also to promote merit-based competition, NOAA's Sea Grant program, and the Interior Department's toxic substances hydrology program will move to NSF.
- ***Corps of Engineers:*** For the Corps navigation program, the Budget funds improvements for those waterways with the greatest economic return, and limits funding for those with little commercial traffic.

Setting Program Targets and Strategies

As programs learn to link performance and cost, they can set targets in their annual performance plan in line with their budget request. This helps to gain support for their request and holds them accountable to achieve the targets. Understanding relationships between cost and performance helps to achieve better performance, to gauge the additional cost of additional performance, and, in some programs, to set appropriate fees.

- ***Commerce:*** The National Weather Service, an effective program, got an increase in funding and specific targets to increase hurricane warning lead time two hours by 2005, double tornado lead time to 22 minutes by 2015, improve aviation forecasting accuracy by 13 percentage points by 2007, and improve temperature and river forecasts for a pilot region by 2004. Lives will be saved by more timely evacuations; airline and energy industry costs and energy use will be reduced.
- ***Health and Human Services:*** The Food and Drug Administration plans to increase the speed of processing generic drug applications to act on 75 percent within six months of receipt in 2003, up from 50 percent in 2001. FDA will also triple inspections of foods it regulates that are imported into the United States.
- ***Housing and Urban Development:*** HUD has set a target to raise the minority homeownership rate to 50 percent in 2003.
- ***Justice:*** The Budget supports a six-month standard for processing all immigration applications. The Immigration and Naturalization Service will streamline and redesign its entire process, improving efficiency to reach this target. This will be done with a clear focus on thorough and timely screening of all applicants to ensure security. Justice has also set targets for immigration enforcement, prison crowding, and detention cost and quality.
- ***Social Security Administration:*** SSA has targeted an increase in retirement claims processed within 14 days from 84 percent in 2001 to 87 percent by 2003, an increase in customer initiated services available electronically from 21 percent to 40 percent; and an increase in callers access to SSA's 800 number within five minutes of their first attempt from 92 percent in 2001 to 94 percent in 2003.
- ***Transportation:*** DoT manages programs to improve safety in all modes. They have set targets to reduce the number of serious airport runway incursions from the 52 last year. The Department also hopes to reduce highway fatalities and injuries by increasing seat belt usage to 90 percent by 2005, and reducing alcohol-related fatalities to 11,000 by 2005.
- ***USAID:*** The Budget increases funding for global efforts to combat HIV/AIDS. A rapid scaling up of the program will focus on four countries (Cambodia, Kenya, Uganda, and Zambia) to reduce HIV prevalence in young adults by 30 percent, increase the proportion of infected, pregnant women getting antiretrovirals to prevent mother-to-child transmision to 7 percent, and increase the percentage of orphans receiving community services to 12 percent.

Adding Incentives to Enhance Program Effectiveness

Even effective programs can further enhance their results by adding incentives for grantees, contractors, and employees. For less effective programs, this could provide a crucial boost to the search for innovation, efficiency, and new strategies.

- ***Agriculture:*** The Food Stamp quality control system measures how accurately States determine Food Stamp eligibility and calculate benefits. While the system is necessary to ensure program integrity, the current system's sole focus on payment accuracy does not recognize State efforts to achieve other important program goals, such as promoting access among working households. As part of Food Stamp reauthorization, the President proposes rigorous, but fair, reforms to the quality control system and performance bonuses for payment accuracy and customer service.
- ***Commerce:*** The Administration will propose that reauthorization of the principal legislation governing marine fisheries conservation enable the use of transferable fishing quotas in appropriate circumstances. This strategy can improve economic incentives for fishing investment and activity, which help both profitability and environmental sustainability. Currently, 20 percent of major marine fish stocks are over fished and another large fraction has unknown population status.
- ***Education:*** Vocational Rehabilitation State Grants are already rated effective, but States vary widely. As part of the initiative to integrate performance measures and budget decisions, companion Incentive Grants will be allocated to States based on their performance in helping individuals with disabilities obtain competitive employment.
- ***Energy:*** The Power Marketing Administrations provide an unusual example of improved incentives. PMAs receive their power from hydroelectric dams operated by the Corps of Engineers and the Bureau of Reclamation. In 2003, three additional PMAs will join Bonneville Power Administration in directly paying the Corps' operating and maintenance expenses, permitting the PMAs to negotiate directly with the Corps over their maintenance and upgrades.
- ***Health and Human Services:*** The effective Temporary Assistance for Needy Families (TANF) program began in 1996. TANF includes a system of high performance bonuses to reward States that have excelled in a variety of areas, including employment outcomes and continued access to benefits. The bonus to reward States with a reduction in out-of-wedlock births is less effective and so is being eliminated, with the funds redirected to develop new approaches to reduce illegitimacy and promote family formation.
- ***Labor:*** The Federal Employees' Compensation Act will charge agencies for the full cost of FECA administration as well as workers' benefits, and will implement a number of reforms to strengthen program integrity, discourage frivolous claims, and promote benefit equity.
- ***State:*** OMB and the State Department are coordinating an effort to right size the government's overseas presence. Information is being developed on how many employees from which agencies are stationed overseas and what they are doing. OMB and the State Department are developing a proposal whereby the many agencies that the State Department hosts will be charged for the full cost of the space and services that they use, providing a new incentive to balance cost against the benefit of overseas presence.
- ***Treasury:*** The United States proposes to negotiate a significant increase in the level of assistance provided to the poorest countries as grants rather than loans. The U.S. will focus this aid on countries with sound policy environments and demonstrated performance, and on operations that raise productivity. The institutions which distribute the aid will be asked to develop reliable performance and output indicators. The U.S. will increase its contributions in 2004 and 2005 conditional on specific actions and the achievement of results.

Improving Efficiency in Programs and Support Services

If the Federal role is appropriate and the program is effective or undergoing reform, then attention turns to the most efficient way to produce outputs. This is more difficult than in the private sector, where market price summarizes the value of the timeliness, accuracy, quality, and other characteristics of outputs. But attention to efficiency can result in the public getting more government services at the same or less cost.

- ***Agriculture:*** The Farm Service Agency and the Natural Resources Conservation Agency will work to reduce the reporting burden of the farmers they serve by 10 percent, and to increase the technical assistance to priority locations and the eligibility determinations they provide, while reducing cost.
- ***Agriculture:*** Rural Development has had considerable success centralizing loan servicing through a single, national office and information system. The Budget proposes that the Farm Service Agency emulate that success by establishing a service center to centralize farm loan servicing.
- ***Defense and Veterans Affairs:*** To increase the cost-effectiveness of providing medical care, the Department of Defense and the Department of Veterans Affairs will begin to coordinate with each other. They will share information to speed delivery of health services and ensure the safety of veterans who get care from both DoD and VA. They will also share resources instead of constructing new facilities, purchase supplies together, and coordinate patient transportation.
- ***Education:*** The Department of Education will reform the process of collecting Federal elementary and secondary education information from States in order to reduce administrative burden, maxi-

mize the usefulness of data, and improve accountability for results. This reform will permit staff to focus on results, thereby releasing the Department from a culture of compliance and shifting to a culture of accountability.

- ***Education:*** The Department of Education's costs for administering student financial assistance programs will be consolidated in a single discretionary account. Requests will be tied to unit cost targets for major tasks, such as applications processing, loan origination, and loan servicing, and to annual estimates of participation in various programs. These changes will enable the Department to measure its progress in meeting productivity and cost-efficiency goals.
- ***Health and Human Services:*** HHS is a many-layered bureaucracy with 40 Human Resources offices competing for recruits, more than 50 Public Affairs offices, and more than 20 Legislative Affairs offices. These will be consolidated into four Human Resources offices and one each for Public Affairs and Legislative Affairs. Three building maintenance and construction offices will be consolidated into one this year, and two more will be folded in next year, in order to concentrate expertise and set priorities for capital projects across the Department.
- ***Justice:*** To use detention space efficiently, the Department of Justice will create a National Clearinghouse for Detention Space; State, local, and private providers will electronically post vacancies, rates, services, and other data. Justice will also explore purchasing private prisons.
- ***Labor:*** DoL is providing focused compliance assistance to help employers prevent labor law violations or correct them voluntarily. Efforts include making the rules more understandable, posting them on the Web, providing on-site consultations, and developing interactive electronic tools to help employers and others understand occupational safety and health regulations.

These examples show that there are Federal programs with documented effectiveness. These programs attract support in the President's Budget. They show that making decisions based even on today's rough performance measures can improve results—by allocating resources to more effective programs, stimulating program reforms, providing constructive incentives, and cultivating good program management. The integration of performance measures in the budget process encourages their use in making decisions that improve results.

FOUNDATION FOR RESULTS

Measurement leads to improvement, but it is hard to find good measures in the Federal government. For instance, currently many program managers cannot get a consistent, full measure of the costs of their programs from agency budget systems. Frequently they do not actively participate in developing performance measures for the performance plans required under the Government Performance and Results Act (GPRA). The goal of the Integration Initiative is to give program managers better information on costs, involve them in a process of setting goals that are commensurate with the resources requested, and then hold them accountable for results.

In the same vein, while some agencies have made good progress in performance reporting under GPRA, a lot more needs to be done. Even information about the relationship of existing performance measures to the budget costs for specific programs is frequently not available for decision-makers and the public. This Administration has devoted substantial time and effort over the past year to integrating goals and costs, including making major changes in the budget volume. Notwithstanding this effort, it continues to be difficult to systematically assess either the effectiveness of programs, or their relative efficiency when compared to like activities in other areas of government and the private sector.

This lack of full, consistent information is the result of long standing barriers in agency organizations and reporting systems, some of which are built into law. To just begin to correct these deficiencies, the following steps are needed:

- The government's program managers must participate in the development of broad objectives and annual performance goals, and link those objectives and goals to an annual budget request.
- Agency reporting systems must be able to report on these goals, objectives, and costs in an integrated information system that can be aggregated into the President's Budget request and the agency budget justification that is transmitted to the Congress. Agency reporting systems must also provide acceptable after-the-fact evaluation and financial information on how well goals and costs have been achieved.

Making results the focus of the budget requires three significant changes. First, planning and evaluation—both oriented toward outcomes—must be thoroughly integrated into the budget process and documents. Second, the alignment of budget accounts—and especially their subdivision into "program activities"—should be reviewed so that the budget can readily relate resources used to the results produced, and so that good management is supported. This can be done separately for each agency. Third, accounts and activities should be charged consistently for the full annual cost of the resources used. This requires legislation.

In October, the Administration transmitted legislation to the Congress to charge the employer's share of the full accruing cost of retirement benefits to Federal employers. A companion bill to complete full charging for other resources used to produce outputs is being developed for transmittal following this Budget. Together, these changes are important steps toward a more results-oriented government.

The broad objectives of the Integration Initiative are clear enough, but, as with performance measurement in general, translating these objectives into specific goals and making the changes necessary to meet the goals is much harder and takes a long time. Many program managers, budget officers, performance measurement staff, and other government officials are struggling with this translation.

Integrating the Process

The first step in infusing planning and evaluation into budgeting is to produce greater collaboration. Some agencies report that these functions are already carried out by "the same" staff, and others are considering mergers. So far, the results of collaboration are usually more evident at the bureau than at the departmental level. Planning is more likely to precede budgeting at bureaus, and a crosswalk between performance goals and budget cost is often provided.

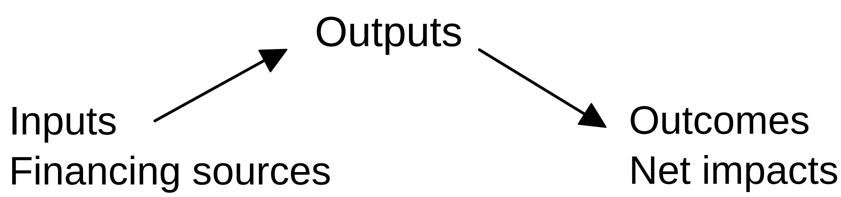
The Environmental Protection Agency is an example of an agency that has made substantial progress. It has an integrated staff to create the budget, set output targets, and evaluate implementation. Another useful practice is followed by Health and Human Services, which holds a department-level joint plan and budget review for each of its operating divisions to prepare for the Secretary's budget submission to OMB.

The second step is to make a serious commitment to outcomes—and to evaluation of relevant programs to understand how outcomes can be improved. A results-oriented budget starts from the agency's strategic plan and its priorities. What outcomes will the agency espouse? How do its programs and activities help to achieve each outcome? Targeting an outcome, which the agency may influence but cannot control, seems risky. Yet without a serious commitment to outcomes, the agency's programs may be efficient—but only accidentally will they be effective. Moreover, agencies without this commitment are likely to have so many "performance measures" that few capture attention, get agency priority, or aggregate into results that the public cares about. Below are two examples of outcomes related to agency outputs. Note in the first example how an outcome—highway safety—may be produced by the outputs of several different agency programs and activities taken together.

- ***Transportation.*** To reduce highway fatality and injury rates, DOT will test automobiles to ensure compliance with safety standards; promulgate new or revised safety standards in several areas; invest in infrastructure improvements to reduce conditions or factors most associated with highway fatalities, such as single vehicle run-off-the-road crashes (which cause 38 percent of all deaths); and increase research into how the growing levels of driver distractions may increase accident rates.
- ***Veterans Affairs.*** To improve the overall health of veterans through high-quality, safe, and reliable health services (an outcome), VA has sharply increased its score on the Care Index (a measure of the degree to which VA follows nationally recognized guidelines for the treatment and care of patients with one or more of five major ailments) and on the Prevention Index (a measure of the degree to which VA follows nationally recognized prevention and early detection recommendations for eight diseases or health-risk factors).

Finally, a single streamlined, integrated plan-and-budget document should eventually be produced. So far, agencies have included budget amounts in their annual performance plan, first at an aggregate level and then in more detail. They have also included performance measures in their budget justifications, sometimes linked with program resources. Plans are relatively streamlined; budgets rarely are—not even in the sense of a streamlined overview with supplementary volumes. The Department of Labor and some other agencies are working toward a single integrated document. But few have learned a lesson from great chefs: "reductions" take more time, but they have more flavor!

Chart 1-1. Linking Resources with Results



- Program managers with authority over budgetary resources and staff offices are charged for the full annual cost of resources used and are responsible for efficient production of related outputs.
- Evaluation determines which outputs with which characteristics do most to improve the desired outcomes. Several programs may influence a single outcome.

Improving Alignment

Account and activity alignment should eventually fit the nature of each agency and bureau. Alignment needs to be considered with care. Consideration might begin with the question: What general principles for alignment contribute to creation of a results-focused budget?

Attention naturally turns to programs for the public that carry out the agency's mission. The agency's Strategic Plan, which is based on its authorizing legislation and involves wide consultation, is a potential starting point for identifying strategic goals and the outcomes that the agency seeks to improve. If the agency's perspective or environment have changed enough to affect its strategic goals (e.g., the Department of Justice after September 11th), they need to be brought up to date. The agency's main goals could be listed, along with the outcomes that measure success in achieving each. This could provide an organizing framework for the integrated plan and budget document.

The traditional—indeed Constitutional—purpose of the budget accounts is to control budgetary resources. That emphasis will continue, and no changes in budget concepts or total budget outlays are proposed as part of the Budget and Performance Integration Initiative. But the account structure needs review to ensure that it supports, or at least does not hinder, good management. From that perspective, all of the resources used by a bureau or other organization should be financed from one or more budget accounts associated with it. At an aggregate level, resources would be managed by those accountable for achieving results.

Bureaus are clearly visible in the budget account structure of almost all Departments. Many accounts finance an entire bureau or office. Where there are more accounts, there is often a good managerial reason: a major program may have an account of its own; large mandatory transfers or grants may be in a separate account from administration and other complementary discretionary activities; if the bureau conducts programs and activities for very different major purposes, separate accounts may support better decisions. But multiple small accounts for similar purposes are usually unnecessary. And multiple accounts for different inputs or different activities leading to the same output or outcome may inhibit a manager striving for the best results. Some account consolidation might be useful.

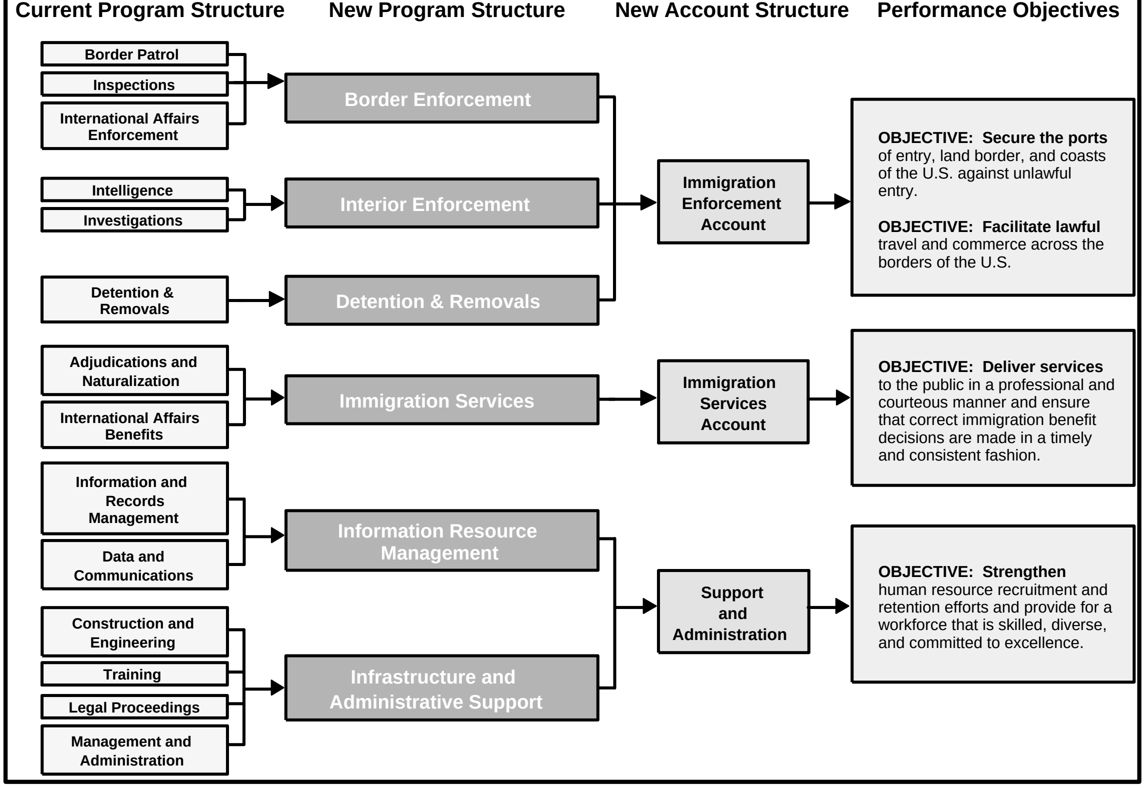
The "program activity" sections that subdivide budget accounts offer an opportunity to improve linkage between resources and results. In accounts that finance provision of goods, services, grants, transfers, credit, insurance, or regulation for the public, program activities could align the resources used with the results achieved—usually an output for the public, such as loans made—with related performance measures that influence desired outcomes, such as the percent of loans made to first-time homeowners and the percent that remain in payment status. This is sometimes current practice. But in other cases, these subdivisions may show inputs, some-but-not-all of the funding for an output, or an intermediate process that contributes to several outputs. Such practices make it difficult to show the full annual cost of resources used to achieve specific results. They also splinter responsibility for achieving results that Americans value.

Immigration and Naturalization Service Program and Account Restructuring

In 2003, the Administration is proposing a realignment of the Immigration and Naturalization Service's (INS's) account structure. In the past, INS had three accounts: salaries and expenses, construction, and immigration support. A person looking at the INS accounts could not determine how much money was spent on immigration enforcement or immigration services. Even looking at various fee accounts, one could not see how much of the money collected from application fees went to processing the application versus enforcing immigration law. The new structure provides the full picture of how much money collected from application fees went to processing the application versus enforcing immigration law. The new structure provides the full picture of how much money is spent to fulfill the agency's dual missions of enforcement and services.

This proposal realigns the INS budget and account structure with the Department of Justice's and INS's Strategic Plan objectives, making it easier to track resources with results. It not only changes the account structure but also collapses the current program structure from 13 different programs to six programs that directly link to performance objectives. It organizes similar enforcement actions together and clearly separates immigration services and support operations. The support and administration account is temporary, capturing the overhead and support costs that could not be easily spread in the first year. INS plans to spread these costs in the 2004 budget. This will complete the realignment of funding to allow for linking funding with performance goals—so the public knows what it is getting for its money.

Chart 1-2. INS Program & Account Structure Linked to Performance Objectives



Thoughtful long-term reforms are needed in budgetary structure to manage for results. The Federal Aviation Administration is improving its budget accounts for capital and research by aligning funds under performance outcome goals. The agency is also streamlining these accounts to increase managerial flexibility to achieve performance outcomes. A more extensive example of an agency working on this problem is the Immigration and Naturalization Service. The presentation on the previous page shows their prior account structure, how they transformed it, and how it lines up with INS's performance objectives.

Charging Full Annual Budgetary Cost

To show the full annual budgetary cost consistently across all programs requires more than improving account and activity alignment. It also requires providing budget authority to cover the resources used for each program and oversight account, and charging all accounts for the full annual cost of using resources. Currently this is not systematically done.

- Civilian retiree health benefits have all been paid centrally for the whole government; military health benefits have been paid centrally by DoD and the small uniformed services. Costs are not shown when the benefits are earned; only when they are paid.
- Pensions for new civilian employees and for military employees were reformed in the mid-1980s, with employers paying their share of the accruing cost. But costs for employees hired earlier under the Civil Service Retirement System are only partly charged, and several small systems are pay-as-you-go, which creates an uneven effect across programs.
- Support goods and services are often paid centrally by agencies or provided to programs at less than full cost. There are indications that programs use different amounts and kinds of support in these circumstances than when they pay full cost. In other instances, agencies may allocate cost to the programs, leaving managers feeling burdened.
- Capital costs are most problematic. From the program manager's perspective, they may be zero if financed centrally, some share of acquisition cost if that is allocated, the rental value if office space is rented from GSA, or a substantial bite out of their budget for a rare capital acquisition.

In sum, program costs are often lower than annual operating costs—by widely varying amounts—and sometimes higher. The Budget and Performance Integration Initiative will improve on this and begin to create more complete and uniform measures of annual budgetary cost across the government. That will begin to permit the fair comparison of the cost of one program with another.

Two complementary legislative proposals—one already transmitted to the Congress and the other under development—would apply "best practice" consistently to show a more complete measure of budgetary cost where and when resources are used.

- To show resources where they are used, the second proposal would include a straightforward but powerful requirement: the full annual budgetary cost of resources used by programs shall be charged to the budget account or accounts that fund the program. More than one program might be funded by a single account so long as the amounts used are separately distinguished. These provisions would be deliberately general, leaving how they would be applied to case-by-case decisions on alignment.
- To show support services where they are used, the second proposal would create intra-governmental support revolving funds (ISRFs) from working capital, franchise, and other support revolving funds. Any support goods and services provided to more than one bureau would move into an existing fund or a newly created one. Like all other accounts, ISRFs would be charged for the resources they use and would charge programs and other customers enough to operate on a self-sustaining basis.

Three other provisions of legislation would use pairs of budget accounts to change when costs are shown in the program accounts without changing the timing for the budget totals. These cover all major cases where resources are used long before or long after they are paid for.

- Pensions and retiree health benefits are earned as Federal employees work; they are paid much later, after the employees retire. The legislation already transmitted would require program and other employer accounts to pay the employer share of the accruing cost of these benefits to retiree benefit accounts, where they are offsetting collections. These accounts would pay the benefits when they come due.
- Similarly, programs that generate hazardous substances would be required to pay the accruing cost to clean up contaminated assets at the end of their useful life. These payments would go to funds responsible for the cleanup.
- In contrast, capital assets are bought before they are used. In this case, an agency Capital Acquisition Fund (CAF) would be created. Following good budget practice, the CAF would request budget authority (BA) up front to acquire assets that are included in the budget, and outlays would be recorded when payment was made. However, this BA would be in the form of borrowing from Treasury authority. The CAF would then borrow for the period of the asset's useful life; collect annual capital user charges in proportion to asset use, and make the mortgage payments to Treasury.

The General Accounting Office supported these concepts for budgeting in the United States in a recent report, *Accrual Budgeting: Experiences of Other Nations and Implications for the United States.* (February 2000).

Full Funding for Federal Retiree Costs. To make quick progress on these practices, the Administration split the required legislation into two parts. In October, the first bill—"Budgeting and Managing for Results: Full Funding of Retiree Costs Act of 2001"—was transmitted to Congress as Title II of the Managerial Flexibility Act of 2001.

The proposal charges to salary and expense accounts in all Federal agencies—most of which are funded by discretionary appropriations—the employer's share of the full annual accruing cost of retirement benefits above and beyond the amounts that are charged now. The bill requires charges for:

- the full accruing cost of the Civil Service Retirement System and the parallel Foreign Service and CIA pensions,
- retired pay for the small uniformed services (Coast Guard, Public Health Service, and NOAA),
- retiree health benefits for civilian employees in the Federal Employee Health Benefit Program, and
- retiree health benefits for the seven uniformed services. For the latter, accrual of health benefits for those 65 and over will start in 2003 under existing law, and accrual of benefits for younger retirees is proposed to start in 2004.

Existing liabilities are amortized by mandatory payments from the general fund, and benefit payments are mandatory.

This component of cost was proposed first because it could be implemented largely by changing the amounts paid from and to existing accounts. These costs are displayed by account in the 2003 Budget for 2003 and beyond, with comparable estimates published for 2001 and 2002.

The bill does not change total budget outlays or the surplus/deficit; it shifts costs from central mandatory accounts to increase the affected discretionary accounts on the civilian side by $9.2 billion. The additional discretionary amounts were treated as an adjustment in this Budget.

Thus, the Budget requests sufficient funding by account for this conceptual change, except for programs that are funded by user fees. Under OMB Circular A–25, the costs of the latter programs are expected to be covered by their fees. The adjustment for accounts producing support goods and services is made in their customers' budget accounts.

This legislation would fully fund the employer share of all Federal pensions, retired pay, and retiree health benefits by agency payments to the retiree benefit funds each year as they are earned by employees. It would amortize past unfunded liabilities on a regular schedule by payments from Treasury to the retiree benefit funds. The legislative language requires the appropriate amounts to be paid out of all salary and expense appropriations, just as they are now for the Federal Employee Retirement System (FERS) and the Military Retirement System (MRS).

These charging practices would go a long way to close the gap between current budgetary cost and uniform full operating cost so that cost and results can be compared with each other and across programs.

The bill would not change the government cost that would be compared with private offers in a public private competition. These costs are already included in the OMB Circular A–76 comparison. But it moves toward the possibility of fair competition without the current burdensome process.

Full Budgetary Cost and Performance Integration. As discussed above, the Administration is developing a second proposal to charge uniformly for other resources where and when they are used. It is intended for transmission to Congress after this Budget. Implementation would start in the fiscal year 2004 Budget, but with additional implementation in future years. This proposal covers the 24 CFO Act agencies, except that the Director of OMB may extend the support goods and services provisions to other agencies.

While still under review, this proposal's key goal is to facilitate the full annual budgetary cost of resources used by programs being charged to the budget account or accounts that fund the program. More than one program may be funded by a single account so long as the amounts used are separately distinguished. How this is worked out in each agency—and how closely it hews to the spirit of aligning costs with outputs and outcomes—will determine where the costs defined in the other provisions will be charged. To retain the current degree of flexibility to deal with changing circumstances, the proposal will include limited transfer authority.

None of the budgetary changes in this proposal will affect the "bottom line" of the budget as a whole, or the basic budgetary concepts of budget authority, obligations, and outlays. They do increase the amount of discretionary budget authority that must be appropriated to capture the full cost of programs. The effect of this will be that programs that produce outputs for the public will recognize discretionary spending in the budget at the time when they incur costs.

Therefore, for each program, the budget account would show the total budgetary resources used to pay annual operating cost. Comparison of resources and results will be systematic when allocating resources; and managers will have timely feedback and better resource control with which to achieve better results.

MANAGING FOR RESULTS

What you measure is what you get. The greatest initial impact from integrating performance and budgeting is that we will begin to get better results for each budget dollar. In the slightly longer run, managing for results will continually improve program outcomes. *The President's Management Agenda* launched this effort last August. The Agenda includes five government-wide initiatives that are intended to work together as a mutually reinforcing set of reforms. In addition to Budget and Performance Integration, they are Strategic Management of Human Capital; Competitive Sourcing; Expanding Electronic Government; and Improving Financial Performance.

The Strategic Management of Human Capital Initiative will align human resources with programs and their outputs, so that real as well as budgetary resources will be focused on producing results. The Competitive Sourcing Initiative will give program managers more choice in the character and cost of the inputs they buy with the budgetary resources they control. The Expanding Electronic Government Initiative will help programs to coordinate and deliver services. And the Improved Financial Performance Initiative will integrate financial and performance information that, together with Budget and Performance Integration, will provide timely, analytical feedback to managers. These Initiatives place more authority and accountability for outputs at the operating level, use working groups and intermediate levels of management to coordinate programs to influence outcomes effectively, and focus top management on policy development and oversight.

The basic idea is to align authority, staff, and all resources used with specific bureaus and programs, to provide flexibility in the use of those resources, and to hold managers and staff accountable—with rewards when successful—for achieving agreed-upon results. Following the spirit of accountability, this Budget is presented by Agency rather than by cross-cutting functions.

These five government-wide Presidential initiatives were selected because in each area the Federal Government is operating below potential, yet there is also a clear path to improvement with a major pay-off at the end. As a goal post, each of the initiatives included standards setting forth the characteristics that would define the success to be achieved over the next three years. OMB is working with agencies to customize the progress that each agency should make this year to achieve full success within three years. Agencies will earn “green lights” on progress for each quarter in which they meet the milestones along their agreed pathway to success.

Chart 1-3. Moving Toward Results-Oriented Government

Results orientation will be infused into every aspect of government:

Budgeting -- results, targets, and structure

Managing -- in the spotlight

Staffing -- align and empower staff, reward results
Acquisition -- competitive, performance-based
IT -- integrated, timely, delivering service

Reporting -- accurate, timely, and integrated

Strategic Management of Human Capital

A growing portion of the Federal workforce will become eligible to retire over the next decade. Good human resource management is needed to ensure that people with the necessary skills are hired, trained, and retained to provide public services. Human resources, as well as budgetary resources, need to be aligned with programs and activities that produce results. Aligned managers should be delegated the authority they need to get the job done, including more flexibility to hire and manage personnel, rather than hampered by excessive layers of review. The Integration and the Human Capital initiatives both link rewards to individual and group success in reaching performance goals. Below are examples of good practice.

- ***Treasury*** implemented knowledge management systems to help preserve and share the experience and institutional memory of retiring employees.
- The ***Veterans Affairs*** Healthcare Network for Upstate New York involves its employees in developing work unit "stretch" goals at least 10 percent higher than the consensus expectation for the amount of work that will be accomplished. Employees have a stake in their success through a "goal sharing" incentive program, where modest awards are based on reaching goals at the regional and unit level. Since the program began, the program has reduced cost per patient and improved customer service and satisfaction.
- The ***General Services Administration's*** Public Buildings Service allocates regional office budgets based on nine performance measures. Targets are set for each measure, and a portion of the Performance Excellence Pool goes to regions for each goal they exceed. Organizational and individual performance has improved across the measures, with lower costs and better efficiency, effectiveness, and customer satisfaction.

Competitive Sourcing

The President's Management Agenda includes an initiative to acquire an increasing proportion of commercial goods and services through competition among and between public and private sources. The process, as defined in OMB Circular No. A–76, relies on a performance-oriented statement of work and a comparison of the full costs to the taxpayer for each source. Last March, OMB set a target for agencies to compete or convert to contract not less than 5 percent of their FAIR Act inventories of commercial work performed by Federal employees in 2002. Agencies were asked to compete an additional 10 percent of their FAIR Act inventory in 2003. The agencies will retain all of the savings achieved through Competitive Sourcing.

Innovation and efficiency are stimulated when agencies compete the acquisition of support goods and services from providers in their own agency, other agencies, or the private sector. Savings are generated which can be put to use in support of the agency's mission. The Department of Defense has competed 218 competitions since 1955, of which 57 percent were retained in-house, and 43 percent converted to contract. When retained in-house, the average savings were 34 percent.

However, OMB Circular A–76 is a cumbersome and complicated process. It requires developing a performance-based contract, conducting a management study to design a most-efficient-organization for the in-house bidders, and making an elaborate cost comparison. The process needs to be reformed to allow program managers to be free to acquire the support goods and services that best meet their needs.

Expanding Electronic Government

E-government can improve the coordination, efficiency, and effectiveness of delivering information and services to the public. These projects may bring together programs producing different outputs toward common outcomes, and help them to deliver services from the customer's perspective. In order to make the government truly "citizen-centered," agencies will have to work together around the needs of citizens and businesses—not agency boundaries. Citizen-centered government will use the Internet to give citizens the ability to go online and interact with their government. Below are some interesting examples.

- The Department of Commerce is using the Internet to serve businesses interested in international trade and minority contracting opportunities. Census uses e-government for its economic surveys of firms, and will use it more for the 2010 census of population.
- The Department of Labor's Occupational Safety and Health Administration accepts health and safety complaints over the Internet. In addition, individuals can use the Internet to discover lost pensions, and a pilot project allows people to calculate their approximate retirement benefits online.
- The National Science Foundation was the first agency to perform all of its critical interactions with its proposal applicants through the web. Over 99 percent of the proposals the agency receives are submitted electronically.
- The Social Security Administration is rapidly expanding online customer service options. These include making retirement claims, receiving Medicare replacement cards, checking account status on-line, getting access to change one's address and telephone number, and making direct deposits.

Improving Financial Management

Financial management is a natural complement to budgeting. Better account and activity alignment with performance is needed; resources should be charged where they are used. This congruence would facilitate accounting, and the emphasis on performance would provide incentives for, as well as facilitate, cost accounting. Performance, budgeting, and accounting information potentially could be entered using standard analytical software at the program and activity level, where it would be familiar and used as timely feedback, making it likely to be accurate. All entries should be fully coded to the Standard General Ledger. The modules as a whole could then be uploaded and consolidated.

- ***Transportation*** is implementing a new Department-wide financial management system that is geared towards capturing transactions at the source, automating the matching of expenditures to the obligating document, and obtaining electronic approvals. By capturing transactions at the source, this process reduces the likelihood of erroneous payments and posting the charges to the wrong contract. All organizations in DOT are working to convert to the new system by the end of calendar year 2002.
- The ***Treasury*** Franchise Fund consists of eleven "business activities," each with a separate account established to facilitate financial reporting. Although the audited financial statements of the Fund are presented on a consolidated basis, its financial system generates individual financial statements for each business activity. Revenue and expense data are recorded and reported by business line. Direct and indirect costs are identified by each business activity and reported internally on financial reports.
- The ***Social Security Administration*** included a comprehensive footnote disclosure in its Accountability Report that described the method they use to classify operating expenses by strategic goal. SSA aligns its strategic goals with its request for new budget authority as part of its annual budget request. They applied the same method to allocate primary administrative expenses to each strategic goal and reconciled that to the operating costs reported on the Statement of Net Cost.
- The ***Department of Education*** is using activity-based costing in its student financial assistance (SFA) programs to improve efficiency. SFA has worked with managers to define program and business activities, assign cost, and map the activities. A user-friendly reporting tool provides managers with on-line multidimensional views of the results. Quarterly management reports are provided to managers showing the cost of their business processes and providing insight into the drivers of those costs. Managers are being assigned cost reduction targets, which this system and benchmarking with private industry and other agencies will help them to meet.
- The ***Environmental Protection Agency*** provides integrated financial and programmatic data to the agency's managers to support decision-making based on costs. For example, EPA is tracking the cost for all major IT projects by phase. Agency cost accounting for the Superfund program has resulted in over $2.8 billion in cost recoveries. And the agency's accounting structure has been redesigned to provide the costs of achieving the goals, objectives, and sub-objectives embodied in their Strategic Plan and budget.

All five of the President's Initiatives thus contribute to the performance orientation and effectiveness of the Federal Government.

ECONOMIC ASSUMPTIONS AND ANALYSES

2. ECONOMIC ASSUMPTIONS

Introduction

Beginning in mid-2000, economic growth decelerated sharply. Over the following half-year manufacturing production declined, the Nation's payrolls grew very little, and the unemployment rate rose. In response to the slowing economy, the Federal Reserve cut the federal funds rate by 2-¾ percentage points during the first half of 2001, the largest reduction in such a short period since 1984. Fiscal policy also shifted to stimulate demand. In June, the President signed the Economic Growth and Tax Relief Reconciliation Act of 2001, which reduced personal income taxes by $44 billion during the second half of the year, the first installment in a multi-year permanent reduction in income tax liabilities.

Under normal circumstances, the strong monetary and fiscal stimulus either in place or enacted by mid-2001 would have been more than sufficient to reinvigorate the stalled economy. In fact, last spring most forecasters, including the Administration, were predicting that the sluggish growth that began in 2000 would end by late 2001 and the economy would again be growing at a sustainable pace that would keep the unemployment rate from rising further.

However, the normal channels of transmission linking economic policy and economic performance never had a chance to operate. The terrorist attacks of September 11th temporarily shattered consumer and business confidence. Faced with a highly uncertain and much more risky economic environment, consumers, businesses and investors for a brief time became much less willing to undertake the purchases and investments which are needed to achieve sustainable growth.

According to the National Bureau of Economic Research (NBER), the business cycle expansion that began in March 1991 ended in March 2001, six months before the terrorist attacks. The expansion lasted exactly ten years, making it the longest period of continuous economic growth in the Nation's history. In the absence of the terrorist attacks, the longest-running expansion might have continued well into its second decade. As the NBER stated, "Before the attacks, it is possible that the decline in the economy would have been too mild to qualify as a recession. The attacks clearly deepened the contraction and may have been an important factor in turning the episode into a recession." [1]

At the start of 2001, hardly any forecaster expected that the economy would slip into recession within a few months. None did, or could, anticipate the shock to the economy from the terrorist attacks later in the year. Consequently, forecasts of real GDP growth made in January 2001 turned out to be well above the actual outcome.

The forecasts made in January 2001 by the Administration, the Congressional Budget Office (CBO) and the Blue Chip consensus, an average of prominent private sector forecasts, projected real GDP growth in 2001 would be close to 2.5 percent. Although the official estimate of fourth quarter growth is not yet available, the consensus forecast anticipates that growth in 2001 will be close to 1 percent. The error was especially large for business capital spending. Most forecasters expected an increase in 2001; instead it fell sharply.

The forecasts made in January 2001 by the Administration, the CBO and the Blue Chip consensus for GDP growth in 2002 were all close to 3.5 percent. That is about 2-½ percentage points above the current projections for 2002, which are 0.7 percent in the economic assumptions used in this Budget; 0.8 percent in the January 2002 CBO projections; and 1.0 percent in the January 2002 Blue Chip consensus.

The large over-estimate of real growth during 2001–2002 contributed to a large over-estimate of receipts in FY 2002. Receipts are now expected to be $177 billion lower than anticipated in the 2002 Budget published in April 2001 due to the weaker economy and related factors, and outlays are expected to be $20 billion higher. Thus, the budget balance for 2002 has been reduced $197 billion due to the impacts from the unexpected weak economy. (For further details, see the section below "Sources of Change in the Budget Since Last Year.") Economic-driven misses in budget projections are not unusual, however. The budget balances for 1998 through 2000 were boosted by $135 billion to $200 billion each year due to economic and technical factors, relative to the forecast made at the start of each budget year. (For further discussion of the historical record of misses in budget projections and their sources, see Chapter 18, "Comparison of Actual to Estimated Totals for 2001.")

Despite the setback caused by the terrorist attacks, the economy appears to be once again poised to resume sustainable growth in 2002. The Federal Reserve cut the Federal funds rate four times after September 11th, lowering it to just 1-¾ percentage point in early December, the lowest it has been in 40 years. In total during 2001, the Federal Reserve reduced the funds rate by 4-¾ percentage points, which helped support consumer durables spending and residential investment in 2001 and which will stimulate business investment during the recovery this year. Inflation remains low, which will allow the Federal Reserve to ease further if that appears necessary.

Substantially lower energy prices will provide a boost to economic activity. Crude oil prices have fallen nearly

[1] National Bureau of Economic Research, "The NBER's Business-Cycle Dating Procedure", December 13, 2001, page 7.

50 percent since late 2000, with an especially sharp drop after mid-2001. Lower prices for gasoline, heating oil and natural gas act like a tax cut for energy-consuming households and businesses, although this is partly offset by lower incomes for domestic energy producers. The net impact is stimulative because the United States imports a substantial portion of the energy it consumes.

Fiscal policy is also expected to boost growth. The bipartisan economic security package proposes lower personal taxes and increases incentives for business investment. These measures, along with the budget's "automatic stabilizers" such as lower income taxes and increased unemployment insurance payments, will provide additional purchasing power to households and businesses this year.

During each quarter of 2001, businesses cut back on capital spending in response to a "capital overhang" that developed in 2000 following the Y2K surge in spending, the unanticipated slowing of demand here and abroad, and the decline in corporate cash flow. When the economy begins growing again, businesses will have the willingness and ability to invest more in new plant and equipment. Also, businesses liquidated inventories during 2001 to such an extent that they will soon have to step up orders to replenish stocks. For these reasons, the usual dynamics of the business cycle are likely soon to swing from restraining growth to boosting growth. Increased orders for capital equipment and stockbuilding will require increased production, which will require more workers on payrolls, which will generate more incomes, restore confidence, stimulate consumer spending, and, in turn, lead to further increases in business investment. This "virtuous circle" has been the regular sequence of events in past business cycles.

Financial markets are already anticipating faster economic growth this year. The stock market is often a reliable leading signal of future economic activity, and it has risen sharply from its low point on September 21st. By mid-January, the Dow Jones Industrial Average had gained almost 20 percent and the technology-laden NASDAQ 40 percent. In every post-World War II recession, the economy has emerged from recession to expansion a few months after the start of a sustained stock market rally. Bond markets are sending a similar signal. The spread between short and long-term interest rates widened significantly in the final months of 2001, an indication that bond market investors also anticipate faster growth shortly.

Despite the encouraging signals from financial and nonfinancial markets, a strong and sustained expansion is far from assured. The recovery of business investment may be delayed; consumers may yet curtail discretionary spending in the face of uncertain prospects for employment and income; and U.S. exports may be weaker than anticipated as a result of slow growth abroad. In light of these downside risks that might prolong the recession, the Administration endorses the bipartisan economic security package to insure a quick and successful transition from contraction to expansion.

This chapter begins with a fuller review of recent economic developments and policy actions. The chapter goes on to present the Administration's economic assumptions that underpin the 2003 Budget projections and to compare these with the forecasts of the private sector and the Congressional Budget Office. The economic assumptions are conservative and close to those of the Congressional Budget Office and the consensus of private sector forecasters, both in the near-term and over the Budget horizon to 2012. As such, the Administration's assumptions provide a prudent basis for the budget balance projections. The following sections of the chapter describe how the economic assumptions have been revised since those of the 2002 Budget and how the changes in economic assumptions, policies and technical factors since last year have affected projected budget surpluses. The next section presents cyclical and structural components of the surplus. The chapter concludes with estimates of the sensitivity of the budget to changes in economic assumptions.

Recent Developments

The 2000–2001 Economic Slowdown: The slowdown in the economy's growth rate began in mid-2000, well before the onset of the recession in March 2001. During the second half of 2000, the economy expanded at only a 1.6 percent annual rate, and during the first half of 2001 growth slowed further to a mere 0.8 percent annual pace. A number of factors contributed to the deceleration of economic activity:

- First, from the end of 1995 through mid-2000 real GDP growth was at an unsustainably strong pace, averaging 4.3 percent per year. By mid-2000, it was clear to most observers that growth would have to slow for some period of time to permit the economy to return to its potential level.
- Second, the cost of credit rose during 1999 and the first half of 2000, as the Federal Reserve tightened monetary policy to avoid an acceleration of inflation.
- Third, the stock market fell after March 2000, with an especially pronounced drop for high-tech firms. The loss in equity wealth slowed the growth of consumer spending and raised the cost of capital to business. With the benefit of hindsight, it appears that the stock market at the end of the 1990s had reached unsustainable heights, especially for high-tech firms.
- Fourth, energy prices spiked in 1999 and 2000. The higher energy prices acted like a tax on consumers, leaving them with less income to spend on non-energy goods and services. Profits of non-energy producing businesses were squeezed by the higher costs of production.
- Finally, by late 2000, businesses found themselves with excess fixed capital and unwanted inventories. In response, firms sharply reduced business fixed investment and inventories during 2001.

Despite the equity losses, consumer spending continued to sustain the economy's growth after mid-2000. Consumer spending adjusted for inflation accounts for two-thirds of GDP and residential investment another 4 percent. With 70 percent of the economy growing, albeit at a somewhat slower pace, real GDP continued to expand slowly through the second quarter of 2001. Residential investment also expanded during the period of decelerating GDP growth, spurred by historically low mortgage interest rates. During 2001, the rate on 30-year mortgages averaged 7.0 percent, the lowest level since the 1960s. Housing starts actually increased after mid-2000 and total home sales set a record high in 2001.

The business sector was the major source of restraint responsible for the deceleration of GDP growth. After eight successive years of double-digit growth, real investment in equipment and software slowed sharply beginning in the third quarter of 2000, and declined in each of the next four quarters. The decrease in investment in high-technology equipment was especially pronounced, but spending on other types of equipment and structures also declined. As the economy's growth slowed, excess capacity emerged in many industries and reduced the immediate need for new capital investment to augment capacity. Businesses also sharply reduced their inventory investment during the second half of 2000 and continued to liquidate inventories in 2001 as they sought to bring stocks back in line with weakened sales. Although inventories are a relatively small component of GDP, they are subject to substantial swings that exert a disproportionately large impact on GDP growth around business cycle turning points. Since the middle of 2000, declining inventory investment has reduced real GDP growth by between one-half percentage point and 2-½ percentage points in each quarter. Although the official data are not yet available, inventory liquidation in the fourth quarter of last year appears to have again reduced real GDP growth substantially.

Government purchases added a little less than one-half percentage point to real GDP growth after mid-2000. Virtually all of that modest contribution to growth came from State and local spending; Federal government spending hardly increased. Net exports also had only a small impact on GDP growth after mid-2000. Growth of U.S. exports was hurt by slow growth abroad, while the growth of U.S. imports was restrained by the deceleration of U.S. domestic demand. As a result, the net export balance, which had deteriorated sharply during the last half of the 1990s, hardly changed after mid-2000. The unemployment rate began rising steadily after its cyclical low in October 2000 at 3.9 percent.

Fiscal Policy: In keeping with his campaign pledge, soon after the President took office in January 2001 he proposed substantial tax relief for the American people. That goal was achieved with the passage of the Economic Growth and Tax Relief Reconciliation Act (EGTRRA) in June. The Act, which is projected to reduce taxes by $1.24 trillion over 11 years, will enable families to keep more of their income and will provide new incentives to work and save. The bill reduces marginal income tax rates; reduces the "marriage penalty" for most married couples; increases the child and adoption tax credit credits; eliminates the estate tax; and increases the annual contribution limits to IRAs, 401k retirement plans, and educational IRAs. Many of these tax reductions became effective starting in 2001 or 2002 and were phased in over several years.

The tax reduction package was well timed to support a weakened economy. Beginning in July of 2001, 85 million taxpayers received rebate checks totaling $36 billion. These checks represented a full year's tax reduction from the creation of the new 10 percent tax bracket carved out of the beginning of the 15 percent tax bracket. In addition, beginning July 1st, payroll tax withholding schedules were reduced to reflect the phase-in of the lower marginal income tax rates for those in the 28 percent tax bracket and higher. In January of this year, payroll withholding schedules were lowered to reflect the new 10 percent tax bracket that took the form of a rebate in 2001. All told, the rebate and other withholding changes are estimated to have reduced personal income tax liabilities by $44 billion in calendar year 2001 and are expected to lower them by $52 billion in 2002. The lower taxes enable households to increase spending and pay down debt. Adding in all the other major personal income tax reductions, EGTRRA is estimated to reduce taxpayers' 2002 calendar year liabilities by about $70 billion.

In this Budget, the Administration proposes an economic security package to insure that the economy recovers quickly from the recession. The package includes: speeding up the income tax reductions Congress passed last year as part of EGTRRA; tax refunds to lower- and moderate-income families who did not benefit from the income tax rebates in 2001; providing partial expensing of new investment and reforming the corporate alternative minimum tax. In addition, the Administration supports measures to provide immediate assistance to laid-off workers, both by extending their unemployment benefits and helping them retain their health insurance coverage.

Monetary Policy: Beginning in early 2001, the Federal Reserve consistently pursued an easier monetary policy to reinvigorate the unexpectedly weak economy and to offset the shock to confidence from the terrorist attacks of September 11th. The Federal Reserve cut the Federal funds rate by one percentage point in January 2001 and by one-half percentage point in March. In the following months, and especially after September 11th, the Federal Reserve further reduced the Federal funds rate. All told, the funds rate was cut eleven times during 2001, reducing it from 6-½ percent to 1-¾ percent by early December, the lowest it has been since the early 1960s.

Credit markets responded to the monetary easing. Short-term interest rates matched the decline in the funds rate. At the long end of the maturity spectrum, yields had already declined substantially in late 2000 in anticipation of the Fed's shift in policy, and then fluctuated somewhat during 2001 as prospects for recovery varied. On October 31st, the Treasury announced it was halting sales of the 30-year bond, and the yield on long-term Treasury notes dropped sharply, but within a month yields returned to pre-announcement levels. By January 2002, as the recovery in economic activity appeared close at hand, the yield on the 10-year Treasury note had risen to 5.1 percent, close to the level at which it began 2001. The steeply upward sloping yield curve at the start of 2002 was another signal from credit markets that the economy was about to emerge from recession to recovery.

The Recession and the Post-September 11th Economy: The terrorist attacks pushed a weak economy over the edge into an outright contraction. After September 11th, the forces that had been restraining growth since mid-2000 were augmented by temporary disruptions to business travel and tourism and by the temporary shock to confidence that the terrorist attacks had engendered. As a result, real GDP decreased at a 1.3 percent annual rate in the July-September quarter and probably contracted in the October-December quarter as well. [2] Consumer and business confidence plummeted immediately after September 11th. The Conference Board's survey of consumer confidence dropped 26 percent from August to October. When the financial markets reopened following the attacks, there were sharp declines in asset values. On September 21st, when the stock market hit its low point, the S&P 500 was off 12 percent from its close on September 10th; the NASDAQ was down 16 percent.

Clear signs that the recession was taking hold also appeared in the Nation's labor markets. Payrolls began to shrink after the March business cycle peak but the largest job losses followed the September 11th attacks. All in all, 1.1 million jobs were lost last year, with over 943 thousand jobs lost in the last three months of the year. Manufacturing industries, and especially high-tech and other capital goods industries, experienced the largest job losses. But even the job-generating private service sector industries lost nearly 300,000 jobs last year. Initial claims for unemployment insurance surged during the second half of September and well into October. Layoffs accelerated, especially in industries directly affected by the attacks, such as the airlines, hotels, restaurants and car rentals. The unemployment rate jumped from 5.0 percent in September to 5.8 percent by December. For the year as a whole, the unemployment rate averaged 4.8 percent, the highest level since 1997. The weakening labor market last year was also evident in the declines in the labor force participation rate and in the employment-population ratio.

The growing underutilization of physical capital, which began in late 2000, became more pronounced in 2001, especially, after September 11th. By December, the manufacturing capacity utilization rate was only 73 percent, well off the 82 percent of mid-2000. The operating rate in high-tech industries fell to 60 percent in December, the lowest level for those industries since record-keeping began in the 1960s.

Signs of Recovery: In the closing months of 2001, there were tentative signs that the economy was about to emerge from the recession. After hitting bottom on September 21st, the stock market rose sharply and the yield curve steepened. Consumer confidence jumped 10 percent in December, and surveys revealed that consumers' expectations about the future had nearly returned to the levels attained in August.

Despite the shocks to confidence, consumers were still willing to make big-ticket purchases in the fourth quarter. Motor vehicle sales set a record high in the quarter, spurred by zero-percent financing. In past recessions, housing activity contracted sharply while consumer spending usually declined at some point. That pattern was not repeated this time. The considerable stimulus provided by the tax reductions and lower interest rates, and the restoration of confidence following early successes in the war on terrorism, appear to have sustained the household sector through this turbulent period.

Other signs of improvement could be seen in the labor markets, where the number of new claims for unemployment insurance tapered off sharply in November and again in December, while job losses in December were much less than in either October or November. Finally, business capital goods orders rose substantially in October and November, a signal that businesses were again beginning to undertake long-term investment commitments. As 2002 began, most forecasters were projecting that real GDP growth would resume in the first or second quarter of the year.

Nonetheless, a resumption of strong growth later this year is far from assured. The recent recovery of business and consumer confidence is still fragile and could be shattered by any adverse shocks. Job losses in December, although less than a few months earlier, were substantial and the unemployment rate was still on the rise. Faced with uncertainties about job security, consumers may yet cut back on spending as has often occurred in recessions. Businesses may still be reluctant to invest heavily in new plant and equipment. Finally, it may prove difficult for the hard-hit manufacturing sector to pull out of recession given the continuing weakness in U.S. export markets.

Economic Projections

The Administration's economic projections are summarized in Table 2–1. They assume that the policies proposed in the Budget will be adopted, notably the bipartisan economic security package to insure that the recovery does not falter. The Federal Reserve is assumed to pursue a monetary policy that supports a return to sustainable growth while continuing to keep inflation under control. These economic assumptions are conservative and close to those of the Congressional

[2] The first official estimate of fourth quarter GDP was released at the end of January, after this text was finalized.

Table 2–1. ECONOMIC ASSUMPTIONS [1]

(Calendar years; dollar amounts in billions)

	Actual 2000	Projections											
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Gross Domestic Product (GDP):													
Levels, dollar amounts in billions:													
Current dollars	9,873	10,197	10,481	11,073	11,681	12,321	12,962	13,614	14,299	15,020	15,775	16,569	17,404
Real, chained (1996) dollars	9,224	9,313	9,382	9,739	10,101	10,462	10,802	11,136	11,482	11,838	12,204	12,583	12,973
Chained price index (1996=100), annual average	107.0	109.5	111.7	113.7	115.6	117.8	120.0	122.2	124.5	126.8	129.2	131.6	134.1
Percent change, fourth quarter over fourth quarter:													
Current dollars	5.3	1.9	4.7	5.6	5.5	5.4	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Real, chained (1996) dollars	2.8	–0.5	2.7	3.8	3.7	3.5	3.1	3.1	3.1	3.1	3.1	3.1	3.1
Chained price index (1996=100)	2.4	2.4	1.9	1.7	1.7	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Percent change, year over year:													
Current dollars	6.5	3.3	2.8	5.6	5.5	5.5	5.2	5.0	5.0	5.0	5.0	5.0	5.0
Real, chained (1996) dollars	4.1	1.0	0.7	3.8	3.7	3.6	3.2	3.1	3.1	3.1	3.1	3.1	3.1
Chained price index (1996=100)	2.3	2.3	2.0	1.8	1.7	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Incomes, billions of current dollars:													
Corporate profits before tax	845	706	733	848	931	1,023	1,090	1,136	1,188	1,251	1,312	1,354	1,419
Wages and salaries	4,837	5,100	5,246	5,519	5,818	6,115	6,415	6,730	7,058	7,401	7,763	8,147	8,549
Other taxable income [2]	2,236	2,297	2,331	2,458	2,547	2,650	2,750	2,839	2,937	3,042	3,152	3,265	3,386
Consumer Price Index (all urban): [3]													
Level (1982–84=100), annual average	172.3	177.2	180.5	184.5	188.7	193.2	197.8	202.6	207.4	212.4	217.3	222.3	227.4
Percent change, fourth quarter over fourth quarter	3.4	2.0	2.4	2.2	2.3	2.4	2.4	2.4	2.4	2.3	2.3	2.3	2.3
Percent change, year over year	3.4	2.9	1.8	2.2	2.3	2.4	2.4	2.4	2.4	2.4	2.3	2.3	2.3
Unemployment rate, civilian, percent:													
Fourth quarter level	4.0	5.5	5.8	5.4	5.1	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9
Annual average	4.0	4.8	5.9	5.5	5.2	5.0	4.9	4.9	4.9	4.9	4.9	4.9	4.9
Federal pay raises, January, percent:													
Military [4]	4.8	3.7	6.9	4.1	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Civilian [5]	4.8	3.7	4.6	2.6	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Interest rates, percent:													
91-day Treasury bills [6]	5.8	3.4	2.2	3.5	4.0	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
10-year Treasury notes	6.0	5.0	5.1	5.1	5.1	5.1	5.2	5.2	5.2	5.2	5.3	5.3	5.3

[1] Based on information available as of late November 2001.
[2] Rent, interest, dividend and proprietor's components of personal income.
[3] Seasonally adjusted CPI for all urban consumers.
[4] Percentages apply to basic pay only; 2002 figure is average of various rank- and longevity-specific adjustments; adjustments for housing and subsistence allowances will be determined by the Secretary of Defense.
[5] Overall average increase, including locality pay adjustments.
[6] Average rate, secondary market (bank discount basis).

Budget Office and the consensus of private sector forecasters, as described in more detail below.

There are both upside and downside risks to the assumptions. If the favorable productivity performance since 1995 is maintained in the years ahead real GDP growth may be stronger than assumed here. On the other hand, the recession might prove deeper than expected or the recovery weaker, risks that would increase if Congress again fails to pass the bipartisan economic security package. The Budget assumptions take a balanced view of these risks and are intended to avoid either over- or under-estimation of available budgetary resources.

Real GDP: Assuming passage of the bipartisan economic security package, the recession is projected to end early in 2002 and the recovery is expected to be firmly established during the second half of the year. On a calendar year basis, real GDP is projected to rise 0.7 percent in 2002, following a 1.0 percent gain in 2001. Because of the timing of the business cycle, the transition from recession to recovery can be seen more clearly in the fourth-quarter to fourth-quarter growth rates in Table 2–1, which are –0.5 percent during the recession year of 2001 and 2.7 percent during the recovery year of 2002. Following the usual cyclical pattern, during the early stages of the economic expansion real growth is projected to exceed the long-run sustainable rate. During this period, the unemployment rate is projected to decline until it reaches a sustainable level of 4.9 percent in 2005. From 2006 through 2012, real GDP is projected to increase 3.1 percent per year, and the unemployment rate is projected to remain at 4.9 percent.

The largest contribution to GDP growth in the near-term is expected to come as massive inventory liquidation gives way to renewed accumulation during 2002 as businesses rebuild their depleted inventories. Beyond this year, inventories are likely to grow in line with sales and their contribution to GDP growth is likely to be quite small. After 2002, real growth is expected to be primarily supported by a return to strong growth of business investment, especially in productive high-tech capital, and by the moderate growth of consumer spending. Overall GDP growth, however, is not projected to return to the very rapid rates experienced in the last half of the 1990s. During those years, a stock market boom contributed to unsustainable growth rates of investment and consumer spending. Residential investment is expected to benefit from relatively low mortgage rates and growing demand for second homes for vacation and retirement. However, underlying demographic trends will make for a relatively moderate growth of homebuilding in the years ahead.

The Federal, State and local government components of GDP are also expected to grow at a moderate pace. Faster growth of Federal spending on security requirements is expected to be coupled with more moderate growth in other spending. State and local government spending is projected to be restrained by lingering fiscal pressures that developed during the recession. During 2002, the foreign sector is likely to exert a drag on real GDP growth. The recovery of world economic growth is expected to be led by the United States, which will tend to increase our imports at a time when our exports will still be hurt by slow growth abroad. In subsequent years, growth in our major trading partners is projected to pick up again and the net export sector will no longer be a source of restraint, and may even make a small contribution to GDP growth.

Potential GDP: The growth of potential GDP is assumed to be 3.1 percent per year through 2012. Potential growth is approximately equal to the sum of the trend growth rates of the labor force and productivity. The labor force component is assumed to rise 1.0 percent per year on average.

Potential productivity in the nonfarm business sector is assumed to grow 2.1 percent per year during 2002–2012, which is higher than the 1973–1995 average of 1.4 percent but lower than the 1995–2001 average of 2.4 percent. The assumed growth of potential productivity in the nonfarm business sector is close to the historical averages experienced both over the long-term of 1948–2001 and over the medium-term between the cyclical peaks in 1990 and 2001. The potential productivity trend is assumed to be somewhat below the average productivity growth of the last six years for two reasons:

- First, growth of business investment last year and in the next few years is likely to be somewhat less than experienced during the last half of the 1990s. As a result, there is likely to be a somewhat slower growth of capital per worker.
- Second, the fight against terrorism is likely to slow potential productivity growth as conventionally measured, at least temporarily. Businesses and governments will have to spend tens of billions of dollars to reduce the risks of terrorist attacks and to minimize the damage they might do if they occur. Although this spending will add to the Nation's well-being, much of this spending will not increase measured productivity growth, and could possibly diminish it. After a transition period, however, potential productivity growth is not likely to be significantly affected by the new security measures.

Inflation and Unemployment: Price inflation slowed last year, restrained by falling energy prices and growing slack in labor and capital markets. On a year-over-year basis, the Consumer Price Index (CPI) increased just 2.8 percent in 2001, down from 3.4 percent in 2000. Excluding the volatile food and energy components, the "core" CPI rose 2.7 percent last year, which was slightly higher than the 2.4 percent of 2000.

Over the past year, the consensus of private sector forecasters and the Administration have edged up their estimate of the unemployment rate that is consistent with stable inflation, from 4.6 percent to 4.9 percent. Although there is a wide range of uncertainty surrounding any estimate of the "NAIRU" (the non-accelerating inflation rate of unemployment), the small increase in both the core CPI last year and in average hourly earnings suggest that the NAIRU may be slightly higher than last year's 4.8 percent average unemployment rate. Nonetheless, at 4.9 percent, the NAIRU estimate is still well below the estimates that prevailed just a few years ago, reflecting the experience of recent years that demonstrated that the economy could operate at lower levels of unemployment without experiencing accelerating inflation.

The considerable slack in labor and product markets created by the recession is expected to restrain the growth of wages and prices this year. The unemployment rate is projected to decline steadily beginning in 2002 but still remain above the 4.9 percent NAIRU estimate until 2005, implying progressively lower inflation during these years. The CPI is expected to slow to 2.4 percent by 2006 and then remain at around that level. The GDP chain-weighted price index, which increased 2.3 percent in 2001, is projected to slow to 1.9 percent by 2006 and then stay at that level.

Increases in the CPI tend to be slightly larger than those of the GDP measure of inflation in part because sharply falling computer prices exert less of an impact on the CPI than on the GDP measure. In addition, the CPI uses a fixed market basket for its weights while overall GDP inflation uses a chain-weight system that reflects shifts in buying patterns, generally away from goods and services with increasing relative prices and towards those with decreasing relative prices.

Interest Rates: The budget's interest-rate assumptions are based on information as of late November. They project a rise in short-term rates through 2005 because the transition from recession to expansion will increase short-term credit demand. The yield on the 10-year Treasury note is projected to remain at around the 5.1 percent level reached when the assumptions were finalized. This projection assumes that the market price as of that date incorporated all relevant information, including the consensus view that the economy was about to enter an extended period of sustained economic growth.

Income Shares: The share of total taxable income in nominal GDP is projected to decline gradually. The share of wages and salaries is expected to trend lower as the share of nonwage benefits in compensation rises and as the labor compensation share of GDP declines to its longer-term average. The profits share, which fell sharply during the recession, is projected to rise in the initial recovery years, when a cyclical increase in productivity growth is likely to hold down unit costs and boost profit margins.

Comparison with CBO and Private-Sector Forecasts

The Congressional Budget Office (CBO) and many private-sector forecasters also make projections. The CBO projection is used by Congress in formulating budget policy. In the executive branch, this function is performed jointly by the Treasury, the Council of Economic Advisers, and the Office of Management and Budget. Private-sector forecasts are often used by businesses for long-term planning. Table 2–2 compares the Budget assumptions with projections by the CBO and the Blue Chip consensus, an average of about 50 private forecasts.

The Administration's projections assume that the President's policy proposals in the Budget, including the economic stimulus package, will be adopted. CBO normally assumes that current law will continue to hold. The private sector forecasts are based on appraisals of the most-likely policy outcomes, which can vary considerably among forecasters. Despite these differences in policy assumptions, the three sets of projections are usually very close for the key economic assumptions. The differences among them are generally well within the normal margin of error for such forecasts. Currently, the three sets of projections agree on the timing of the recovery and envision similar economic conditions during the subsequent expansion.

For real GDP growth, the Administration, CBO and the Blue Chip consensus anticipate that the economy will recover from the 2001 recession in 2002 and grow even faster in 2003. The differences between the Administration's projections in each year and those of the CBO and Blue Chip are quite small. Over the eleven-year span 2002–2012, all three have an identical forecast average of 3.1 percent annual real GDP growth

Table 2–2. COMPARISON OF ECONOMIC ASSUMPTIONS

(Calendar years)

	Projections											Average, 2002–12
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
Real GDP (billions of 1996 dollars):												
CBO January	9,398	9,782	10,146	10,471	10,804	11,145	11,493	11,850	12,216	12,590	12,972	....
Blue Chip Consensus January [2]	9,410	9,742	10,069	10,401	10,738	11,075	11,425	11,791	12,168	12,557	12,959	....
2003 Budget	9,382	9,739	10,101	10,462	10,802	11,136	11,482	11,838	12,204	12,583	12,973	....
Real GDP (chain-weighted): [1]												
CBO January	0.8	4.1	3.7	3.2	3.2	3.2	3.1	3.1	3.1	3.1	3.0	3.1
Blue Chip Consensus January [2]	1.0	3.4	3.4	3.3	3.2	3.1	3.2	3.2	3.2	3.2	3.2	3.1
2003 Budget	0.7	3.8	3.7	3.6	3.2	3.1	3.1	3.1	3.1	3.1	3.1	3.1
Chain-weighted GDP Price Index: [1]												
CBO January	1.4	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.9
Blue Chip Consensus January [2]	1.6	1.9	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.1
2003 Budget	2.0	1.8	1.7	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Consumer Price Index (all-urban): [1]												
CBO January	1.8	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.4
Blue Chip Consensus January [2]	1.7	2.4	2.6	2.7	2.7	2.7	2.6	2.6	2.6	2.6	2.6	2.5
2003 Budget	1.8	2.2	2.3	2.4	2.4	2.4	2.4	2.4	2.3	2.3	2.3	2.3
Unemployment rate: [3]												
CBO January	6.1	5.9	5.4	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.4
Blue Chip Consensus January [2]	6.1	5.7	4.9	4.9	4.8	4.9	4.9	4.9	4.9	4.9	4.9	5.1
2003 Budget	5.9	5.5	5.2	5.0	4.9	4.9	4.9	4.9	4.9	4.9	4.9	5.1
Interest rates: [3]												
91-day Treasury bills:												
CBO January	2.2	4.5	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.6
Blue Chip Consensus January [2]	2.1	3.4	4.5	4.7	4.8	4.8	4.7	4.7	4.7	4.7	4.7	4.3
2003 Budget	2.2	3.5	4.0	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.0
10-year Treasury notes: [3]												
CBO January	5.0	5.4	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.7
Blue Chip Consensus January [2]	5.1	5.6	5.7	5.7	5.7	5.8	5.8	5.8	5.8	5.8	5.8	5.7
2003 Budget	5.1	5.1	5.1	5.1	5.2	5.2	5.2	5.2	5.3	5.3	5.3	5.2

Sources: Congressional Budget Office; *Blue Chip Economic Indicators*, Aspen Publishers, Inc.

[1] Year over year percent change.

[2] January 2002 Blue Chip Consensus forecast for 2002 and 2003; Blue Chip October 2001 long run extension for 2004–2012.

[3] Annual averages, percent.

and the level of real GDP projected for 2012 is nearly the same in the three forecasts.[3]

All three forecasts anticipate low and stable GDP inflation in the neighborhood of 2 percent annually during the forecast period. The Administration's unemployment rate projection is very close to the Blue Chip's while CBO's projected unemployment rate is somewhat above the other two forecasts. In the outyears, the Administration and the Blue Chip project a 4.9 percent rate; CBO projects 5.2 percent. All three forecasts have similar interest rate projections for 2002, and foresee a rise in short-term interest rates in 2003 as the expansion gathers momentum. CBO projects a somewhat sharper rise in 2003 than the other two forecasts. During the outyears, the Blue Chip and CBO short-term projections are similar and slightly above those of the Administration. The Administration also projects somewhat less of an increase in long-term rates than the other two forecasts.

Changes in Economic Assumptions

As shown in Table 2–3, the economic assumptions underlying this Budget have been revised from those of the 2002 Budget to reflect unanticipated cyclical developments and the implications of the terrorist attacks. The current projection of real GDP growth has a pronounced cyclical swing that takes into account the recession during 2001 and the likely pick-up in activity in the recovery and expansion phases of the business cycle. On a year-over-year basis, real GDP growth is considerably slower in 2001 and 2002 than projected in the prior Budget assumptions and faster during 2003–2006. From 2007 onwards, however, real GDP growth in this and the prior Budget is projected to be 3.1 percent yearly, the same as the estimate of potential GDP growth during those years. Consistent with the near-term increase in unemployment and the lower level of interest rates at the end of 2001, inflation and interest rates are projected to be lower than in the previous Budget.

Primarily because growth during the initial years of the expansion is not expected to be as high as the 4 percent or more rate that has occurred in past recoveries, during 2001–2005 real GDP growth is now expected to average 0.5 percentage point less per year than previously projected. Consequently, as shown in the table, the level of real GDP is projected to be lower in each year than forecast in last year's assumptions, and from 2006 onward the level of real GDP is now projected to be about 2 percent lower than envisaged in last year's Budget assumptions.

Over the past year, the CBO and the Blue Chip have made similar reductions in their estimate of average growth during 2001–2011 and, as a result, have also lowered their estimate of the level of real GDP in 2011 by an amount similar to that in the Budget assumptions. Thus, the consensus view is that this cycle of recession and expansion is likely to be different from those of the past when the level of real GDP eventually returned to the pre-recession trend. As explained below,

[3] The Blue Chip consensus forecast for 2002–2003 is from January, 2002 *Blue Chip Economic Indicators;* the 2004–2012 forecast is from October, 2001.

Table 2–3. COMPARISON OF ECONOMIC ASSUMPTIONS IN THE 2002 AND 2003 BUDGETS

(Calendar years; dollar amounts in billions)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Nominal GDP:											
2002[1]	10,328	10,892	11,478	12,094	12,736	13,413	14,125	14,871	15,657	16,481	17,347
2003	10,197	10,481	11,073	11,681	12,321	12,962	13,614	14,299	15,020	15,775	16,569
Real GDP (1996 dollars):											
2002[1]	9,440	9,752	10,065	10,387	10,714	11,050	11,397	11,756	12,121	12,494	12,879
2003	9,313	9,382	9,739	10,101	10,462	10,802	11,136	11,482	11,838	12,204	12,583
Real GDP (percent change):[2]											
2002	2.3	3.3	3.2	3.2	3.1	3.1	3.1	3.1	3.1	3.1	3.1
2003	1.0	0.7	3.8	3.7	3.6	3.2	3.1	3.1	3.1	3.1	3.1
GDP price index (percent change):[2]											
2002	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
2003	2.3	2.0	1.8	1.7	1.8	1.9	1.9	1.9	1.9	1.9	1.9
Consumer Price Index (percent change):[2]											
2002	2.7	2.6	2.6	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
2003	2.9	1.8	2.2	2.3	2.4	2.4	2.4	2.4	2.4	2.3	2.3
Civilian unemployment rate (percent):[3]											
2002	4.4	4.6	4.5	4.5	4.5	4.5	4.5	4.6	4.6	4.6	4.6
2003	4.8	5.9	5.5	5.2	5.0	4.9	4.9	4.9	4.9	4.9	4.9
91-day Treasury bill rate (percent):[3]											
2002	5.3	5.6	5.6	5.6	5.3	5.0	5.0	5.0	5.0	5.0	5.0
2003	3.4	2.2	3.5	4.0	4.3	4.3	4.3	4.3	4.3	4.3	4.3
10-year Treasury note rate (percent):[3]											
2002	5.4	5.6	5.7	5.7	5.7	5.7	5.7	5.7	5.7	5.7	5.7
2003	5.0	5.1	5.1	5.1	5.1	5.2	5.2	5.2	5.2	5.3	5.3

[1] Adjusted for July 2001 NIPA revisions.
[2] Year over year.
[3] Calendar year average.

the unusual nature of this business cycle implies substantially lower projected budget surpluses, even when the economy returns to its potential growth rate.

The slower average real GDP growth rate for the forecast period, and the resulting lower level of real GDP, primarily reflects three factors:

- First, the overhang of capital that developed unexpectedly during 2001 has resulted in lower actual business investment during 2001 and slower growth of investment for the next few years than projected in the 2002 Budget assumptions. As a result, productivity growth for the next few years is projected to be somewhat slower because of the slower growth of capital per worker.
- Second, in the aftermath of the September 11th terrorist attacks, resources which might have been invested in expanding productive capacity will be diverted to enhance security. This diversion will slow productivity growth and real GDP growth slightly for the next few years.
- Finally, the Administration's estimate of the long-run sustainable level of the unemployment rate has been revised up modestly from 4.6 percent to 4.9 percent, as has the Blue Chip's, which implies a lower level of real GDP for the largely unchanged projected labor force.

Sources of Change in the Budget Since Last Year

The sources of the change in the budget outlook from the 2002 Budget pre-policy *baseline* to the 2003 Budget *policy* projection are shown in Table 2–4. The second block shows that enacted legislation reduced the projected pre-policy surpluses of $5.6 trillion during 2002–2011 by $2.1 trillion.

The third and fourth blocks quantify the impact on the budget outlook from changes in the economic assumptions and technical factors. Technical factors are those changes that are not due to explicit economic assumptions or legislation, such as income from stock options and the effective tax rate on corporate profits. Because of the interaction of economic developments and technical factors, it is difficult to estimate accurately their separate budgetary impacts. Block 5 shows that the combined changes due to economic and technical factors reduced projected surpluses by $1,345 billion. The Addendum shows that the lower projected level of real GDP in each year accounted for $851 billion of the reduced surpluses. Block 6 shows that policies proposed in this Budget are expected to reduce cumulative surpluses by $1,556 billion. Block 7 shows the resulting 2003 Budget policy surplus projection.

Structural and Cyclical Balances

When the economy is operating below potential and the unemployment rate exceeds the long-run sustainable average, as is projected to be the case for the next few years, receipts are lower than they would be if resources were more fully employed, and outlays for unemployment-sensitive programs (such as unemployment compensation and food stamps) are higher. As a result, the surplus is smaller, (or the deficit larger) than would be the case if unemployment were at the sustainable long-run average. The portion of the surplus (or deficit) that can be traced to this factor is called the cyclical component. The balance is the portion that would remain if the unemployment rate were at its long-run value, which is called the structural surplus (or structural deficit).

Compared to the actual, unadjusted surplus or deficit, the structural balance gives a clearer picture of the stance of fiscal policy because this part of the surplus or deficit will persist even when the economy is operating at the sustainable level of unemployment. For this reason, changes in the structural balance give a better picture of the independent impact of budget policy on the economy than does the unadjusted budget balance, which reflects the combined impact of policy and cyclical economic conditions on the budget.

From 1997 to 2001, unemployment was lower than could be expected to persist in the long run. Therefore, as shown in Table 2–5, in 1997 the structural deficit exceeded the actual unadjusted deficit and in 1998–2001 the structural surplus was smaller than the actual unadjusted structural surplus. In 2002, when the unemployment rate is projected to be above the sustainable level, the actual deficit is projected to be $106 billion at a time when the structural deficit is expected to be $18 billion. Beginning in 2006, the unadjusted and the structural surplus are about equal because the unemployment rate is projected to be at its sustainable level.

In the early 1990s, large swings in net outlays for deposit insurance (the S&L bailouts) had substantial impacts on deficits, but had little concurrent impact on economic performance. It therefore became customary to remove deposit insurance outlays as well as the cyclical component of the surplus or deficit from the actual surplus or deficit to compute the adjusted structural balance. Deposit insurance net outlays are projected to be very small in the coming years. Therefore, the adjusted structural surplus and the unadjusted structural surplus are nearly identical during the forecast horizon.

Sensitivity of the Budget to Economic Assumptions

Both receipts and outlays are affected by changes in economic conditions. This sensitivity complicates budget planning because errors in economic assumptions lead to errors in the budget projections. It is therefore useful to examine the implications of alternative economic assumptions. Many of the budgetary effects of changes in economic assumptions are fairly predictable, and a set of rules of thumb embodying these relationships can aid in estimating how changes in the economic assumptions would alter outlays, receipts, and the surplus or deficit.

Economic variables that affect the budget do not usually change independently of one another. Output and

Table 2–4. SOURCES OF CHANGE IN BUDGET TOTALS

(In billions of dollars)

	2002	2003	2004	2005	2006	2007	2002-2011
(1) 2002 Budget baseline							
Receipts	2,221	2,324	2,438	2,569	2,698	2,836	
Outlays	1,938	1,991	2,051	2,130	2,182	2,250	
Unified budget surplus	283	334	387	439	515	585	5,637
(2) Changes due to enacted legislation:							
Receipts	–33	–83	–104	–102	–126	–137	–1,127
Outlays	61	62	70	76	86	95	943
Surplus reduction (-), enacted legislation	–95	–145	–174	–179	–212	–232	–2,070
(3) Changes due to economic assumptions:							
Receipts	–82	–91	–81	–87	–100	–109	–1,077
Outlays	–7	–15	–13	–12	–11	–8	–63
Surplus reduction (-), economic	–76	–76	–67	–75	–89	–101	–1,014
(4) Changes due to technical factors:							
Receipts	–94	–29	–19	–14	–10	–9	–197
Outlays	27	32	18	3	8	3	135
Surplus reduction (-), technical	–121	–61	–37	–17	–19	–12	–331
(5) Surplus reduction, economic and technical subtotal	–197	–138	–104	–92	–108	–114	–1,345
(6) Changes due to 2003 Budget policy:							
Receipts	–65	–73	–59	–28	–6	–9	–414
Outlays	32	59	63	80	103	126	1,143
Surplus reduction (-), policy	–97	–132	–122	–108	–110	–136	–1,556
(7) 2003 Budget totals (policy)							
Receipts	1,946	2,048	2,175	2,338	2,455	2,572	
Outlays	2,052	2,128	2,189	2,277	2,369	2,468	
Unified budget surplus	–106	–80	–14	61	86	104	665
Addendum:							
Surplus Reduction due to Change in Economic Assumptions:							
Lower Real GDP	–70	–85	–79	–75	–75	–80	–851
Higher Unemployment	–16	–7	–4	–3	–4	–6	–64
Lower Inflation	–1	–1	–2	–6	–10	–15	–159
All Other	11	16	18	9	–1	–1	60
Surplus reduction (-), economic	–76	–76	–67	–75	–89	–101	–1,014

Note: Changes in interest costs due to receipts changes included in outlay lines.

employment tend to move together in the short run: a high rate of real GDP growth is generally associated with a declining rate of unemployment, while moderate 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 force, 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 budgetary effects of the above rules of thumb are shown in Table 2–6.

For real growth and employment:

- As shown in the first block, if real GDP growth is lower by one percentage point in calendar year 2002 only and the unemployment rate rises by one-half percentage point more than in the budget assumptions, the fiscal year 2002 deficit is estimated to increase by $11.5 billion; receipts in 2002 would be lower by $9.3 billion, and outlays would be higher by $2.1 billion, primarily for unemployment-sensitive programs. In fiscal year 2003, the estimated receipts shortfall would grow further to $19.3 billion, and outlays would increase by $7.1 billion relative to the base, even though the growth rate in calendar 2003 equaled the rate originally assumed. This is because the level of real (and nominal) GDP and taxable incomes would be permanently lower, and unemployment permanently higher. The budget effects (including

Table 2–5. ADJUSTED STRUCTURAL BALANCE

(In billions of dollars)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Unadjusted surplus or deficit (–)	–107.5	–22.0	69.2	124.6	236.4	127.1	–106.2	–80.2	–13.7	61.1	86.2	104.0
Cyclical component	–13.7	15.5	45.3	64.3	81.9	42.1	–88.0	–77.5	–45.5	–17.5	–0.5	0.0
Structural surplus or deficit (–)	–91.5	–27.9	35.7	79.8	164.4	85.0	–18.2	–2.7	31.7	78.7	86.7	104.0
Deposit insurance outlays	–8.4	–14.4	–4.4	–5.3	–3.1	–1.4	0.2	1.4	0.4	–0.2	–0.3	–0.4
Adjusted structural surplus or deficit (–)	–99.9	–42.3	31.3	74.5	161.3	83.5	–17.9	–1.3	32.1	78.5	86.4	103.6

NOTE: The NAIRU is assumed to be 5.2% through calendar year 1998 and 4.9% thereafter.

growing interest costs associated with smaller surpluses) would continue to grow slightly in each successive year. During 2003–2012, the cumulative reduction in the budget surplus is estimated to be $394 billion.

- The budgetary effects are much larger if the real growth rate is one percentage point lower in each year than initially assumed and the unemployment rate is unchanged, as shown in the second block. This scenario might occur if trend productivity is permanently lower than initially assumed. In this case, the estimated reduction in the surplus is much larger than in the first scenario. In this example, during 2003–2012, the cumulative reduction in the budget surplus is estimated to be $1.9 trillion.

Joint changes in interest rates and inflation have a smaller effect on the surplus than equal percentage point changes in real GDP growth.

- The third block shows the effect of a one percentage point higher rate of inflation and one percentage point higher interest rates during calendar year 2002 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. In 2003, outlays would be above the base by $16.4 billion, due in part to lagged cost-of-living adjustments; receipts would rise $21.4 billion above the base, however, resulting in an $5.1 billion improvement in the budget balance. In subsequent years, the amounts added to receipts would continue to be larger than the additions to outlays. During 2003–2012, cumulative budget surpluses would be $106 billion larger than in the base case.
- In the fourth block example, the rate of inflation and the level of interest rates are higher by one percentage point in all years. As a result, the price level and nominal GDP rise by a cumulatively growing percentage above their base levels. In this case, the effects on receipts and outlays mount steadily in successive years, adding $775 billion to outlays over 2003–2012 and $1,559 billion to receipts, for a net increase in the 2003–2012 surpluses of $784 billion. This rule-of-thumb now shows a more positive net budget outcome than was estimated a few years ago, when the interest outlays were larger because of higher levels of public debt.

The table also shows the interest rate and the inflation effects separately. These separate effects for interest rates and inflation rates do not sum to the effects for simultaneous changes in both. This occurs in part because the combined effects of two changes in assumptions affecting debt financing patterns and interest costs may differ from the sum of the separate effects.

- The outlay effects of a one percentage point increase in interest rates alone is now relatively small, as shown in the fifth block. The receipts portion of this rule-of-thumb is due to the Federal Reserve's deposit of earnings on its securities portfolio.
- The sixth block shows that a sustained one percentage point increase in the GDP chain-weighted price index and in CPI inflation increase cumulative surpluses by a substantial $962 billion during 2003–2012. This large effect is because the receipts from a higher tax base exceeds the combination of higher outlays from mandatory cost-of-living adjustments and lower receipts from CPI indexation of tax brackets.

The last entry in the table shows rules of thumb for the added interest cost associated with changes in the budget surplus or deficit.

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.

Table 2–6. SENSITIVITY OF THE BUDGET TO ECONOMIC ASSUMPTIONS

(In billions of dollars)

Budget effect	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2003-2012
Real Growth and Employment												
Budgetary effects of 1 percent lower real GDP growth:												
(1) For calendar year 2002 only:[1]												
Receipts	–9.3	–19.3	–21.3	–22.3	–23.1	–24.1	–25.4	–26.7	–28.0	–29.3	–30.9	–250.4
Outlays	2.1	7.1	7.4	9.1	11.0	13.0	14.9	16.8	19.0	21.4	24.0	143.7
Decrease in surplus (–)	–11.5	–26.5	–28.7	–31.4	–34.2	–37.1	–40.2	–43.5	–47.1	–50.7	–54.8	–394.1
(2) Sustained during 2002–2012, with no change in unemployment:												
Receipts	–9.4	–29.9	–54.7	–82.0	–110.4	–141.5	–175.1	–211.8	–251.1	–292.4	–338.2	–1,687.1
Outlays	–*	0.3	1.9	4.6	8.4	13.4	19.4	26.4	35.3	45.9	58.4	214.0
Decrease in surplus (–)	–9.4	–30.2	–56.6	–86.6	–118.8	–154.9	–194.5	–238.2	–286.4	–338.3	–396.6	–1,901.1
Inflation and Interest Rates												
Budgetary effects of 1 percentage point higher rate of:												
(3) Inflation and interest rates during calendar year 2002 only:												
Receipts	10.6	21.4	20.9	19.3	20.1	21.1	22.3	23.6	24.9	26.3	28.1	228.0
Outlays	8.4	16.4	14.4	12.2	11.8	11.3	11.0	11.1	11.2	11.4	11.2	121.8
Increase in surplus (+)	2.2	5.1	6.4	7.1	8.3	9.8	11.3	12.5	13.7	15.0	16.9	106.2
(4) Inflation and interest rates, sustained during 2002–2012:												
Receipts	10.6	32.7	55.4	77.9	101.8	128.5	158.2	191.6	228.3	268.6	315.6	1,558.7
Outlays	8.3	24.4	37.9	49.9	61.0	71.8	83.0	94.4	106.0	118.3	128.2	774.8
Increase in surplus (+)	2.3	8.3	17.5	28.0	40.8	56.7	75.3	97.2	122.3	150.4	187.4	783.9
(5) Interest rates only, sustained during 2002–2012:												
Receipts	1.4	3.7	4.7	5.2	5.6	6.0	6.4	6.8	7.2	7.6	8.0	61.1
Outlays	6.8	17.0	22.9	26.1	28.1	29.6	30.5	31.2	31.5	31.4	30.8	279.1
Decrease in surplus (–)	–5.4	–13.3	–18.2	–20.9	–22.5	–23.6	–24.1	–24.3	–24.3	–23.9	–22.8	–217.9
(6) Inflation only, sustained during 2002–2012:												
Receipts	9.2	29.0	50.7	72.8	96.2	122.5	151.8	184.8	221.1	261.0	307.6	1,497.6
Outlays	1.5	7.6	15.5	24.8	34.6	44.7	56.0	68.0	80.9	95.2	108.2	535.6
Increase in surplus (+)	7.7	21.4	35.2	47.9	61.6	77.8	95.8	116.8	140.2	165.8	199.4	962.0
Interest Cost of Higher Federal Borrowing												
(7) Outlay effect of $100 billion increase in the 2002 unified deficit	1.3	3.5	4.4	4.9	5.2	5.5	5.7	5.9	6.2	6.5	6.8	54.8

* $50 million or less.

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

3. STEWARDSHIP: TOWARD A FEDERAL BALANCE SHEET

Introduction

The Government's financial condition can only be properly evaluated using a broad range of data—more than would usually be shown on a business balance sheet—and several complementary perspectives. This chapter presents a framework for such analysis. No single table in the chapter is the equivalent of a Federal balance sheet, but taken as a whole, the chapter provides an overview of the Government's resources, the current and future claims on them, and some idea of what the taxpayer gets in exchange for these resources. This is the kind of assessment for which a financial analyst would turn to a business balance sheet, modified to take into account the Government's unique roles and circumstances.

Because there are important differences between Government and business, and because there are serious limitations on the available data, this chapter's findings should be interpreted with caution; its conclusions are tentative and subject to future revision.

The presentation consists of three parts:

- Part I reports on what the Federal Government owns and what it owes. Table 3–1 summarizes this information. The assets and liabilities in this table are a useful starting point for analysis, but they are only a partial reflection of the full range of Government resources and responsibilities. The table provides a comprehensive estimate of the value of the assets actually owned by the Government, but the Government is able to draw on resources in addition to these. It can tax and use other measures to meet future obligations. The liabilities shown in the table include all the binding commitments resulting from prior Government action, but the Government's responsibilities are much broader than this.
- Part II presents possible paths for the Federal budget extending beyond the normal budget window and summarized in Table 3–2. This Part shows the full scope of the Government's long-run financial burdens and the resources that it will have available to meet them. Some future claims on the Government deserve special emphasis because of their importance to individuals' retirement plans. Table 3–3 summarizes the condition of the Social Security and Medicare trust funds and how that condition changed between 2000 and 2001.
- Part III features information on national economic and social conditions which are affected by what the Government does. Table 3–4 presents summary data for total national wealth, while highlighting the Federal investments that have contributed to that wealth. Table 3–5 presents a small sample of economic and social indicators.

Relationship with FASAB Objectives

The framework presented here meets the stewardship objective[1] for Federal financial reporting recommended by the Federal Accounting Standards Advisory Board (FASAB) and adopted for use by the Federal Government in September 1993.

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

The presentation here is an experimental approach for meeting this objective at the Government-wide level.

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 surplus or deficit, does not provide all the information needed to analyze the Government's financial and investment decisions. While a business is ultimately judged by a single number—the bottom line in its balance sheet—for the national Government the ultimate test is how its actions affect the country, and that is not possible to sum up with a single statistic.

[1] Statement of Federal Financial Accounting Concepts, Number 1, *Objectives of Federal Financial Reporting,* September 2, 1993. Other objectives are budgetary integrity, operating performance, and systems and controls.

The data needed to judge the Government's performance go beyond the assets its owns or the liabilities that might appear on a balance sheet. Consider, for example, Federal investments in education or infrastructure whose returns flow mainly to the private sector and which are often owned by households, private businesses or State and local governments. From a balance-sheet standpoint, these investments might appear to be superfluous or even wasteful, since the Government does not own the assets that these investments generate; but such investments can make a real contribution to the economy and to people's lives. A framework for evaluating Federal finances needs to take into account the value of such Federal investments, even when the return they earn does not accrue to the Federal Government.

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

1. According to Table 3–1, the Government's liabilities exceed its assets. No business could operate in such a fashion. Why does the Government not manage its finances more like a business?

The Federal Government has fundamentally different objectives from a business enterprise. The primary goal of every business is to earn a profit, and the Federal Government properly leaves almost all activities at which a profit could be earned to the private sector. For the vast bulk of the Federal Government's operations, it would be difficult or impossible to charge prices—let alone prices that would cover expenses. The Government undertakes these activities not to improve its balance sheet, but to benefit the Nation—to foster not only monetary but also nonmonetary values.

For example, the Federal Government invests in education and research. The Government earns no direct return from these investments; but the Nation and its people are made richer if they are successful. The returns on these investments show up not as an increase in the Government assets but as an increase in the general state of knowledge and in the capacity of the country's citizens to earn a living. A business's motives for investment are quite different; business invests to earn a profit for itself, not others, and if its investments are successful, their value will be reflected in its balance sheet. Because the Federal Government's objectives are different, its balance sheet behaves differently, and should be interpreted differently.

2. Table 3–1 seems to imply that the Government is insolvent. Is it?

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

What the table shows is that those Federal obligations that are most comparable to the liabilities of a business corporation exceed the estimated value of the assets the Federal Government actually owns. However, the Government has access to other resources through its sovereign powers. These powers, which include taxation, allow the Government to meet its present obligations and those that are anticipated from future operations even though the Government's assets are less than its liabilities.

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 or likely to become so. Where governments totter on the brink of insolvency, lenders are either unwilling to lend them money, or do so only in return for a substantial interest premium.

3. Why does the Government not keep a proper set of books?

The Government is not a business, and accounting standards designed to illuminate how much a business earns and how much equity it has could provide misleading information if applied to the Government. The Federal Accounting Standards Advisory Board (FASAB) has developed, and the Government has adopted, a conceptual accounting framework that reflects the Government's distinct functions and answers the questions for which Government should be accountable. This framework addresses budgetary integrity, operating performance, stewardship, and systems and controls. FASAB has also developed, and the Government has adopted, a full set

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

of accounting standards. Federal agencies now issue audited financial reports that follow these standards and an audited Government-wide consolidated financial report is now being issued as well. The American Institute of Certified Public Accountants (AICPA) has recognized FASAB as the body designated to establish generally accepted accounting principles (GAAP) for Federal governmental entities. In short, the Federal Government does follow GAAP just as businesses and State and local governments do for their activities, although the relevant principles differ among the groups.

This chapter is intended to address the "stewardship objective"—assessing the interrelated condition of the Federal Government and the Nation. The data in this chapter illuminate the trade-offs and connections between making the Federal Government "better off" and making the Nation "better off." The Government does not have a "bottom line" comparable to that of a business corporation, and some analysts have found the absence of a bottom line to be frustrating, but it would not help to pretend that such a number exists when clearly it does not.

4. Why is Social Security not shown as a liability in Table 3–1?

Future Social Security benefits are a political and moral responsibility of the Federal Government, but these benefits are not a liability in the usual sense. The Government has unilaterally decreased as well as increased Social Security benefits in the past, and future reforms could alter them again. When the amount in question can be changed unilaterally, it is not ordinarily considered a liability.

Other Federal programs exist that are similar to Social Security in the promises they make—Medicare, Medicaid, Veterans pensions, and Food Stamps—for example. Few have suggested counting the future benefits expected under these programs as Federal liabilities, yet it would be difficult to justify a different accounting treatment for them if Social Security were to be classified as a liability. There is no bright line dividing Social Security from other programs that promise benefits to people, and all the Government programs that do should be accounted for similarly.

Furthermore, if future Social Security benefits were to be treated as a liability, logic would suggest that future payroll tax receipts that are earmarked to finance those benefits ought to be considered an asset. Other tax receipts, however, are not counted as Government assets, and for good reason. The Government does not own the wealth on which its future taxes depends. Counting other taxes on the Government's balance sheet would be wrong, while treating Social Security taxes differently from other taxes would be highly questionable.

Under Generally Accepted Accounting Principles (GAAP), Social Security is not considered to be a liability, so omitting it from Table 3–1 is consistent with the accounting standards developed by FASAB.

5. When the baby-boom generation begins to retire in large numbers about ten years from now, the deficit could be larger than it ever was before. Should this not be reflected in evaluating the Government's financial condition?

The aging of the U.S. population will become dramatically evident when the baby-boomers begin to retire, and this demographic transition poses serious long-term problems for Federal entitlement programs and the budget. The second part of this chapter describes how the budget is likely to evolve under possible alternative scenarios when the baby-boomers retire and beyond. It is clear from these projections, and from similar information provided by the annual Trustees' Reports for Social Security and Medicare, that reforms are needed in these programs to meet the long-term challenges.

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

6. Would it be sensible for the Government to borrow to finance needed capital—permitting a deficit in the budget—so long as the borrowing did not exceed the amount spent on investments?

This rule might not actually permit much extra borrowing. If the Government were to finance new capital by borrowing, it should plan to pay off the debt incurred to finance old capital as the capital is used up. The net new borrowing permitted by this rule should not exceed the amount of net investment after adjusting for capital consumption, but as discussed in Chapter 7 of Analytical Perspectives, Federal net investment in physical capital is usually not very large and on occasion has even been negative, so little deficit spending would have been justified by this borrowing-for-investment criterion, at least in recent years.

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 and the conduct of research and development. A private business would never borrow to spend on assets that would be owned by someone else. However, such spending is a principal function of Government. It is not clear whether this type of capital investment would fall under the borrowing-for-investment criterion. Certainly, these investments do not create Federally owned assets, which suggests they should not be included for this purpose even though they are an important part of national wealth.

There is another difficulty with the logic of borrowing to invest. Businesses expect investments to earn a return large enough to cover their cost. In contrast, the Federal Government does not generally expect to receive a direct payoff from its investments, whether or not it owns them. In this sense, Government investments are no different from other Government expenditures, and the fact that they provide services over a longer period of time is no justification for excluding them when calculating the surplus or deficit.

Finally, the Federal Government must pursue policies that support the overall economic well-being of the Nation and its security interests. For such reasons, the Government may deem it desirable to run a budget surplus, even if this means paying for its own investments from current receipts, and there will be other times when it is necessary to run a deficit, even one that exceeds Government net investment. Considerations in addition to the size of Federal investment must be weighed in choosing the right level of the surplus or deficit.

7. Is it appropriate to include the Social Security surplus when measuring the Government's consolidated budget surplus?

The Federal budget has many purposes. It should not be surprising that, with more than one purpose, the budget is presented in more than one way. None of these measures is always right, or always wrong; it depends upon the purpose to which the budget is put.

For the purpose of measuring the Government's effects on the economy, it would be misleading to omit Social Security or any other part of the budget, as all parts of the budget affect the economy.

For purposes of fiscal discipline, leaving out particular Government activities could actually be dangerous. The principle of a "unified" all-inclusive budget has been used to forestall the practice of moving favored programs off-budget—which has been done to shield those programs from scrutiny and funding discipline.

For setting long-run fiscal policy, however, an alternative to the unified budget has been useful. In particular, the Congress has moved Social Security off-budget. The purpose of doing so was to stress the need to provide independent, sustainable funding for Social Security in the long term; and to show the extent to which the rest of the budget has relied on annual Social Security surpluses to make up for its own shortfall.

Although it should not be the ending point, a good starting point for analysis is Table 3–1, which shows the Government's assets and liabilities. This tabulation of net liabilities is based on data from a variety of public and private sources. It has sometimes been suggested that the Federal Government's assets, if fully accounted for, would exceed its debts. Table 3–1 clearly shows that this has not been correct for decades. Government debts are larger than Government assets, although in recent years, Government budget surpluses did allow the Government to reduce its debt and thereby lower its net liabilities.

On the liabilities side, Table 3–1 includes only the Government's binding obligations—such as Treasury debt and the present discounted value of the pensions owed to Federal employees, a form of deferred compensation. These obligations have counterparts in the business world, and would appear on a business balance sheet. Accrued obligations for Government insurance policies and the estimated present value of failed loan guarantees and deposit insurance claims are also analogous to private liabilities, and are included here with the other Government liabilities. Although large in value, these obligations form only a subset of the Government's total financial responsibilities.

The Federal Government also has resources that go beyond the assets that would normally appear on a balance sheet, such as those that appear in Table 3–1. These other resources include the Government's sovereign powers to tax, regulate commerce, and set monetary policy. The best way to analyze the limits of all of the Government's fiscal powers is to make a long-run projection of the Federal budget (as is done in Part II of this chapter). The budget provides a comprehensive measure of the Government's annual cash flows. Projecting it forward shows how the Government is expected to use its powers to generate cash flows in the future.

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 Congress, and such changes are a regular part of the legislative cycle. For this and other reasons, these programs are not Government "liabilities." It is likely, however, that many of these programs will remain Federal responsibilities in some form for the foreseeable future, and they are projected to continue as such in the long-run projections presented in Part II.

The numbers in the budget and in Table 3–1 are silent on the issue of whether the public is receiving value for its tax dollars or whether Federal assets are being used effectively. Information on that point requires performance measures for Government programs supplemented by appropriate information about conditions in the economy and society. Some such data are currently available, but more measures need to be developed to obtain a full picture. The changes in budgeting practices discussed in Chapter 1 will contribute to the long-run goal of more complete information about Government programs by permitting a closer alignment of the cost of programs with performance measures.

The presentation that follows consists of a series of tables and charts. Taken together, they serve a similar function to a business balance sheet. The schematic diagram, Chart 3–1, shows how they fit together. The tables and charts should be viewed as an ensemble, the main elements of which are grouped in two broad categories—assets/resources and liabilities/responsibilities.

- Reading down the left-hand side of Chart 3–1 shows the range of Federal resources, including assets the Government owns, tax receipts it can expect to collect, and national wealth that provides the base for Government revenues.
- Reading down the right-hand side reveals the full range of Federal obligations and responsibilities, beginning with Government's acknowledged liabilities based on past actions, such as the debt held by the public, and going on to include future budget outlays. This column ends with a set of indicators highlighting areas where Government activity affects society or the economy.

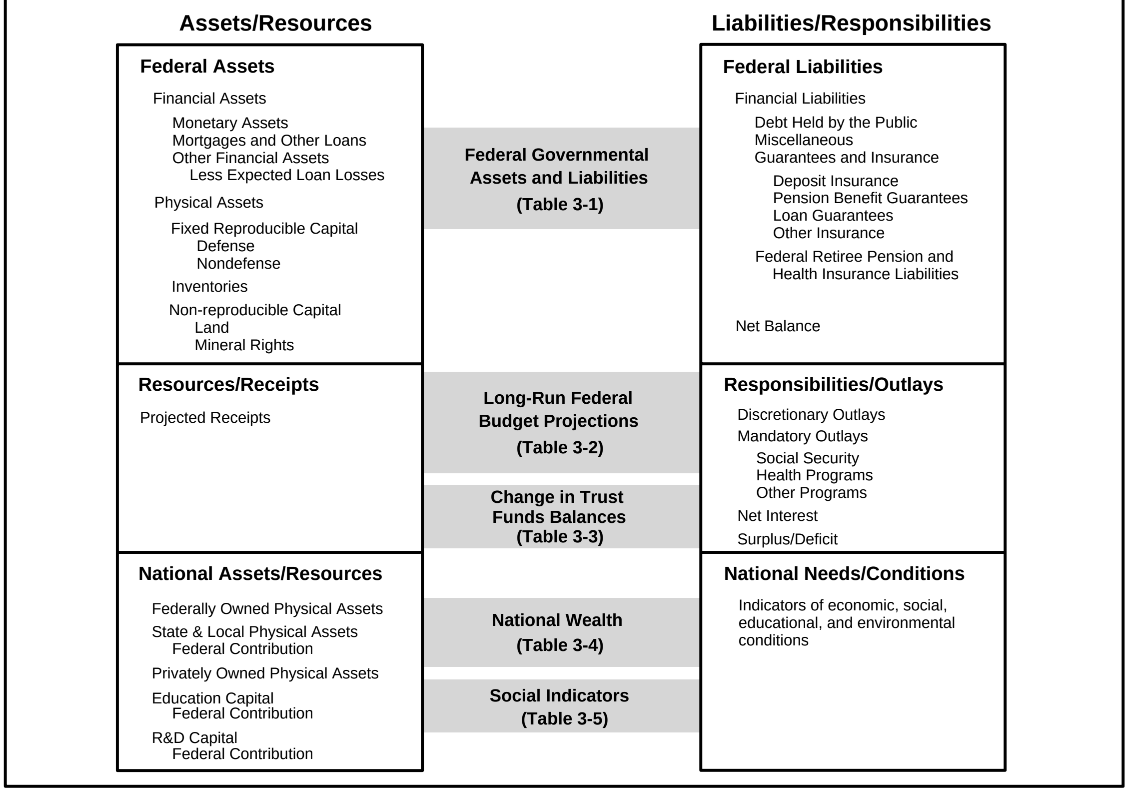


Chart 3-1. A Balance Sheet Presentation For The Federal Government

PART I—THE FEDERAL GOVERNMENT'S ASSETS AND LIABILITIES

Table 3–1 summarizes what the Government owes as a result of its past operations netted against the value of what it owns for a number of years beginning in 1960. Assets and liabilities are measured in terms of constant FY 2001 dollars. Ever since 1960, Government liabilities have exceeded the value of assets (see chart 3–2). In the late 1970s, a speculative run-up in the prices of oil, gold, and other real assets temporarily boosted the value of Federal holdings, but subsequently those prices declined, and only recently have they regained the level they had reached temporarily in 1980.[2]

Currently, the total real value of Federal assets is estimated to be about 35 percent greater than it was in 1960. Meanwhile, Federal liabilities have increased by 173 percent in real terms. The decline in the Federal net asset position has been principally due to persistent Federal budget deficits and the relatively slow increase in Federal asset holdings, although other factors have been important in some years. For example, the decline from 2000 to 2001 was mainly due to a large increase in promised Federal health benefits for military retirees. The increase in the discounted present value of these benefits was large enough to offset a unified budget surplus and a rise in Federal asset values. The shift from budget deficits to budget surpluses in the late 1990s reduced Federal net liabilities, which peaked in 1996. Currently, the net excess of liabilities over assets is about $3.4 trillion, or $12,000 per capita, compared with net liabilities of $3.9 trillion (FY 2001 dollars) and $14,800 per capita (FY 2001 dollars) in 1995.

[2] 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 run-up in gold and other commodity prices. This reduced the balance of Federal net assets, but it was good for the economy and the Nation as a whole.

Table 3–1. GOVERNMENT ASSETS AND LIABILITIES *

(As of the end of the fiscal year, in billions of 2001 dollars)

	1960	1965	1970	1975	1980	1985	1990	1995	1999	2000	2001
ASSETS											
Financial Assets:											
Cash and Checking Deposits	43	62	39	31	48	31	42	43	66	57	51
Other Monetary Assets	1	1	1	1	2	2	2	1	5	6	12
Mortgages	28	27	40	42	77	78	100	68	81	78	75
Other Loans	102	141	176	176	226	296	209	163	192	191	193
less Expected Loan Losses	–1	–3	–5	–9	–17	–17	–20	–25	–52	–38	–38
Other Treasury Financial Assets	62	77	68	61	86	127	201	241	221	219	232
Total	235	305	319	302	421	517	535	492	512	513	524
Nonfinancial Assets:											
Fixed Reproducible Capital:	1,019	1,020	1,067	974	865	1,025	1,085	1,125	1,008	979	969
Defense	885	842	851	712	608	733	776	793	671	641	621
Nondefense	134	179	215	261	257	292	309	332	338	338	348
Inventories	269	233	217	194	240	274	242	171	142	142	142
Nonreproducible Capital:	434	446	428	633	1,014	1,088	857	638	737	943	1,013
Land	94	131	165	261	333	346	355	265	358	401	426
Mineral Rights	340	315	263	372	681	742	501	373	379	542	587
Subtotal	1,722	1,699	1,711	1,801	2,119	2,387	2,184	1,934	1,887	2,064	2,124
Total Assets	1,957	2,004	2,030	2,103	2,540	2,904	2,718	2,427	2,399	2,577	2,648
LIABILITIES											
Financial Liabilities:											
Debt held by the Public	1,150	1,187	1,075	1,094	1,352	2,230	3,043	4,026	3,807	3,490	3,320
Trade Payables and Miscellaneous	34	37	45	59	84	110	160	132	106	104	91
Subtotal	1,184	1,224	1,120	1,153	1,437	2,340	3,203	4,158	3,913	3,594	3,412
Insurance Liabilities:											
Deposit Insurance	0	0	0	0	2	9	73	5	1	1	3
Pension Benefit Guarantee [1]	0	0	0	44	32	45	44	21	42	41	51
Loan Guarantees	0	0	2	7	13	11	16	30	36	38	39
Other Insurance	32	29	22	20	28	17	20	18	17	16	16
Subtotal	32	29	25	71	75	82	154	74	97	97	109
Federal Pension and Retiree Health Liabilities											
Pension Liabilities	810	1,018	969	1,055	1,856	1,839	1,792	1,730	1,730	1,754	1,765
Retiree Health Insurance Benefits	194	244	232	253	445	441	430	415	385	394	786
Total	1,004	1,262	1,201	1,307	2,301	2,280	2,222	2,144	2,115	2,147	2,551
Total Liabilities	**2,220**	**2,516**	**2,346**	**2,531**	**3,813**	**4,702**	**5,579**	**6,376**	**6,125**	**5,837**	**6,071**
Balance	**–263**	**–511**	**–316**	**–428**	**–1,273**	**–1,797**	**–2,861**	**–3,949**	**–3,726**	**–3,261**	**–3,423**
Addenda:.											
Balance Per Capita (in 2001 dollars)	**–1,461**	**–2,635**	**–1,544**	**–1,983**	**–5,581**	**–7,527**	**–11,431**	**–14,802**	**–13,326**	**–11,527**	**–11,952**
Ratio to GDP (in percent)	**–10.1**	**–15.6**	**–8.1**	**–9.6**	**–23.9**	**–28.4**	**–38.8**	**–47.6**	**–38.2**	**–32.1**	**–33.5**

* This table shows assets and liabilites for the Government as a whole excluding the Federal Reserve System.
[1] The model and data used to calculate this liability were revised for 1996–1999.

Assets

Table 3–1 offers a comprehensive list of the financial and physical resources owned by the Federal Government.

Financial Assets: According to the Federal Reserve Board's Flow-of-Funds accounts, the Federal Government's holdings of financial assets amounted to $0.5 trillion at the end of FY 2001. Government-held mortgages and other loans (measured in constant dollars) reached a peak in the late 1980s. Since then, the real value of Federal loans has declined. Holdings of mortgages rose sharply in the late 1980s and then declined in the 1990s, as the Government acquired mortgages from failed savings and loan institutions and then liquidated them.

The face value of mortgages and other loans overstates their economic worth. OMB estimates that the discounted present value of future losses and interest subsidies on these loans is about $38 billion as of 2001. These estimated losses are subtracted from the face value of outstanding loans to obtain a better estimate of their economic worth.

Reproducible Capital: The Federal Government is a major investor in physical capital and computer software. Government-owned stocks of such capital have amounted to about $1.0 trillion for most of the last 40 years (OMB estimate). This capital consists of defense equipment and structures, including weapons systems, as well as nondefense capital goods. Currently, slightly less than two-thirds of the capital is defense equipment or structures. In 1960, defense capital was about 90 percent of the total. In the 1970s, there was a substantial decline in the real value of U.S. defense capital and there was another large decline in the 1990s after the end of the Cold War. Meanwhile, nondefense Federal capital has increased at an average annual rate of around 2–1/2 percent.

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 (and of course, in a realistic sense, much of these resources would never be sold). Researchers in the private sector have estimated what they are worth, however, and these estimates are extrapolated in Table 3–1. Private land values fell sharply in the early 1990s, but they have risen since 1993. It is assumed here that Federal land shared in the decline and the subsequent recovery. Oil prices have been on a roller coaster since the mid-1990s. First, they declined sharply in 1997–1998 in the wake of the Asian financial crisis, which reduced world petroleum demand. In 1999–2000, oil prices rebounded sharply, but in 2001 they fell again, although the average for the year remained higher than in FY 2000. The fluctuations caused the estimated value of Federal mineral deposits to fluctuate as well. (The estimates omit some valuable assets owned by the Government, such as works of art and historical artefacts, because the valuation for these assets would have little realistic basis, and because, as part of the Nation's historical heritage, these objects would never be sold.)

Total Assets: The total real value of Government assets is lower now than it was from 1981 through 1992, mainly because of declines in defense capital and inventories in the 1990s following the end of the Cold War. Government asset values have risen strongly since 1998, however, propelled by rising prices for land and energy, and because the decline in defense capital has moderated. Even with the decline in their estimated value since 1992, the Government's asset holdings are vast. At the end of FY 2001, Government assets are estimated to be worth about $2.6 trillion.

Liabilities

Table 3–1 covers all those liabilities that would also appear on a business balance sheet, but only those liabilities. These include various forms of publicly held Federal debt, Federal pension and health insurance obligations to civilian and military retirees, and the estimated liability arising from Federal insurance and loan guarantee programs.

Financial Liabilities: Financial liabilities amounted to about $3.4 trillion at the end of 2001, down from a peak value of $4.2 trillion in 1996. The single largest component of these liabilities was Federal debt held by the public, which amounted to around $3.3 trillion at the end of FY 2001. In addition to the debt held by the public, the Government owes about $0.1 trillion in miscellaneous liabilities. The publicly held debt has been declining for several years, because of the unified budget surplus. As the budget returns to deficit, this decline in public debt will end, but if the deficits remain small, the ratio of debt and net financial liabilities to GDP could continue to shrink.

Guarantees and Insurance Liabilities: The Federal Government has contingent liabilities arising from loan guarantees and insurance programs. When the Government guarantees a loan or offers insurance, cash disbursements may initially be small or, if a fee is charged, the Government may even collect money; but the risk of future cash payments associated with such commitments can be large. The figures reported in Table 3–1 are estimates of the current discounted value of prospective future losses on outstanding guarantees and insurance contracts. The present value of all such losses taken together is about $0.1 trillion. The resolution of the many failures in the savings and loan and banking industries has helped to reduce the liabilities in this category by about a third since 1990.

Federal Pension and Retiree Health Liabilities: The Federal Government owes pension benefits as a form of deferred compensation to retired workers and to current employees who will eventually retire. It also provides its retirees with subsidized health insurance through the Federal Employees Health Benefits program. The amount of these liabilities is large, and there was a large increase in these liabilities in 2001. The discounted present value of the benefits is estimated to have been around $2.6 trillion at the end of FY 2001 up from $2.1 trillion in 2000.[3] The main reason for the increase was a large expansion in Federal military retiree health benefits legislated in 2001.

The Balance of Net Liabilities

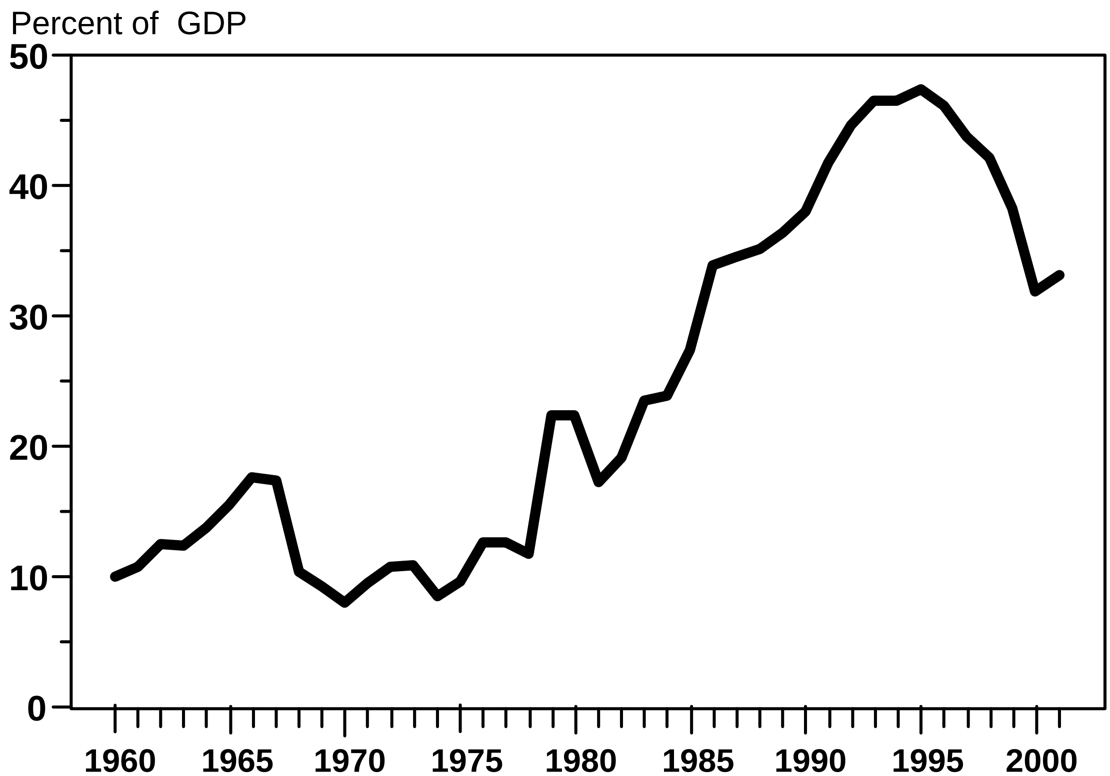
The Government need not maintain a positive balance of net assets to assure its fiscal solvency, and the buildup in net liabilities since 1960 did not significantly damage Federal creditworthiness. There are, however, limits to how much debt the Government can assume without putting its finances in jeopardy. By 1995, Federal net liabilities had reached 48 percent of GDP, and although this remained well below the limit that would have threatened Federal creditworthiness, the sharp upward trend in the ratio of liabilities to GDP, which by 1995 had continued for two decades, was ominous.

Since then, however, there has been a major reduction in the ratio of Federal net liabilities to GDP. From 1995 through 2000, the net balance as a percentage of GDP fell for five straight years, and it would have fallen again in 2001 had there not been a substantial rise in estimated health insurance liabilities for Federal retirees last year. This was a one-time increase and is not expected to be repeated in future years. The ratio of net liabilities to GDP is down by 30 percent from its peak level, and the real value—adjusted for inflation—of net liabilities is $0.6 trillion (FY 2001 dol-

[3] The pension liability is the actuarial present value of benefits accrued-to-date based on past and projected salaries. The 2001 liability is extrapolated from recent trends. The retiree health insurance liability is based on actuarial calculation of the present vale of benefits promised under existing programs. Actuarial estimates are only available since 1997. For earlier years the liability was assumed to grow in line with the pension liability, and for that reason may differ significantly from what the actuaries would have calculated for this period.

lars) lower than at its peak in FY 1996. The decline in net liabilities reflects the shift from budget deficits to surpluses, and a recent recovery in some Federal asset prices. As the budget returns to deficit, net liabilities are likely to increase again for a time, but if the deficits are relatively small and temporary, most of the improvement since 1996 ought to be maintained.

Chart 3-2. Net Federal Liabilities



PART II—THE BALANCE OF RESOURCES AND RESPONSIBILITIES

This part of the presentation describes long-run projections of the Federal budget that extend beyond the normal budget horizon. Forecasting the economy and the budget so far into the future is highly uncertain. Indeed, accurate forecasting is not really possible over such a long time period. Future budget outcomes depend on a host of unknowns—constantly changing economic conditions, unforeseen international developments, unexpected demographic shifts, the unpredictable forces of technological advance, and evolving political preferences to name a few. The uncertainties increase the further into the future the projections extend.

Given these uncertainties, the best that can be done is to work out the implications of expected developments on a "what if" basis by making explicit assumptions and using the analysis to work out their implications. Despite these limitations, long-run budget projections constructed under such assumptions can be useful in sounding warnings about potential problems. Federal responsibilities extend well beyond the next five or ten years, and problems that may be small in that time frame can become much larger if allowed time to grow. There is no time limit on the Government's constitutional responsibilities, and programs like Social Security are intended to continue indefinitely.

The Threat to the Budget from the Impending Demographic Transition: It is evident even now that there will be mounting challenges to the budget that could begin to emerge before the end of this decade. In 2008, the first of the huge baby-boom generation born after World War II will reach age 62 and become eligible for early retirement under Social Security. In the years that follow, the population over age 62 will skyrocket, putting serious strains on the budget because of increased expenditures for Social Security and for the Government's health programs which serve the elderly—Medicare and increasingly Medicaid. Long-range projections can help define how serious these strains might become.

The U.S. population has been aging for decades, but a major demographic shift is now just over the horizon.

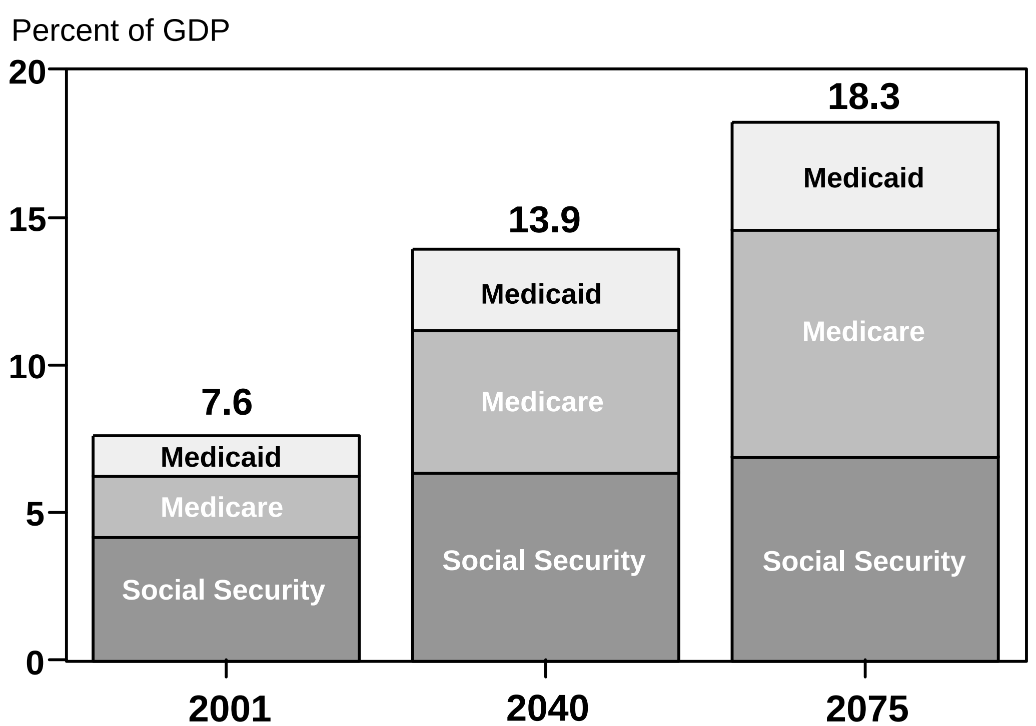
The baby-boom cohort has moved into its prime earning years, while the much smaller cohort born during the Great Depression has been retiring. Together these shifts in the population have temporarily held down the rate of growth in the number of retirees relative to the labor force. The suppressed budgetary pressures are likely to burst forth once the baby-boomers begin to receive Social Security, and that will begin to happen starting in 2008.

The pressures are expected to persist, however, even after the baby-boomers are gone. The Social Security actuaries project that the ratio of workers to Social Security beneficiaries will fall from around 3–1/2 currently to around 2 by the time most of the baby-boomers are retired. Because of lower fertility and improved mortality that ratio is not expected to rise again, even though it is projected to decline very little following the passing of the baby-boomers. With fewer workers to pay taxes that support the retired population, the budgetary pressures on the Federal retirement programs will persist. The problem posed by the demographic transition is a permanent one.

One way to see the extent of the budgetary problem is to examine the projected spending on Social Security, Medicare, and Medicaid. Currently, these programs account for 47 percent of non-interest Federal spending; up from 30 percent in 1980. By 2040, when most of the remaining baby-boomers will be in their 80s, these three programs could easily account for two thirds of non-interest Federal spending. At the end of the projection period, the figure rises to almost three-quarters of non-interest spending. In other words, under an extension of current budget policy, almost all of the budget would go to these three programs alone. That would considerably reduce the flexibility of the budget, and the Government's ability to respond to new challenges.

Measured relative to the size of the economy, the three major entitlement programs now amount to 8 percent of GDP.[4] By 2040, this share almost doubles to 14 percent, and in 2075 it is projected to reach 18 percent of GDP. Current projections suggest, absent structural changes in the programs, that the Federal Government will have to find another 10 percent of GDP to cover future benefits in these programs.

Chart 3-3. Entitlements' Claim on the Economy



The Shortfall in Social Security: Social Security is intended to be self-financing. Workers and employers pay taxes earmarked for the Social Security trust funds, and the Funds disburse benefits. In recent years, the

[4] 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 2001 dollar by about half by 2030, and by two thirds by 2050. For long-run comparison, it is much more useful to examine the ratio of budget totals to the expected size of the economy as measured by GDP.

Funds have been increasing in size as a result of a large Social Security surplus. At the end of FY 2001, the combined Old Age, Survivors and Disability Insurance (OASDI) trust funds had reached almost $1.2 trillion. Under current law, the demographic transition is projected to reverse this buildup of the trust funds. The program's actuaries project that by 2016, taxes flowing into the Funds will fall short of program benefits and expenses.[5] The Funds are projected to continue to grow for some years beyond this point because of positive interest income, but by 2025, the trust funds will peak and begin to be drawn down. By 2038, when even the youngest baby-boomers will be in their late 70s, the actuaries project that the OASDI trust funds will be exhausted. That would not mean that Social Security benefits would cease, because projected taxes would still be large enough to cover over 70 percent of projected benefits at that point, but the program could no longer sustain promised benefits out of earmarked tax receipts and trust fund interest alone (see accompanying box for a fuller discussion).

Social Security: The Long-Range Challenge

For 66 years, Social Security has provided retirement security and disability insurance for tens of millions of Americans through a self-financing system. The principle of self-financing is important because it compels corrections to the system in the event of projected financial imbalances.

While Social Security is running surpluses today, OMB projects it will begin running cash deficits within 20 years. Social Security's spending path is unsustainable if the demographic trends toward lower fertility rates and longer life spans continue. These trends imply that the number of workers available to support each retiree will decline from 3.4 today to an estimated 2.1 in 2030, and that the Government will not be able to meet current-law benefit obligations at current payroll tax rates

The future size of Social Security's shortfall cannot be known with any precision. Under the Social Security Trustees' 2001 intermediate-cost economic and demographic assumptions, the gap between Social Security receipts and outlays in 2040 is projected to be 1.7 percent of GDP. Under their high-cost assumptions, the shortfall in that year would be 76 percent larger, or 3.0 percent of GDP. The program's actuarial deficit, which indicates how much the payroll tax rate or benefits as a share of payroll would have to change today to maintain a positive balance in the Trust Funds over the next 75 years, was estimated to be –1.9 percent in the latest Trustees' report.

Long-range uncertainty underscores the importance of creating a system that is financially stable and self-contained. Otherwise, if the pessimistic assumptions turn out to be more accurate, the demands created by Social Security could compromise the rest of the budget and the Nation's economic health.

Moreover, the current structure of Social Security leads to substantial generational inequities in the average rate of return people can expect from the program. While previous generations fared well, individuals born today on average can expect to receive less than a two percent average annual real rate of return on their payroll tax contributions. Indeed, such estimates overstate the expected rate of return, because they assume no changes in current-law taxes or benefits even though meeting the projected financing shortfall through benefit cuts or additional revenues would further reduce Social Security's implicit rate of return for future cohorts. A 1995 analysis found that the average worker in the cohort born in 2000 would experience a 1.7 percent rate of return before accounting for Social Security's shortfall, and a 1.5 percent rate of return after adjusting revenues to keep the system solvent.

One way to address the issues of uncertainty and declining rates of return, while protecting national savings, would be to allow individuals to invest some of the payroll taxes they currently pay in personal retirement accounts. The President's Commission to Strengthen Social Security has recently reported on various options that would incorporate personal accounts as part of the Social Security framework. The budget discusses in more detail the Commission's findings and the options it has presented for discussion.

[5] The long-ranged projections discussed in this chapter are based on an extension of the Administration's economic projections from the budget, which differ somewhat from the economic assumptions used by the actuaries. Under the extended Administration projections this point would be reached a few years later and the other key dates highlighted in the Trustee's annual reports would also come somewhat later.

Medicare: The Long-Range Challenge

According to the Medicare Trustees most recent report issued last March, Medicare spending for the Hospital Insurance (HI) program is projected to exceed taxes going into the HI trust fund beginning in 2016, and the fund is projected to go bankrupt in 2029. Another way of measuring the expected HI shortfall is by the size of the HI trust fund's actuarial deficit, defined as the tax rate increase that would be required today to preserve a positive balance in the HI trust fund over the next 75 years. In their March 2001 report, the Trustees projected an actuarial deficit of –2.0 percent, a two thirds increase over the 2000 estimate of the deficit ,which was –1.2 percent (see Table 3–3). The large adjustment in the actuarial deficit was mainly due to the Trustees' acknowledgment that the growth rate of per capita HI expenditures is likely to be faster in the long run than had previously been assumed. The new assumption is that per capita HI spending will outpace the rate of growth in per capita GDP by a full percentage point. Although that marks a substantial increase in the projected growth rate compared with previous Trustees' reports, the difference would still be less than it has averaged over the last 20 years.

But, Medicare also has a second trust fund for Supplemental Medical Insurance (SMI), and the growth in per beneficiary SMI expenditures is also projected to exceed the growth rate of per capita GDP by a full percentage point in the latest Trustees' report. A comprehensive analysis of Medicare that takes account of both HI and SMI would show that Medicare already runs a deficit with the rest of the budget, not a surplus. Premiums paid by SMI beneficiaries fall short of total SMI spending, and the difference exceeds the current HI surplus. In fact, over the ten years 2003–2012, Medicare will require transfers from general revenue totaling $1.3 trillion.

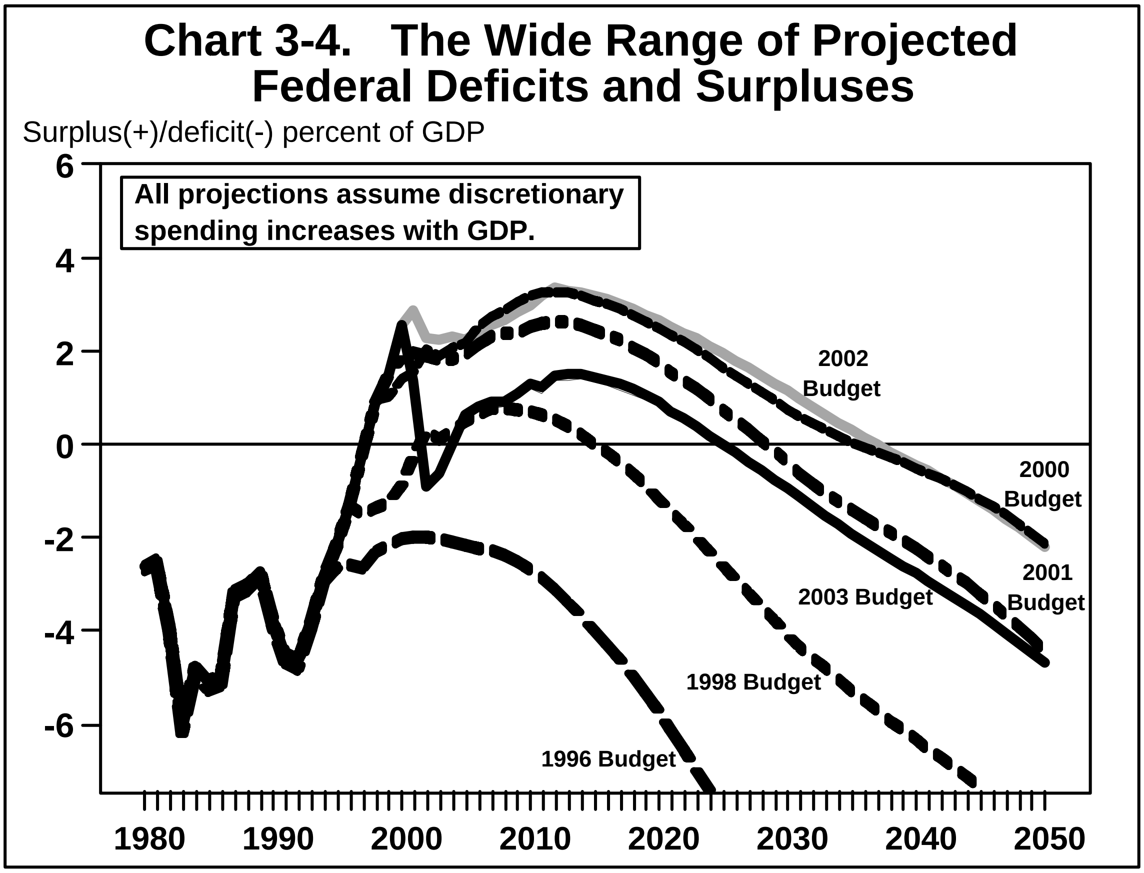
The main reason for the projected shortfall in the Medicare Trust Funds is that the long-range projections of total Medicare spending show substantial growth. This is partly for demographic reasons. Beginning within ten years, the number of Medicare beneficiaries is expected to rise very rapidly, as the baby-boomers reach age 65 and become eligible for Medicare. Between 2010 and 2030, the number of persons age 65 and older is expected to rise from under 40 million to nearly 70 million. Meanwhile, as explained above, per capita spending is also expected to continue rising rapidly. Together these factors push up total spending very sharply, as a percentage of GDP, Medicare outlays are projected to quadruple increasing from around 2 percent in 2001 to over 8 percent by 2075. This is the fastest projected growth of any of the major entitlements, faster than both Social Security and Medicaid.
The Administration remains committed to working with Congress to reform Medicare in a manner that improves the long-run solvency of the entire program without raising Medicare payroll taxes.

And in Medicare: Medicare faces a similar problem. Income to Medicare's Hospital Insurance (HI) trust fund is projected to exceed outgo until 2016, but thereafter the HI fund is projected to be depleted, and to reach zero in 2029, nine years earlier than the OASDI trust funds. Unlike Social Security, Medicare has never been completely self-financed. In addition to the HI program, Medicare also consists of Supplementary Medical Insurance (SMI), which covers medical bills outside of the hospital. SMI is funded by a combination of premiums charged to the beneficiaries, which cover about one-quarter of benefits, and general revenue. Even if the HI trust fund were to remain solvent indefinitely, Medicare as a whole would continue to be subsidized by the rest of the budget, and as Medicare costs rise in the future, the subsidy will increase (see accompanying box for a fuller discussion).

An Uncertain Long-Range Outlook.—At the beginning of the 1990s, when these long-run budget projections were first developed, the deficit was on an unstable trajectory. Given then-current economic projections and policies, the deficit was projected to mount steadily not only in dollar terms, but relative to the size of the economy. This pattern of rising deficits would have driven Federal debt held by the public to unsustainable levels. Policy actions during the 1990s reduced the deficits, and the strong economy that emerged in the second half of the 1990s did even more to eliminate them.

Because of the recent economic downturn and needed spending for defense and homeland security, the unified budget is now projected to return to deficit for a few years. The deficits are not large relative to the size of the overall economy, and if budget discipline is maintained while the economy recovers as expected, surpluses will return thereafter. Furthermore, if the policies and assumptions used for this budget are extended, the unified budget could continue in surplus into the next decade or even later. Eventually, however, the rising burden of entitlement spending will cause deficits to reappear unless there are structural reforms in the major entitlement programs. How long before these deficits are projected to show up again depends on economic and technical factors and policy decisions affecting the rest of the budget. Future stress on the budget appears to be unavoidable absent major reforms to the entitlement programs.

There is a wide range of uncertainty around any such long-range projections. As discussed further below, the projections are affected by many hard-to-foresee economic and demographic factors, as well as by future policy decisions. In the ten years since OMB first began to experiment with such projections, the long-run outlook has varied considerably.



Economic and Demographic Assumptions.—Even though any such forecast is highly uncertain, long-run budget projections require starting with specific economic and demographic projections. The assumptions used as a starting point extend the Administration's medium-term economic projections used in preparing this budget augmented by the long-run demographic projections from the 2001 Social Security Trustees' Report.

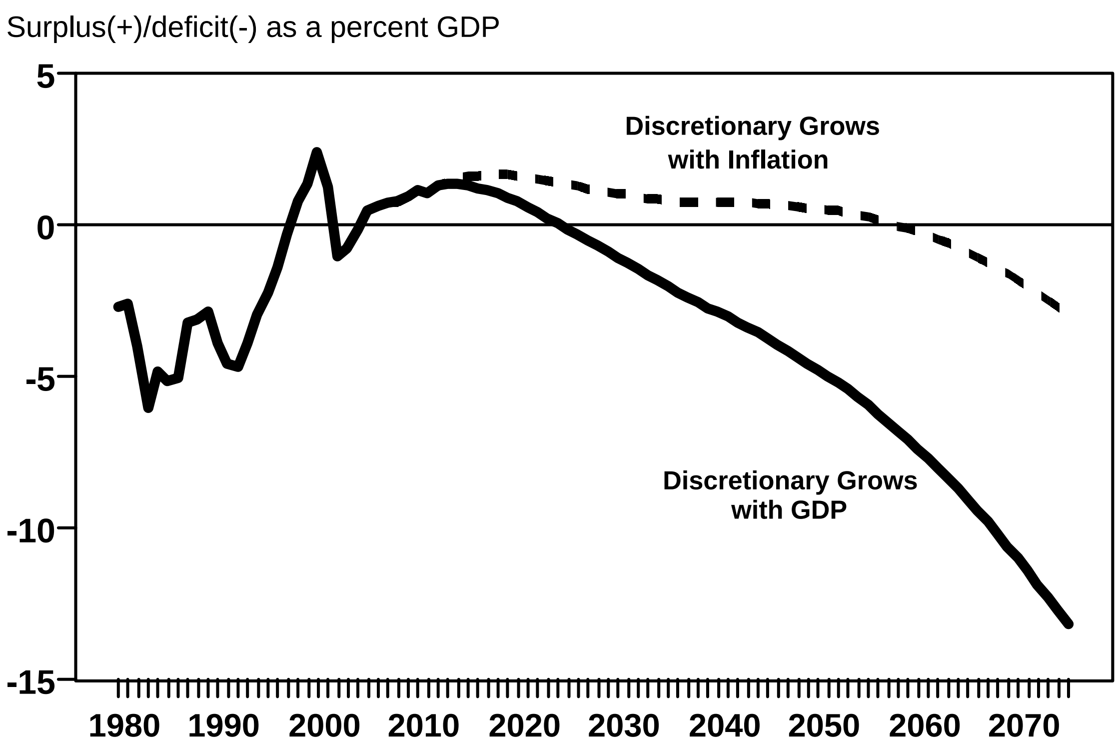
- Inflation, unemployment and interest rates hold stable at 2.3 percent per year for CPI inflation, 4.9 percent for the unemployment rate, and 5.3 percent for the yield on 10-year Treasury notes.
- Productivity growth as measured by real GDP per hour continues at the same constant rate as in the Administration's medium-term projections—2.1 percent per year. (See chapter 2 for more detail on the Administration's economic assumptions).
- In line with the current projections of the Social Security Trustees, U.S. population growth is expected to slow from over 1 percent per year in the 1990s to about half that rate by 2030, and even less in the decades after 2030.
- The labor force participation rate declines as the population ages and the proportion of retirees in the population is projected to increase.
- Real GDP growth declines gradually after 2011 from 3.1 percent per year to an average annual rate of 2.4 percent, reflecting the effects of the projected slowdown in labor force growth combined with the assumed constant rate of productivity growth.

The economic projections described above are set by assumption and do not automatically change in response to changes in the budget outlook. This is unrealistic, but it simplifies comparisons of alternative policies.

Alternative Budget Projections.—These long-run projections generally assume that mandatory spending proceeds according to current law and that the policy proposals in the budget are adopted without assuming any other new programs or enhancements to existing programs. For the reasons discussed above, these assumptions imply that the major entitlement programs are projected to absorb an increasing share of budget resources. This is true under all likely assumptions regarding future discretionary spending. Chart 3–5 shows budget projections under the two main alternative assumptions that OMB has used in projecting discretionary spending: one holds discretionary spending constant in real dollars allowing it to increase only with the rate of inflation while the other holds discretionary spending constant in relation to GDP, which means it expands at the same rate over time as GDP is projected to grow.

- Social Security benefits, driven by the retirement of the baby-boom generation, rise from 4.2 percent of GDP in 2001 to 6.4 percent in 2040. They continue to rise after that but more gradually, eventually reaching 6.9 percent of GDP by 2075.[6]
- Medicare outlays expand quite rapidly, rising from 2.1 percent of GDP in 2001 to 4.8 percent of GDP in 2040, and 7.7 percent by 2075.
- Federal Medicaid spending goes up from 1.3 percent of GDP in 2001 to 2.7 percent in 2040 and to 3.6 percent of GDP in 2075.
- Holding discretionary spending constant in real dollars implies that it declines relative to GDP from 6.5 percent in 2001 to 3.7 percent in 2040, and to 2.1 percent in 2075. Alternatively, if discretionary spending is fixed as a share of GDP at the level reached in 2012, it maintains a constant 5.8 percent share of GDP through 2075.

Chart 3-5. Long-Run Budget Projections



[6] These benefit estimates reflect the economic assumptions described above, which differ somewhat from the assumptions in the Social Security Trustees' Report. The benefit estimates were prepared by the Social Security actuaries using OMB economic assumptions.

Table 3–2. LONG-RUN BUDGET PROJECTIONS OF 2003 BUDGET POLICY

(Percent of GDP)

	2000	2005	2010	2020	2030	2040	2050	2075
Discretionary Grows with GDP								
Receipts	20.8	19.2	19.2	19.2	19.4	19.4	19.6	19.6
Outlays	18.4	18.7	18.0	18.4	20.4	22.3	24.3	32.7
Discretionary	6.3	6.9	6.2	5.8	5.8	5.8	5.8	5.8
Mandatory	9.8	10.3	10.7	12.5	14.4	15.6	16.5	19.8
Social Security	4.2	4.2	4.4	5.4	6.3	6.4	6.4	6.9
Medicare	2.0	2.1	2.3	2.9	3.9	4.8	5.5	7.7
Medicaid	1.2	1.5	1.8	2.2	2.4	2.7	3.0	3.6
Other	2.4	2.4	2.3	2.0	1.8	1.7	1.6	1.5
Net Interest	2.3	1.6	1.1	0.1	0.2	0.9	2.0	7.1
Surplus or Deficit (-)	2.4	0.5	1.2	0.8	–1.1	–2.9	–4.8	–13.2
Primary Surplus or Deficit (-)	4.7	2.1	2.2	0.9	–0.9	–2.0	–2.8	–6.1
Federal Debt Held by the Public	35.0	29.2	19.1	2.9	4.4	20.9	46.5	165.2
Discretionary Spending Grows with Inflation								
Receipts	20.8	19.2	19.2	19.2	19.4	19.4	19.6	19.6
Outlays	18.4	18.7	18.0	17.6	18.3	18.7	19.0	22.5
Discretionary	6.3	6.9	6.2	5.1	4.3	3.7	3.1	2.1
Mandatory	9.8	10.3	10.7	12.5	14.5	15.6	16.5	19.9
Social Security	4.2	4.2	4.4	5.4	6.3	6.4	6.4	6.9
Medicare	2.0	2.1	2.3	2.9	3.9	4.8	5.5	7.7
Medicaid	1.2	1.5	1.8	2.2	2.4	2.7	3.0	3.6
Other	2.4	2.4	2.3	2.0	1.8	1.7	1.7	1.6
Net Interest	2.3	1.6	1.1	0.0	–0.5	–0.6	–0.6	0.5
Surplus or Deficit (-)	2.4	0.5	1.2	1.7	1.1	0.8	0.5	–2.9
Primary Surplus or Deficit (-)	4.7	2.1	2.2	1.7	0.6	0.2	–0.1	–2.4
Federal Debt Held by the Public	35.0	29.2	19.1	–0.5	–10.9	–13.9	–14.6	12.8

The Effects of Alternative Economic and Technical Assumptions. The results discussed above are sensitive to changes in underlying economic and technical assumptions. Some of the most important of these alternative economic and technical assumptions and their effects on the budget outlook are discussed below. Each highlights one of the key uncertainties in the outlook.

1. *Health Spending:* The long-range projections for Medicare follow the latest projections of the Medicare actuaries from the 2001 Medicare Trustees' Report. For many years, the Trustees' projections included a long-run slowdown in the rate of growth of real per capita Medicare spending. Recently, the Technical Review Panel on the Medicare Trustees' Reports recommended raising the long-run projected growth rate in real per capita Medicare costs, so that "age-and gender-adjusted, per-beneficiary spending growth exceeds the growth of per-capita GDP by 1 percentage point per year."[7] This assumption was adopted in the 2001 Medicare Trustees' Reports, and in Chart 3–5, real per capita Medicare benefits are assumed to rise at this rate. The effect of this change in assumptions on the Medicare HI trust fund's actuarial deficiency is shown in Table 3–3.

Eventually, the rising trend in health care costs for both Government and the private sector will have to end, but it is hard to know when and how that will happen. "Eventually" could be a long way off. Improved health and increased longevity are highly valued, and society may be willing to spend a larger share of income on them than it has heretofore. There are many reasonable alternative health cost and usage projections, as well as variations in the demographic projections to which they can be applied. Innovations in health care are proceeding rapidly, and they have diverse effects on the projection of costs. Likewise, the effects of greater longevity on Medicare and especially Medicaid costs are uncertain.

2. *Discretionary Spending:* The assumption used to project discretionary spending is essentially arbitrary, because discretionary spending is determined annually through the legislative process, and no formula can dictate future spending in the absence of legislation. Alternative assumptions have been made for discretionary spending. Holding discretionary spending unchanged in real terms is the "current services" assumption often used for budget projections when there is no legislative guidance on future spending levels. Alternatively, if discretionary spending is assumed to keep pace with the growth in GDP, spending increases in real terms whenever there is positive real economic growth.

Under the assumption that future spending expands with the size of the economy, these long-run budget projections show clearly that the budget is on an unsustainable path, although the shortfall unfolds only gradually. For most of the next two decades, the budget is projected to be in surplus, between 0 and 1-1/2 percent of GDP. In the following decade, the budget returns to deficit, and in the decade 2030–2039, the deficit begins to rise sharply. This is the time span within which the actuaries are now projecting that the Social Security trust funds will be exhausted. Timely action now could resolve these problems, without disrupting the retirement plans of future generations of workers.

[7] Technical Review Panel on the Medical Trustees' Reports, "Review of Assumptions and Methods of the Medicare Trustees' Financial Projections," December 2000.

3. *Productivity:* The future rate of productivity growth is perhaps the most powerful of the assumptions affecting the long-run budget outlook, and it is especially uncertain. Productivity in the U.S. economy slowed markedly and unexpectedly after 1973. This slowdown was responsible for a slower rise in U.S. real incomes for the next two decades which had many profound consequences for society. This slowdown in income growth also contributed to worsening Federal budget outcomes that followed 1973. In the latter half of the 1990s, however, productivity growth increased, unexpectedly again, although reasons for the revival are clear in hindsight.

Since the end of 1995, labor productivity in the economy's nonfarm business sector has grown at an annual rate of 2.4 percent, a full percentage point faster than the growth rate from 1973 through 1995, although the latest data, which were revised last summer, show that the trend growth rate remains about half a percentage point slower than from 1948 though 1973. So, productivity growth has rebounded, but it has not completely recovered from the post-1973 slowdown. On the other hand, while the latest downturn in the economy has cut into productivity growth, the underlying trend remains strong, which means there is reason to hope the improvement in productivity marks a permanent change.

The revival of productivity growth is one of the most welcome developments of the last several years. From a budgetary standpoint, a higher rate of economic growth makes the task of reaching a balanced budget much easier, while a lower productivity growth rate has the opposite effect. Although the long-run growth rate of productivity is inherently uncertain, it has averaged around 2 percent per year since 1947. In these extended projections, real GDP per hour is assumed to grow at 2.1 percent per year.

4. *Population:* The key assumptions underlying the long-run demographic projections concern fertility, immigration, and mortality.

- The demographic projections assume that fertility will average around 1.9 births per woman in the future, slightly below the replacement rate needed to maintain a constant population.
- The rate of immigration is assumed to average around 900,000 per year in these projections. Higher immigration relieves some of the pressure on population from low fertility and means that total population continues to expand throughout the projection period, although at a slower rate than historically.
- Mortality is projected to decline. The average female lifespan is projected to rise from 79.6 years to 85.0 years by 2075, and the average male lifespan is projected to increase from 74.0 years in 2001 to 80.9 years by 2075, and the gap between men's and women's expected lifespans narrows somewhat. A technical panel to the Social Security Trustees recently reported that the improvement in longevity might even be greater than this. If so, the projected growth of the three big entitlement programs would be even faster.

Conclusion.—Since the early 1990s, the long-run budget outlook has improved significantly, but it remains highly uncertain. Currently, there is an extended period of budget surpluses under most projection assumptions, but how big the surpluses will be and how long they will last remain quite uncertain. Furthermore, these surpluses eventually end under most assumptions. With pessimistic assumptions, the fiscal picture deteriorates relatively soon. More optimistic assumptions imply a longer period before the inexorable pressures of rising entitlement spending overwhelm the budget. Fundamental reforms are needed to preserve the basic promises embodied in Social Security and Medicare. Meanwhile, the wide range of possible outcomes highlights the sensitivity of these long-term projections to specific assumptions and cautions against undue reliance on any particular projection path. While actual experience with these projections is too short to have provided a meaningful track record to judge their accuracy, the shifts from one budget to the next in the featured projection path offer one indication of the wide range of variation in reasonable outcomes (see chart 3–4).

Actuarial Balance in the Social Security and Medicare Trust Funds:

The Trustees for the Social Security and Hospital Insurance trust funds issue annual reports that include projections of income and outgo for these funds over a 75-year period. These projections are based on different methods and assumptions than the long-run budget projections presented above, although the budget projections do rely on the Social Security assumptions for population growth and labor force growth after the year 2012. Despite these differences, the message is similar: The retirement of the baby-boom generation coupled with expected high rates of growth in per capita health care costs will exhaust the trust funds unless further remedial action is taken.

The Trustees' reports feature the 75-year actuarial balance of the trust funds as a summary measure of their financial status. For each trust fund, the balance is calculated as the change in receipts or program benefits (expressed as a percentage of taxable payroll) that would be needed to preserve a small positive balance in the trust fund at the end of 75 years. Table 3–3 shows the changes in the 75-year actuarial balances of the Social Security and Medicare HI trust funds from 2000 to 2001. There was virtually no change in the consolidated OASDI trust fund's projected deficiency. It narrowed slightly from –1.89 percent of payroll to

–1.86 percent. There was a large change in the actuarial balance of the HI trust fund.

The changes were due to revisions in the actuarial assumptions and to the annual shift in the valuation period, which arises because with the passage of time one more year of projected deficits has moved into the 75-year window. In the case of the OASDI funds, a small improvement in the economic assumptions was offset by the shift in the valuation period. For the HI program, the Trustees adopted the recommendation of their technical panel and increased the growth rate projected for the program's real per capita benefits. This change in assumptions brings projected future growth more in line with past patterns of growth, but if the new assumption is realized it will seriously undermine the program's long-term financial status.

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

(As percent of taxable payroll)

	OASI	DI	OASDI	HI
Actuarial balance in 2000 Trustees' Report	–1.53	–0.37	–1.89	–1.21
Changes in balance due to changes in:.				
Legislation	0.00	0.00	0.00	–0.03
Valuation period	–0.06	–0.01	–0.07	–0.04
Economic and demographic assumptions	0.10	0.01	0.11	0.08
Technical and other assumptions	–0.04	0.04	0.00	–0.77
Total Changes	–0.01	0.04	0.03	–0.76
Actuarial balance in 2001 Trustees' Report	–1.53	–0.33	–1.86	–1.97

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 its taxes, but they are not owned by the Federal Government and would not show up on a conventional balance sheet for the Federal Government. It is true, of course, that by encouraging economic growth in the private sector, the Government augments future Federal tax receipts; when the private economy expands, the Government collects more taxes. However, if the investments funded, but not owned by the Federal Government, earn a conventional economic rate of return, the fraction of that return that comes back to the Government in higher taxes is far less than what a private investor would require before undertaking a similar investment.

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

To show the importance of these kinds of issues, Table 3–4 presents a national balance sheet. It includes estimates of national wealth classified into three categories: physical assets, education capital, and R&D capital. The Federal Government has made contributions to each of these categories of capital, and these contributions are shown separately in the table. Data in this table are especially uncertain, because of the strong assumptions needed to prepare the estimates.

The conclusion of the table is that Federal investments are responsible for about 7 percent of total national wealth. This may seem like a small fraction, but it represents a large volume of capital more than $5 trillion. The Federal contribution is down from around 9 percent in the mid-1980s, and from around 11 percent in 1960. Much of this reflects the shrinking size of defense capital stocks, which have declined from around 12 percent of GDP to 7 percent since the end of the Cold War.

Table 3–4. NATIONAL WEALTH

(As of the end of the fiscal year, in trillions of 2001 dollars)

	1960	1965	1970	1975	1980	1985	1990	1995	1999	2000	2001
ASSETS											
Publicly Owned Physical Assets:											
Structures and Equipment	2.0	2.3	2.8	3.5	3.6	3.9	4.2	4.7	5.1	5.3	5.2
Federally Owned or Financed	1.2	1.2	1.4	1.5	1.4	1.7	1.8	2.0	2.0	1.9	2.0
Federally Owned	1.0	1.0	1.1	1.0	0.9	1.0	1.1	1.1	1.0	1.0	1.0
Grants to State & Local Govt's	0.1	0.2	0.3	0.5	0.5	0.7	0.8	0.8	0.9	1.0	1.0
Funded by State & Local Govt's	0.9	1.1	1.5	2.0	2.2	2.1	2.4	2.7	3.2	3.3	3.2
Other Federal Assets	0.7	0.7	0.6	0.8	1.3	1.4	1.1	0.8	0.9	1.1	1.2
Subtotal	2.7	3.0	3.5	4.3	4.9	5.2	5.3	5.5	6.0	6.4	6.4
Privately Owned Physical Assets:											
Reproducible Assets	7.0	8.1	9.9	12.6	16.4	17.3	19.6	21.4	24.6	25.6	26.4
Residential Structures	2.7	3.2	3.7	4.8	6.6	6.8	7.7	8.6	10.1	10.5	11.0
Nonresidential Plant & Equipment	2.8	3.2	4.0	5.3	6.8	7.4	8.3	9.0	10.3	10.8	11.1
Inventories	0.6	0.7	0.8	1.1	1.3	1.2	1.3	1.4	1.5	1.5	1.4
Consumer Durables	0.9	1.0	1.3	1.5	1.7	1.9	2.3	2.4	2.7	2.8	2.9
Land	2.0	2.4	2.8	3.7	5.6	6.4	6.5	4.9	6.6	7.4	7.8
Subtotal	9.1	10.5	12.7	16.3	22.0	23.7	26.1	26.2	31.1	33.0	34.3
Education Capital:											
Federally Financed	0.1	0.1	0.2	0.3	0.5	0.6	0.8	0.9	1.1	1.1	1.2
Financed from Other Sources	6.1	7.8	10.6	13.1	17.1	20.4	26.3	29.0	35.1	36.6	37.9
Subtotal	6.2	7.9	10.8	13.4	17.5	21.0	27.1	29.8	36.2	37.7	39.1
Research and Development Capital:											
Federally Financed R&D:	0.2	0.3	0.5	0.5	0.6	0.7	0.8	0.9	1.0	1.0	1.0
R&D Financed from Other Sources	0.1	0.2	0.3	0.4	0.5	0.7	0.9	1.1	1.4	1.5	1.4
Subtotal	0.3	0.5	0.8	0.9	1.1	1.3	1.7	2.0	2.4	2.5	2.4
Total Assets	18.3	21.9	27.8	34.9	45.5	51.3	60.2	63.6	75.7	79.5	82.1
Net Claims of Foreigners on U.S. (+)	–0.1	–0.2	–0.2	–0.1	–0.4	0.0	0.8	1.5	3.5	3.5	3.5
Net Wealth	18.4	22.1	27.9	35.0	45.8	51.2	59.4	62.0	72.2	76.0	78.6
ADDENDA:.											
Per Capita Wealth (thousands of dollars)	101.9	114.0	136.4	162.4	200.9	214.5	237.1	232.5	258.3	268.6	274.6
Ratio of Wealth to GDP (in percent)	703.3	715.3	695.0	695.6	678.8	673.6	662.6	682.8	677.3	689.1	711.2
Total Federally Funded Capital (trillions 2001 $)	2.1	2.4	2.7	3.2	3.7	4.3	4.5	4.5	4.9	5.1	5.3
Percent of National Wealth	11.4	10.7	9.8	9.1	8.1	8.5	7.6	7.3	6.8	6.8	6.7

Physical Assets:

The physical assets in the table include stocks of plant and equipment, office buildings, residential structures, land, and the Government's physical assets such as military hardware and highways. Automobiles and consumer appliances are also included in this category. The total amount of such capital is vast, around $41 trillion in 2001, consisting of $34 trillion in private physical capital and $6 trillion in public physical capital; by comparison, GDP was about 10 trillion in 2001.

The Federal Government's contribution to this stock of capital includes its own physical assets plus $1.1 trillion in accumulated grants to State and local Governments for capital projects. The Federal Government has financed about one-fourth of the physical capital held by other levels of Government.

Education Capital:

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

This table includes an estimate of the stock of capital represented by the Nation's investment in formal education and training. The estimate is based on the cost of replacing the years of schooling embodied in the U.S. population aged 16 and over; in other words, the idea is to measure how much it would cost to reeducate the U.S. workforce at today's prices (rather than at its original cost). This is more meaningful economically than the historical cost, 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 for the current value of the investment in education. According to this measure, the stock of education capital amounted to $39 trillion in 2001, of which about 3 percent was financed by the Federal Government. It is nearly equal to 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 forgo earning opportunities in order to acquire education).

Even broader concepts of human capital have been proposed. Not all useful training occurs in a schoolroom or in formal training programs at work. Much informal learning occurs within families or on the job, but measuring its value is very difficult. However, labor compensation amounts to about two-thirds of national income, and thinking of this income as the product of human capital suggests that the total value of human capital might be two times the estimated value of physical capital. Thus, the estimates offered here are in a sense conservative, because they reflect only the costs of acquiring formal education and training, which is why they are referred to as education capital rather than human capital. They are that part of human capital that can be attributed to 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.[8] That stock is estimated to have been about $2–1/2 trillion in 2001. Although this represents a large amount of research, it is a relatively small portion of total National wealth. Of this stock, about 40 percent 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. In most cases, the debts of one American are the assets of another American, so in these cases, the debts are not included in Table 3–4 because they are not a net liability of Americans as a Nation. Table 3–4 is intended to show National totals only, but that does not mean that the level of debt is unimportant. The amount of debt owed by Americans to other Americans can exert both positive and negative effects on the economy. American's willingness to borrow helped fuel the expansion of the 1990s, but the debts accumulated in this process must be serviced, which could lead to curtailed spending at some future point. Moreover, bad debts, which are not collectible, can cause serious problems for the banking system. While the banking system appears to be financially sound, such uncollectible debts were a serious problem hampering the opening stages of the last economic expansion in 1991–1992. Despite these considerations, the only debts that appear in Table 3–4 are the debts Americans owe to foreign investors. America's foreign debt has been increasing rapidly in recent years, because of the rising deficit in the U.S. current account. Although the current account deficit has been at record levels recently, the size of this debt remains small compared with the total stock of U.S. assets. It amounted to 3–1/2 percent of total assets in 2001.

Federal debt does not appear explicitly in Table 3–4 because much of it is held by Americans; only that portion of the Federal debt held by foreigners is included with other debt to foreigners. Comparing the Federal Government's net liabilities with total national wealth does, however, provide another indication of the relative magnitude of the imbalance in the Government's accounts. Currently, Federal net liabilities, as reported in Table 3–1, amount to about 4 percent of net U.S. wealth as shown in Table 3–4.

Trends in National Wealth

The net stock of wealth in the United States at the end of FY 2001 was about $78–1/2 trillion, almost eight times the level of GDP. Since 1981, it has increased in real terms at an average annual rate of 2.6 percent per year—two percentage points less rapidly than it grew from 1961 to 1981—4.7 percent per year. Public physical capital formation growth slowed even more. Since 1981, public physical capital has increased at an annual rate of only 1.0 percent, compared with 3.3 percent over the previous 20 years.

The net stock of private nonresidential plant and equipment grew 2.3 percent per year from 1981 to 2001, compared with 4.6 percent in the 1960s and 1970s; and the stock of business inventories increased even less, just 0.4 percent per year on average since 1981. However, private nonresidential fixed capital has increased much more rapidly since 1995—3.8 percent per year—reflecting the investment boom in the latter half of the 1990s.

The accumulation of education capital, as measured here, has also slowed down since 1981, but not as much. It grew at an average rate of 5.3 percent per year in the 1960s and 1970s, about 0.9 percentage point faster than the average rate of growth in private physical capital during the same period. Since 1981, education capital has grown at a 3.9 percent annual rate. This reflects both the extra resources devoted to schooling in this period, and the fact that such resources were increasing in economic value. R&D stocks have also grown at about 3.9 percent per year since 1981.

Other Federal Influences on Economic Growth

Federal investment decisions, as reflected in Table 3–4, obviously are important, but the Federal Government also contributes to wealth in ways that cannot be easily captured in a formal presentation. The Federal Reserve's monetary policy affects the rate and direction of capital formation in the short run, and Federal regulatory and tax policies also affect how capital is invested, as do the Federal Government's policies on credit assistance and insurance.

Social Indicators

There are certain broad responsibilities that are unique to the Federal Government. Especially important are fostering healthy economic conditions including sound economic growth, promoting health and social welfare, and protecting the environment. Table 3–5 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 a limited subset drawn from the vast array of available data on conditions in

[8] R&D depreciates in the sense that the economic value of applied research and development tends to decline with the passage of time, as still newer ideas move the technological frontier.

Table 3–5. ECONOMIC AND SOCIAL INDICATORS

General categories	Specific measures	1960	1965	1970	1975	1980	1985	1990	1995	1999	2000	2001
Economic:												
Living Standards	Real GDP per person (1996 dollars)	$13,145	$15,587	$17,445	$18,909	$21,523	$23,971	$26,832	$28,318	$31,732	$32,651	$32,572
	average annual percent change (5-year trend)	0.7	3.5	2.3	1.6	2.6	2.2	2.3	1.1	2.6	2.9	2.4
	Median Income (2000 dollars):											
	All Households	N/A	N/A	$33,746	$33,489	$35,238	$36,246	$38,446	$38,262	$42,187	$42,148	N/A
	Married Couple Families	$29,111	$33,881	$40,631	$42,193	$46,045	$47,728	$51,224	$52,843	$58,580	$59,187	N/A
	Female Householder, Husband Absent	$14,712	$16,472	$19,678	$19,423	$20,709	$20,964	$21,740	$22,110	$24,529	$25,787	N/A
	Income Share of Lower 60% of All Families	34.8	35.2	35.2	35.2	34.5	32.7	32.0	30.3	29.8	29.6	N/A
	Poverty Rate (%) (a)	22.2	17.3	12.6	12.3	13.0	14.0	13.5	13.8	11.8	11.3	N/A
Economic Security	Civilian Unemployment (%)	5.5	4.5	4.9	8.5	7.1	7.2	5.5	5.6	4.2	4.0	4.8
	CPI-U (% Change)	1.7	1.6	5.8	9.1	13.5	3.5	5.4	2.8	2.1	3.4	2.9
Employment	Increase in Total Payroll Employment Previous 12 Months.	–0.5	2.9	–0.5	0.4	0.2	2.5	0.3	2.2	3.1	2.0	–1.1
	Managerial or Professional Jobs (% of civilian employment)	N/A	N/A	N/A	N/A	N/A	24.1	25.8	28.3	30.3	30.2	31.0
Wealth Creation	Net National Saving Rate (% of GDP)	10.2	12.1	8.2	6.6	7.5	6.1	4.6	4.7	6.0	5.6	4.0
Innovation	Patents Issued to U.S. Residents (thousands)	42.3	54.1	50.6	51.5	41.7	45.1	56.1	68.2	99.5	103.6	N/A
	Multifactor Productivity (average annual percent change)	0.8	2.8	0.8	1.1	0.8	0.6	0.5	0.6	1.0	N/A	N/A
Environment:												
Air Quality	Nitrogen Oxide Emissions (thousand short tons)	14,140	16,579	20,928	22,632	24,384	23,198	24,170	25,051	25,393	N/A	N/A
	Sulfur Dioxide Emissions (thousand short tons)	22,227	26,750	31,161	28,011	25,905	23,658	23,678	19,188	18,867	N/A	N/A
	Lead Emissions (thousand short tons)	N/A	N/A	221	160	74	23	4	4	4	N/A	N/A
Water Quality	Population Served by Secondary Treatment or Better (mils)	N/A	N/A	N/A	N/A	N/A	134	155	166	N/A	N/A	N/A
Social:												
Families	Children Living with Mother Only (% of all children)	9.2	10.2	11.6	16.4	18.6	20.2	21.6	24.0	22.4	21.7	N/A
Safe Communities	Violent Crime Rate (per 100,000 population) (b)	160	199	364	482	597	557	732	685	523	506	N/A
	Murder Rate (per 100,000 population) (b)	5	5	8	10	10	8	9	8	6	6	N/A
	Murders (per 100,000 Persons Age 14 to 17)	N/A	N/A	N/A	5	6	5	10	11	6	N/A	N/A
Health	Infant Mortality (per 1000 Live Births)	26.0	24.7	20.0	16.1	12.6	10.6	9.2	7.6	7.1	6.9	N/A
	Low Birthweight [<2,500 gms] Babies (%)	7.7	8.3	7.9	7.4	6.8	6.8	7.0	7.3	7.6	7.6	N/A
	Life Expectancy at birth (years)	69.7	70.2	70.8	72.6	73.7	74.7	75.4	75.8	76.7	76.9	N/A
	Cigarette Smokers (% population 18 and older)	N/A	41.9	39.2	36.3	33.0	29.9	25.3	24.6	23.3	N/A	N/A
Learning	High School Graduates (% of population 25 and older)	44.6	49.0	55.2	62.5	68.6	73.9	77.6	81.7	83.4	N/A	N/A
	College Graduates (% of population 25 and older)	8.4	9.4	11.0	13.9	17.0	19.4	21.3	23.0	25.2	N/A	N/A
	National Assessment of Educational Progress (c)											
	Mathematics High School Seniors	N/A	N/A	N/A	302	299	301	305	307	308	N/A	N/A
	Science High School Seniors	N/A	N/A	305	293	286	288	290	295	295	N/A	N/A
Participation	Individual Charitable Giving per Capita (2000 dollars)	231	277	333	353	385	396	439	416	553	554	N/A
	(by presidential election year)	(1960)	(1964)	(1968)	(1972)	(1976)	(1980)	(1984)	(1988)	(1992)	(1996)	(2000)
	Voting for President (% eligible population)	62.8	61.9	60.9	55.2	53.5	52.8	53.3	50.3	55.1	49.0	51.2

N/A = Not Available.

(a) The poverty rate does not reflect noncash government transfers such as Medicaid or food stamps.

(b) Not all crimes are reported, and the fraction that go unreported may have varied over time, 2000 data are preliminary.

(c) Some data from the national educational assessments have been interpolated.

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 to varying degrees by many Government policies and programs, as well as by external factors beyond the Government's control. They do not measure the outcomes of Government policies, because they generally do not show the direct results of Government activities, but they do provide a quantitative measure of the progress or lack of progress in reaching some of the ultimate values that Government policy is intended to promote.

Such a table can serve two functions. First, it highlights areas where the Federal Government might need to modify its current practices or consider new approaches. Where there are clear signs of deteriorating conditions, corrective action might be appropriate. Second, the table provides a context for evaluating other data on Government activities. For example, Government actions that weaken its own financial position may be appropriate when they promote a broader social objective. The Government cannot avoid making such trade-offs because of its size and the broad ranging effects of its actions. Monitoring these effects and incorporating them in the Government's policy making is a major challenge.

It is worth noting that, in recent years, many of the trends in these indicators turned around. The improvement in economic conditions has been widely noted, and there have also been some significant social improvements. Perhaps, most notable has been the turnaround in the crime rate. Since reaching a peak in the early 1990s, the violent crime rate has fallen by a third. The turnaround has been especially dramatic in the murder rate, which was lower in 2000 than at any time since the 1960s. The recession that began in March 2001 is having an effect on some of these indicators already, and could affect others when data become available later this year. Unemployment has risen and real GDP growth has declined. But if the recession is brief, which is the expectation for this budget, much of the improvement shown in Table 3–5 is likely to be preserved.

An Interactive Analytical Framework

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

TECHNICAL NOTE: SOURCES OF DATA AND METHOD OF ESTIMATING

Federally Owned Assets and Liabilities

Assets:

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

Physical Assets:

Fixed Reproducible Capital: Estimates were developed from the OMB historical data base for physical capital outlays and software purchases. 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 was necessary to deflate the nominal investment series. This was done using price deflators for Federal investment from the National Income and Product Accounts.

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 from the Agriculture Department for farm land; the value of Federal oil deposits was extrapolated using the Producer Price Index for Crude Energy Materials.

Liabilities:

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

Insurance Liabilities: Sources of data are the OMB Pension Guarantee Model and OMB estimates based on program data. Historical data on liabilities for deposit insurance were also drawn from CBO's study, The Economic Effects of the Savings and Loan Crisis, issued January 1992.

Pension Liabilities: For 1979–1998, 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 extrapolations. The estimate for 2001 is a projection. The health insurance liability was estimated by the program actuaries for 1997–2001, and extrapolated back for earlier years.

Long-Run Budget Projections

The long-run budget projections are based on long-run demographic and economic assumptions. A simplified model of the Federal budget, developed at OMB, computes the budgetary implications of these projections.

Demographic and Economic Projections: For the years 2002–2012, the assumptions are identical to those used in the budget. These budget assumptions reflect the President's policy proposals. The economic assumptions in the budget are extended by holding constant inflation, interest rates, and unemployment at the levels assumed in the final year of the budget. Population growth and labor force growth are extended using the intermediate assumptions from the 2001 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.

Budget Projections: 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 is projected to grow at the rate of inflation or at the rate of growth in nominal GDP. Social Security is projected by the Social Security actuaries using these long-range assumptions. Federal pensions are derived from the most recent actuarial forecasts available at the time the budget is prepared, repriced using Administration inflation assumptions. Medicaid outlays are based on the economic and demographic projections in the model. Medicare projections follow the latest Medicare Trustees' reports adjusted for the Administration's different inflation and real 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 Federal investment flows described in Chapter 7. Federal grants for State and local Government capital are 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 revised capital stock data prepared by the Bureau of Economic Analysis extrapolated for 2001.

Privately Owned Physical Assets: Data are from the Flow-of-Funds national balance sheets and from the private net capital stock estimates prepared by the Bureau of Economic Analysis extrapolated for 2001 using investment data from the National Income and Product Accounts.

Education Capital: The stock of education capital is computed by valuing the cost of replacing the total years of education embodied in the U.S. population 16 years of age and older at the current cost of providing schooling. The estimated cost includes both direct expenditures in the private and public sectors and an estimate of students' forgone earnings, i.e., it reflects the opportunity cost of education. Estimates of students' forgone earnings are based on the year-round, full-time earnings of 18–24 year olds with selected educational attainment levels. These year-round earnings are reduced by 25 percent because students are usually out of school three months of the year. For high school students, these adjusted earnings are further reduced by the unemployment rate for 16–17 year olds; for college students, by the unemployment rate for 20–24 year olds. Yearly earnings by age and educational attainment are from *Money Income in the United States,* series P60, published by the Bureau of the Census.

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 because these outlays are classified elsewhere as investment in physical 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,* Lexington Books, 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 price index 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 estimated stock of applied research and development. Basic research is assumed not to depreciate. Chapter 7 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 estimated based on data from the National Science Foundation, *Surveys of Science Resources.* The industry-financed R&D stock component is estimated 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 3–4 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. The data are all publicly available, and can be found in such general sources as the annual *Economic Report of the President* and the *Statistical Abstract of the United States,* or from agencies' Web sites.

FEDERAL RECEIPTS AND COLLECTIONS

4. FEDERAL RECEIPTS

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

The Federal Government also collects income from the public from market-oriented activities. Collections from these activities, which are subtracted from gross outlays, rather than added to taxes and other governmental receipts, are discussed in the following chapter.

Growth in receipts.—Total receipts in 2003 are estimated to be $2,048.1 billion, an increase of $101.9 billion or 5.2 percent relative to 2002. Receipts are projected to grow at an average annual rate of 5.9 percent between 2003 and 2007, rising to $2,571.7 billion. This growth in receipts is largely due to assumed increases in incomes resulting from both real economic growth and inflation.

As a share of GDP, receipts are projected to decline from 19.6 percent in 2001 to 18.8 percent in 2002 and 2003. The receipts share of GDP is projected to increase to 19.1 percent in 2007, despite the phasein of legislated tax reductions and the President's proposed tax plan.

Table 4–1. RECEIPTS BY SOURCE—SUMMARY

(In billions of dollars)

Source	2001 actual	Estimate					
		2002	2003	2004	2005	2006	2007
Individual income taxes	994.3	949.2	1,006.4	1,058.6	1,112.0	1,157.3	1,221.7
Corporation income taxes	151.1	201.4	205.5	212.0	237.1	241.4	250.6
Social insurance and retirement receipts	694.0	708.0	749.2	789.8	835.2	868.7	908.3
(On-budget)	(186.4)	(190.8)	(203.9)	(216.3)	(227.0)	(235.1)	(243.0)
(Off-budget)	(507.5)	(517.2)	(545.3)	(573.5)	(608.2)	(633.7)	(665.3)
Excise taxes	66.1	66.9	69.0	71.2	73.6	75.3	77.5
Estate and gift taxes	28.4	27.5	23.0	26.6	23.4	26.4	23.2
Customs duties	19.4	18.7	19.8	21.9	23.0	24.7	26.2
Miscellaneous receipts	37.8	36.4	40.2	42.8	43.2	44.4	46.2
Bipartisan economic security plan	....	–62.0	–65.0	–47.5	–9.5	17.0	18.0
Total receipts	**1,991.0**	**1,946.1**	**2,048.1**	**2,175.4**	**2,338.0**	**2,455.3**	**2,571.7**
(On-budget)	*(1,483.5)*	*(1,428.9)*	*(1,502.7)*	*(1,601.9)*	*(1,729.8)*	*(1,821.6)*	*(1,906.4)*
(Off-budget)	*(507.5)*	*(517.2)*	*(545.3)*	*(573.5)*	*(608.2)*	*(633.7)*	*(665.3)*

Table 4–2. EFFECT ON RECEIPTS OF CHANGES IN THE SOCIAL SECURITY TAXABLE EARNINGS BASE

(In billions of dollars)

	Estimate				
	2003	2004	2005	2006	2007
Social security (OASDI) taxable earnings base increases:.					
$84,900 to $89,700 on Jan. 1, 2003	2.2	5.8	6.4	7.0	7.7
$89,700 to $92,400 on Jan. 1, 2004	....	1.3	3.3	3.6	3.9
$92,400 to $96,000 on Jan. 1, 2005	....	....	1.7	4.5	4.9
$96,000 to $99,900 on Jan. 1, 2006	....	....	....	1.9	4.9
$99,900 to $103,800 on Jan. 1, 2007	....	....	....	....	1.9

ENACTED LEGISLATION

Several laws were enacted in 2001 that have an effect on governmental receipts. The major legislative changes affecting receipts are described below.

ECONOMIC GROWTH AND TAX RELIEF RECONCILIATION ACT OF 2001 (EGTRRA)

From the Administration's first day in office, President Bush worked to deliver on his campaign promise of meaningful tax relief. Congress moved with exceptional speed and on June 7, 2001, this Act was signed by President Bush. The major provisions of this Act, which are described in greater detail below, create a new 10-percent individual income tax rate bracket; reduce marginal income tax rates for individuals; eliminate the estate tax; reduce the marriage penalty; provide relief from the alternative minimum tax (AMT); modify the timing of estimated tax payments by corporations; and modify tax benefits for children, education, and pension and retirement savings. Almost all of the provisions phase in over a number of years and sunset on December 31, 2010.

Individual Income Tax Relief

Create a new 10-percent individual income tax rate bracket.—Effective for taxable years beginning after December 31, 2000 and before January 1, 2011, the prior law 15-percent individual income tax rate bracket is split into two tax rate brackets of 10 and 15 percent. The new 10-percent tax rate bracket applies to the first $6,000 of taxable income for single taxpayers and married taxpayers filing separate returns (increasing to $7,000 for taxable years beginning after December 31, 2007), the first $10,000 of taxable income for heads of household, and the first $12,000 of taxable income for married taxpayers filing a joint return (increasing to $14,000 of taxable income for taxable years beginning after December 31, 2007). Taxable income above these thresholds that was taxed at the 15-percent rate under prior law will continue to be taxed at that rate. The income thresholds for the new tax rate bracket will be adjusted annually for inflation, effective for taxable years beginning after December 31, 2008 and before January 1, 2011.

For 2001, most taxpayers received the benefit of the new 10-percent tax rate bracket through an advanced credit, issued by the Department of Treasury in the form of a check. The amount of the advanced credit was equal to 5 percent of taxable income reported on tax returns filed for 2000, up to a maximum credit of $300 for single taxpayers and married taxpayers filing separate returns, $500 for heads of household, and $600 for married taxpayers filing a joint return. Taxpayers are entitled to a similar credit on tax returns filed for 2001 to the extent that it exceeds the advanced credit, if any, that they received on the basis of tax returns filed for 2000.

Reduce individual income tax rates.—In addition to splitting the 15-percent tax rate bracket of prior law into two tax rate brackets (see preceding discussion), this Act replaces the four remaining statutory individual income tax rate brackets of prior law (28, 31, 36, and 39.6 percent) with a rate structure of 25, 28, 33, and 35 percent. The reduced tax rate structure is phased in over a period of six years, effective for taxable years beginning after December 31, 2000, as follows: the 28-percent rate is reduced to 27.5 percent for 2001, 27 percent for 2002 and 2003, 26 percent for 2004 and 2005, and 25 percent for 2006 through 2010; the 31 percent rate is reduced to 30.5 for 2001, 30 percent for 2002 and 2003, 29 percent for 2004 and 2005, and 28 percent for 2006 through 2010; the 36 percent rate is reduced to 35.5 percent for 2001, 35 percent for 2002 and 2003, 34 percent for 2004 and 2005, and 33 percent for 2006 through 2010; and the 39.6 percent rate is reduced to 39.1 percent for 2001, 38.6 percent for 2002 and 2003, 37.6 percent for 2004 and 2005, and 35 percent for 2006 through 2010. The income thresholds for these tax rate brackets are adjusted annually for inflation as provided under prior law.

Repeal phaseout of personal exemptions.—Under prior law, the deduction for taxpayer and dependent personal exemptions ($2,900 for taxable year 2001), began to be phased out for taxpayers with adjusted gross income (AGI) over certain thresholds (for taxable year 2001, the thresholds were $132,950 for single taxpayers, $166,200 for heads of household, $99,725 for married taxpayers filing separate returns, and $199,450 for married taxpayers filing a joint return). For taxable year 2001, the deduction for personal exemptions was fully phased out above AGI of $255,450 for single taxpayers, $288,700 for heads of household, $160,975 for married taxpayers filing separate returns, and $321,950 for married taxpayers filing a joint return. This Act phases in the repeal of the phaseout of personal exemptions over a five-year period, effective for taxable years beginning after December 31, 2005. The otherwise applicable personal exemption phaseout is reduced by one-third for taxable years 2006 and 2007, is reduced by two-thirds for taxable years 2008 and 2009, and is repealed for taxable year 2010.

Repeal limitation on itemized deductions.—Under prior law, the amount of otherwise allowable itemized deductions (other than medical expenses, investment interest, theft and casualty losses, and wagering losses) was reduced by three percent of AGI in excess of certain thresholds (for taxable year 2001, the thresholds were $66,475 for married taxpayers filing separate returns and $132,950 for all other taxpayers). This Act phases in the repeal of the limitation on itemized deductions over a five-year period, effective for taxable years beginning after December 31, 2005. The otherwise applicable limitation on itemized deductions is reduced by one-third for taxable years 2006 and 2007, is reduced by two-thirds for taxable years 2008 and 2009, and is repealed for taxable year 2010.

Tax Benefits for Children

Increase and expand the child tax credit.—Under prior law, taxpayers were provided a tax credit of up to $500 for each qualifying child under the age of 17. This Act doubles the maximum amount of the credit to $1,000 over a 10-year period, effective for taxable years beginning after December 31, 2000. The credit increases to $600 for taxable years 2001 through 2004, $700 for taxable years 2005 through 2008, $800 for taxable year 2009, and $1,000 for taxable year 2010.

Generally, the credit was nonrefundable under prior law; however, taxpayers with three or more qualifying children could be eligible for an additional refundable child tax credit if they had little or no individual income tax liability. The additional credit could be offset against social security payroll tax liability, provided that liability exceeded the refundable portion of the earned income tax credit (EITC). Under this Act, the child credit is refundable to the extent of 10 percent of the taxpayer's earned income in excess of $10,000 for taxable years 2001 through 2004. The percentage increases to 15 percent for taxable years 2005 through 2010. The $10,000 earned income threshold is indexed annually for inflation beginning in 2002. Families with three or more children are allowed a refundable credit for the amount by which their social security payroll taxes exceed their earned income credit (the prior law rule), if that amount is greater than the refundable credit based on their earned income in excess of $10,000. This Act also provides that the refundable portion of the child credit does not constitute income and shall not be treated as resources for purposes of determining eligibility or the amount or nature of benefits or assistance under any Federal program or any State or local program financed with Federal funds.

Under prior law, beginning in taxable year 2002, the child tax credit would have been allowed only to the extent that an individual's regular individual income tax liability exceeded his or her tentative minimum tax. In addition, beginning in taxable year 2002, the refundable child tax credit would have been reduced by the amount of the individual's alternative minimum tax. Effective for taxable years beginning after December 31, 2001 and before January 1, 2011, this Act allows the child credit to offset both the regular tax and the alternative minimum tax; in addition, the refundable credit will not be reduced by the amount of the alternative minimum tax.

Extend and expand adoption tax benefits.—Prior law provided a permanent nonrefundable 100-percent tax credit for the first $6,000 of qualified expenses incurred in the adoption of a child with special needs. A nonrefundable 100-percent tax credit was provided for the first $5,000 of qualified expenses incurred before January 1, 2002 in the adoption of a child without special needs. The adoption credit (including the credit for the adoption of a child with special needs) phased out ratably for taxpayers with modified AGI between $75,000 and $115,000. In addition, for taxable years beginning after December 31, 2001, the otherwise allowable adoption credit was allowed only to the extent that the taxpayer's regular income tax liability exceeded the taxpayer's tentative minimum tax. This Act increases the credit for qualified expenses incurred in the adoption of a child, including a child with special needs, to $10,000, effective for qualified expenses incurred after December 31, 2001 and before January 1, 2011. The $10,000 amount is indexed annually for inflation, effective for taxable years beginning after December 31, 2002. For the adoption of a child with special needs finalized after December 31, 2002 and before January 1, 2011, the credit is provided regardless of whether qualified adoption expenses are incurred. Effective for taxable years beginning after December 31, 2001 and before January 1, 2011, the credit (including the credit for the adoption of a child with special needs) phases out ratably for taxpayers with modified AGI between $150,000 and $190,000. The start of the phase-out range is indexed annually for inflation effective for taxable years beginning after December 31, 2002, but the width of the phase-out range remains at $40,000. In addition, for taxable years beginning after December 31, 2001 and before January 1, 2011, the adoption tax credit is allowed against the alternative minimum tax.

Under prior law, up to $5,000 per child in qualified adoption expenses paid or reimbursed by an employer under an adoption assistance program could be excluded from the gross income of an employee. The maximum exclusion was $6,000 for the adoption of a child with special needs. The exclusion, which applied to amounts paid or expenses incurred before January 1, 2002, was phased out ratably for taxpayers with modified AGI (including the full amount of the employer adoption benefit) between $75,000 and $115,000. This Act increases the maximum exclusion to $10,000 per child, including the adoption of a child with special needs, effective for expenses incurred after December 31, 2001 and before January 1, 2011. The $10,000 amount is indexed annually for inflation, effective for taxable years beginning after December 31, 2002. For the adoption of a child with special needs finalized after December 31, 2002 and before January 1, 2011, the exclusion is provided regardless of whether qualified adoption expenses are incurred. Effective for taxable years beginning after December 31, 2001 and before January 1, 2011, the exclusion (including the exclusion for the adoption of a child with special needs) phases out ratably for taxpayers with modified AGI between $150,000 and $190,000. The start of the phase-out range is indexed annually for inflation effective for taxable years beginning after December 31, 2002, but the width of the phase-out range remains at $40,000.

Expand dependent care tax credit.—Under prior law, a taxpayer could receive a nonrefundable tax credit for a percentage of a limited amount of dependent care expenses ($2,400 for one qualifying dependent and $4,800 for two or more qualifying dependents) paid in order to work. The credit rate was phased down from 30 percent of expenses (for taxpayers with AGI of $10,000 or less) to 20 percent of expenses (for taxpayers with AGI above $28,000). Effective for taxable years beginning after December 31, 2002 and before January 1, 2011, this Act increases the maximum amount of eligible employment related expenses to $3,000 for one qualifying dependent and to $6,000 for two or more qualifying dependents. In addition, the maximum credit rate is increased to 35 percent for taxpayers with AGI of $15,000 or less, and the phase down is modified so that the 20 percent rate applies to taxpayers with AGI above $43,000.

Provide tax credit for employer-provided child care facilities.—A 25-percent tax credit is provided to employers for qualified expenses incurred to build, acquire, rehabilitate, expand, or operate a child care facility for employee use, or to provide child care services to children of employees directly or through a third party. A 10-percent credit is provided for qualified expenses incurred to provide employees with child care resource and referral services. The maximum total credit for an employer may not exceed $150,000 per taxable year, and is effective for taxable years beginning after December 31, 2001 and before January 1, 2011. Any deduction the employer would otherwise be entitled to take for the expenses is reduced by the amount of the credit. The taxpayer's basis in a facility is reduced to the extent that a credit is claimed for expenses of constructing, rehabilitating, expanding, or acquiring a facility; in addition, the credit is subject to recapture for the first ten years after the qualified child care facility is placed in service.

Marriage Penalty Relief

Increase standard deduction for married taxpayers filing a joint return.—The basic standard deduction amount for single taxpayers under prior law was equal to 60 percent of the basic standard deduction amount for married taxpayers filing a joint return. Therefore, two single taxpayers had a combined standard deduction that exceeded the standard deduction of a married couple filing a joint return. This Act increases the standard deduction for married couples filing a joint return to double the standard deduction for single taxpayers over a five-year period, beginning after December 31, 2004. Under the phasein, the standard deduction for married taxpayers filing a joint return increases to 174 percent of the standard deduction for single taxpayers in taxable year 2005, 184 percent in taxable year 2006, 187 percent in taxable year 2007, 190 percent in taxable year 2008, and 200 percent in taxable years 2009 and 2010.

Expand the 15-percent tax rate bracket for married taxpayers filing a joint return.—The size of the 15-percent tax rate bracket for married taxpayers filing a joint return is increased to twice the size of the corresponding tax rate bracket for single taxpayers. The increase, which is phased in over four years, beginning after December 31, 2004, is as follows: the 15-percent tax rate bracket for married taxpayers filing a joint return increases to 180 percent of the corresponding tax rate bracket for single taxpayers in taxable year 2005, 187 percent in taxable year 2006, 193 percent in taxable year 2007, and 200 percent in taxable years 2008, 2009 and 2010.

Modify the phaseout of the earned income credit (EITC) for married taxpayers filing a joint return and simplify the EITC.— The maximum earned income tax credit is phased in as an individual's earned income increases. The credit phases out for individuals with earned income (or, if greater, modified AGI) over certain levels. For married taxpayers filing a joint return, both the phasein and phaseout of the credit are calculated based on the couples' combined income. Under this Act, for married taxpayers filing a joint return, the income threshold at which the credit begins to phase out is increased, effective for taxable years beginning after December 31, 2001 and before January 1, 2011. For married taxpayers filing a joint return the phase-out threshold increases by $1,000 for taxable years 2002 through 2004, $2,000 for taxable years 2005 through 2007, and $3,000 for taxable years 2008 through 2010. The $3,000 amount is increased annually for inflation beginning in taxable year 2009.

This Act also simplifies EITC eligibility criteria and allows the Internal Revenue Service (IRS) to use more cost efficient procedures to deny certain questionable EITC claims. In addition, effective for taxable years beginning after December 31, 2001 and before January 1, 2011, the prior law rule that reduced the EITC by the amount of the alternative minimum tax is repealed.

Education Incentives

Increase and expand education savings accounts.—Under prior law, taxpayers were permitted to contribute up to $500 per year to an education savings account (an "education IRA") for beneficiaries under age 18. The contribution limit was phased out for taxpayers with modified AGI between $95,000 and $110,000 (between $150,000 and $160,000 for married couples filing a joint return). Contributions to an education IRA were not deductible, but earnings on contributions were allowed to accumulate tax-free. Distributions were excludable from gross income to the extent they did not exceed qualified higher education expenses incurred during the year the distribution was made. The earnings portion of a distribution not used to cover qualified higher education expenses was included in the gross income of the beneficiary and was generally subject to an additional 10-percent tax. If any portion of a distribution from an education savings account was excluded from gross income, an education tax credit could not be claimed with respect to the same student for the same taxable year. An excise tax of six percent was imposed on contributions to an education IRA in any year in which contributions were also made to a qualified State tuition program on behalf of the same beneficiary.

Effective for taxable years beginning after December 31, 2001 and before January 1, 2011, this Act increases the annual contribution limit to education IRAs to $2,000 and increases the contribution phase-out range for married couples filing a joint return to twice the range for single taxpayers ($190,000 to $220,000 of AGI). As under prior law, contributions to an education IRA are not deductible, but earnings on contributions are allowed to accumulate tax-free. In addition to allowing tax-free and penalty-free distributions for qualified higher education expenses, this Act expands education savings accounts to allow tax-free and penalty-free distributions for qualified elementary, secondary and after school expenses. Qualified expenses at public, private, and religious educational institutions providing elementary and secondary education generally include: tuition; fees; academic tutoring; special needs services; books; supplies; computer equipment; and certain expenses for room and board, uniforms, and transportation. Under this Act: (1) the rule prohibiting contributions after the beneficiary attains age 18 does not apply in the case of a special needs beneficiary, as defined by Treasury Department regulations, (2) both an education tax credit and a tax-free distribution from an education savings account are allowed with respect to the same student in the same taxable year, provided the credit and the distribution are not used for the same expenses, and (3) the excise tax on contributions made to an education IRA on behalf of a beneficiary during any taxable year in which contributions are made to a qualifying State tuition program on behalf of the same beneficiary is repealed.

Allow tax-free distributions from Qualified State Tuition Plans (QSTPs) for certain higher education expenses and allow private colleges to offer prepaid tuition plans.—QSTP programs generally take two forms - prepaid tuition plans and savings plans. Under a prepaid tuition plan, an individual may purchase tuition credits or certificates on behalf of a designated beneficiary, which entitle the beneficiary to the waiver or payment of qualified higher education expenses at participating educational institutions. Under a savings plan, an individual may make contributions to an account, which is established for the purpose of meeting the qualified higher education expenses of a designated beneficiary. Distributions from QSTPs for nonqualified expenses generally are subject to a more than de minimis penalty (typically 10 percent of the earnings portion of the distribution). There is no specific dollar cap on annual contributions to a QSTP; in addition, there is no limit on contributions to a QSTP based on the contributor's income. Contributions to a QSTP are permitted at any time during the beneficiary's lifetime and the account can remain open after the beneficiary reaches age 30. However, a QSTP must provide adequate safeguards to prevent contributions on behalf of a designated beneficiary in excess of amounts necessary to provide for qualified education expenses.

Two basic tax benefits were provided to contributions to, and beneficiaries of, QSTPs under prior law: (1) earnings on amounts invested in a QSTP were not subject to tax until a distribution was made (or educational benefits were provided), and (2) distributions made on behalf of a beneficiary were taxed at the beneficiary's (rather than the contributor's) individual income tax rate.

Effective for taxable years beginning after December 31, 2001 and before January 1, 2011, this Act provides for tax-free withdrawals from QSTPs for qualified higher education expenses, including tuition and fees; certain expenses for room and board; certain expenses for books, supplies, and equipment; and expenses of a special needs beneficiary that are necessary in connection with enrollment or attendance at an eligible education institution. An education tax credit, a tax-free distribution from an education savings account, and a tax-free distribution from a QSTP are allowed with respect to the same student in the same taxable year, provided the credit and the distributions are not used for the same expenses. Effective for taxable years beginning after December 31, 2003 and before January 1, 2011, this Act allows private educational institutions to establish qualified prepaid tuition plans (but not savings plans), provided the institution is eligible to participate in Federal financial aid programs under Title IV of the Higher Education Act of 1965. In addition, the prior law rule imposing a more than de minimis monetary penalty on any refund of earnings not used for qualified higher education expenses is repealed and replaced with an additional 10-percent tax on any payment includible in gross income; however, effective for taxable years beginning before January 1, 2004, the 10-percent tax does not apply to any distribution from a private prepaid tuition program that is includible in gross income but used for qualified higher education expenses.

Provide deduction for qualified higher education expenses.—An above-the-line deduction is provided for qualified higher education expenses, effective for expenses paid in taxable years beginning after December 31, 2001 and before January 1, 2006. Taxpayers with AGI less than or equal to $65,000 ($130,000 for married taxpayers filing a joint return) are provided a maximum deduction of $3,000 in taxable years 2002 and 2003, which increases to $4,000 in taxable years 2004 and 2005. Taxpayers with AGI greater than $65,000 and less than or equal to $80,000 (greater than $130,000 and less than or equal to $160,000 for married taxpayers filing a joint return) are provided a maximum deduction of $2,000 for taxable years 2004 and 2005. For a given taxable year, the deduction may not be claimed for the qualified education expenses of a student if an education tax credit is claimed for the same student. In addition, the deduction may not be claimed for amounts taken into account in determining the amount excludable from income due to a distribution from an education IRA or the amount of interest excludable from income with respect to education savings bonds. A taxpayer may not claim a deduction for the amount of a distribution from a qualified tuition plan that is excludable from income; however the deduction may be claimed for the amount of a distribution from a qualified tuition plan that is not attributable to earnings.

Extend and expand exclusion for employer-provided educational assistance.—Certain amounts paid or incurred by an employer for educational assistance provided to an employee are excluded from the employee's gross income for income and payroll tax purposes. The exclusion is limited to $5,250 of educational assistance with respect to an individual during a calendar year and applies whether or not the education is job-related. The exclusion, which applied to undergraduate courses beginning before January 1, 2002 under prior law, is extended to apply to courses beginning after December 31, 2001 and before January 1, 2011, and is expanded to apply to graduate courses.

Modify student loan interest deduction.—Prior law allowed certain individuals to claim an above-the-line deduction for up to $2,500 in annual interest paid on qualified education loans, during the first 60 months in which interest payments were required. The maximum annual interest deduction was phased out ratably for single taxpayers with AGI between $40,000 and $55,000 ($60,000 and $75,000 for married taxpayers filing a joint return). The deduction did not apply to voluntary payments, such as interest payments made during a period of loan forbearance. Effective for interest paid on qualified education loans after December 31, 2001 and before January 1, 2011, both the limit on the number of months during which interest paid is deductible and the restriction that voluntary payments of interest are not deductible are repealed. In addition, the income phase-out ranges for eligibility for the deduction are increased to between $50,000 and $65,000 of AGI for a single taxpayer ($100,000 and $130,000 for married taxpayers filing a joint return). The income phase-out ranges are adjusted annually for inflation after 2002.

Provide tax relief for awards under certain health education programs.—Current law provides tax-free treatment for certain scholarship and fellowship grants used to pay qualified tuition and related expenses, but not to the extent that any grant represents compensation for services. Under this Act, amounts received by an individual under the National Health Service Corps Scholarship Program or the Armed Forces Health Professions Scholarship and Financial Assistance Program may be "qualified scholarships" excludable from income, without regard to the recipient's future service obligation. This change is effective for awards received after December 31, 2001 and before January 1, 2011.

Modify arbitrage restrictions on tax-exempt bonds issued by small governmental units for public schools.—To prevent tax exempt entities from issuing more Federally subsidized tax-exempt bonds than is necessary for the activity being financed, current law includes arbitrage restrictions limiting the ability to profit from investment of tax-exempt bond proceeds. In general, arbitrage profits may be earned only during specified periods or on specified types of investments, and, subject to limited exceptions, must be rebated to the Federal Government. Under prior law, governmental bonds issued by small governmental units were not subject to the rebate. Small governmental units are defined as general purpose governmental units that issue no more than $5 million of tax-exempt governmental bonds in a calendar year ($10 million of governmental bonds if at least $5 million of the bonds are used to finance public schools). Effective for bonds issued after December 31, 2001 and before January 1, 2011, this Act increases to $15 million the maximum amount of governmental bonds that small governmental units may issue without being subject to the arbitrage rebate requirements, if at least $10 million of the bonds are used for public schools.

Allow States to issue tax-exempt private activity bonds for school construction.—Effective for taxable years beginning after December 31, 2001 and before January 1, 2011, the activities for which States may issue tax-exempt private activity bonds is expanded to include the construction and equipping of public school facilities owned by private, for-profit corporations pursuant to public-private partnership agreements with a State or local educational agency. Under such agreements the for-profit corporation constructs, rehabilitates, refurbishes or equips the school facility, which must be operated by a public educational agency as part of a system of public schools; ownership reverts to the public agency when the bonds are retired. Issuance of these bonds is subject to an annual per-State volume limit of $10 per resident (a minimum of $5 million is provided for small States); this is in addition to the present-law private activity bond per-State volume limit equal to the greater of $75 per resident or $225 million in 2002, and indexed annually thereafter.

Estate, Gift, and Generation-Skipping Transfer Tax Provisions

Phase out and repeal estate and generation-skipping transfer taxes, and reduce gift tax rates.—Under prior law, the unified estate and gift tax rates on taxable transfers began at 18 percent on the first $10,000 of cumulative taxable transfers and reached 55 percent on cumulative transfers in excess of $3 million. A five-percent surtax (which phased out the benefit of the graduated rates and increased the top marginal tax rate to 60 percent) was imposed on cumulative transfers between $10 million and $17,184,000. A generation-skipping transfer tax was imposed on transfers made either directly or through a trust or similar arrangement to a beneficiary in a generation more than one generation below that of the transferor (a "skip person"). Cumulative generation-skipping transfers in excess of $1 million (adjusted annually for inflation after 1997) were taxed at the top estate and gift tax rate of 55 percent.

Under this Act, estate, gift, and generation-skipping transfer tax rates are reduced for decedents dying and gifts made after December 31, 2001 and before January 1, 2010. Estate and generation-skipping transfer taxes are repealed for decedents dying after December 31, 2009 and before January 1, 2011, while the maximum tax rate on gifts made after December 31, 2009 and before January 1, 2011 is reduced to 35 percent on gifts in excess of a lifetime exclusion of $1 million (see discussion of unified credit below). The reduction in tax rates begins in 2002 with the repeal of the five-percent surtax and the reduction of the 53 percent and 55 percent rates to 50 percent. The maximum tax rate on estates, gifts, and generation-skipping transfers is reduced from 50 percent in 2002 to 49 percent in 2003, 48 percent in 2004, 47 percent in 2005, 46 percent in 2006, and 45 percent in 2007 through 2009.

Increase unified credit exemption amount.—Under prior law, the unified credit applicable to cumulative taxable transfers by gift and at death effectively exempted from tax transfers totaling $675,000 in 2001, $700,000 in 2002 and 2003, $850,000 in 2004, $950,000 in 2005 and $1 million in 2006 and subsequent years. The tax on generation-skipping transfers applied only to cumulative transfers in excess of $1 million, adjusted annually for inflation after 1997 ($1,060,000 in 2001). This Act increases the unified credit effective exemption amount for estate and gift tax purposes to $1 million in 2002. The effective exemption amount for gift tax purposes will remain at $1 million; however, the effective exemption amount for estate and generation-skipping transfer tax purposes will increase to $1.5 million in 2004 and 2005, $2.0 million in 2006 through 2008, and $3.5 million in 2009.

Reduce and modify allowance for State death taxes paid.—A credit against the Federal estate tax for any estate, inheritance, legacy, or succession taxes actually paid to any State or the District of Columbia with respect to any property included in the decedent's gross estate, was provided under prior law. The allowable credit was limited to the lesser of the tax paid or a percentage of the decedent's adjusted taxable estate (ranging from 0.8 percent of adjusted taxable estate between $40,000 and $90,000, up to 16 percent of adjusted taxable estate in excess of $10,040,000). This Act reduces the credit rates by 25 percent in 2002, 50 percent in 2003, and 75 percent in 2004. For 2005 through 2009, the credit is replaced by a deduction for taxes paid.

Modify basis of property received.—Under prior law, the basis of property passing from a decedent's estate generally was the fair market value of the property on the date of the decedent's death. This step up (or step down) in basis eliminated the recognition of income on any appreciation of the property that occurred prior to the decedent's death, and had the effect of eliminating the tax benefit from any unrealized loss. Effective for decedent's dying after December 31, 2009 and before January 1, 2011, the basis of property passing from a decedent's estate will be the lesser of the adjusted basis of the decedent or the fair market value of the property on the date of the decedent's death. Each decedent's estate generally is permitted to increase the basis of assets transferred by up to a total of $1.3 million for assets passing to any heir plus an additional $3 million for property transferred to a surviving spouse. Nonresidents who are not U.S. citizens are allowed to increase the basis of property by up to $60,000. Each estate is also allowed additional basis equal to the decedent's unused capital loss and net operating loss carryforwards and built-in capital losses.

Modify other provisions affecting estate, gift, and generation-skipping transfer taxes.—Other modifications provided in this Act: (1) expand the estate tax exclusion for qualified conservation easements, (2) change the generation-skipping transfer tax rules to ensure that a taxpayer does not inadvertently lose the benefit of the generation-skipping transfer tax exemption, and (3) expand eligibility for the payment of estate and gift taxes in installments.

Pension and Retirement Provisions

Increase contributions to Individual Retirement Accounts (IRAs).—There are two types of IRAs under present law - Roth IRAs and traditional IRAs. Individuals with AGI below certain thresholds may make nondeductible contributions to a Roth IRA (deductible contributions are not allowed). The maximum allowable annual contribution to a Roth IRA is phased out for single taxpayers with AGI between $95,000 and $110,000 (between $150,000 and $160,000 for married taxpayers filing a joint return). Account earnings are not includible in income, and qualified distributions from a Roth IRA are tax-free. Both deductible and nondeductible contributions may be made to a traditional IRA. Contributions to a traditional IRA are deductible if neither the individual nor the individual's spouse is an active participant in an employer-sponsored retirement plan. If the individual is an active participant in an employer-sponsored retirement plan, the deduction limit is phased out between $34,000 and $44,000 of AGI for single taxpayers (between $54,000 and $64,000 of AGI for married taxpayers filing a joint return). If the individual is not an active participant in an employer-sponsored retirement plan but the individual's spouse is an active participant, the deduction limit is phased out between $150,000 and $160,000 of AGI. All taxpayers may make nondeductible contributions to a traditional IRA, regardless of income. Account earnings from IRAs are not includible in income when earned. However, distributions from traditional IRAs are includible in income, except to the extent they are a return of nondeductible contributions.

Under prior law, the maximum annual contribution to an IRA was the lesser of $2,000 or the individual's compensation. In the case of married taxpayers filing a joint return, annual contributions of up to $2,000 were allowed for each spouse, provided the combined compensation of the spouses was at least equal to the contributed amount. This Act increases the maximum annual contribution to an IRA to $3,000 for taxable years 2002 through 2004, $4,000 for taxable years 2005 through 2007, and $5,000 for taxable year 2008. For taxable years 2009 and 2010, the limit is adjusted annually for inflation in $500 increments. Effective for taxable years beginning after December 31, 2001, individuals who attain age 50 before the end of the year may make additional catch-up contributions to an IRA. For these individuals, the otherwise maximum contribution limit (before application of the AGI phase-out limits) is increased by $500 for taxable years 2002 through 2005 and by $1,000 for taxable years 2006 through 2010.

Increase contribution and benefit limits under qualified pension plans.—Limits on contributions and benefits under qualified pension plans are based on the type of plan. Under prior law, annual additions to a defined contribution plan with respect to each plan participant were limited to the lesser of (1) 25 percent of compensation or (2) $35,000 (for 2001), adjusted for inflation in $5,000 increments. Under prior law, the maximum annual benefit payable at an individual's social security retirement age under a defined benefit plan was generally the lesser of (1) 100 percent of average compensation, or (2) $140,000 (for 2001), adjusted for inflation in $5,000 increments. The annual compensation of each participant that could be taken into account for purposes of determining contributions and benefits under a plan generally was limited to $170,000 (for 2001), adjusted for inflation in $10,000 increments. Maximum annual elective deferrals that an individual was allowed to make to a qualified cash or deferred arrangement (401(k) plan), a tax-sheltered annuity (section 403(b) annuity), or a salary reduction simplified employee pension plan (SEP) under prior law were limited to $10,500 (for 2001), adjusted for inflation in increments of $500. The maximum amount of annual elective deferrals that an individual was allowed to make to a savings incentive match plan (SIMPLE plan) under prior law was $6,500 (for 2001), adjusted for inflation in increments of $500. Under prior law the maximum annual deferral under an eligible deferred compensation plan of a State or local government or a tax-exempt organization (a section 457 plan) was the lesser of (1) $8,500 (for 2001), adjusted for inflation in increments of $500, or (2) 33 1/3 percent of compensation. In the three years prior to retirement, the limit on contributions to an eligible section 457 plan is generally increased to twice the otherwise applicable dollar limit.

Effective for taxable years beginning after December 31, 2001, the contribution limit to a defined contribution plan is increased to the lesser of 100 percent of compensation or $40,000 (adjusted annually for inflation in $1,000 increments after 2002). Effective for taxable years ending after December 31, 2001, the benefit limit for defined benefit plans is increased to $160,000 (adjusted annually for inflation for plans ending after December 31, 2002, in increments of $1,000) and calculated as a benefit payable at age 62. The compensation that may be taken into account under a plan is increased to $200,000 in 2002 (indexed annually thereafter in $5,000 increments). The dollar limit on annual elective deferrals under section 401(k) plans, section 403(b) annuities and salary reduction SEPs is increased to $11,000 in 2002, and increased annually thereafter in $1,000 increments, reaching $15,000 in 2006 (adjusted annually for inflation in increments of $500 after 2006). The dollar limit on annual elective deferrals to a SIMPLE plan is increased to $7,000 in 2002, and increased annually thereafter in $1,000 increments, reaching $10,000 in 2005 (adjusted for inflation in increments of $500 after 2006). The dollar limit on contributions to an eligible section 457 plan is increased to the lesser of (1) 100 percent of includable compensation or (2) $11,000 in 2002, $12,000 in 2003, $13,000 in 2004, $14,000 in 2005, and $15,000 in 2006 (adjusted for inflation in increments of $500 after 2006).

Permit catch-up contributions to certain salary reduction arrangements.—Effective for taxable years beginning after December 31, 2001, the otherwise applicable dollar limit on elective deferrals under a section 401(k) plan, section 403(b) annuity, SEP or SIMPLE plan, or deferrals under a section 457 plan is increased for individuals who attain age 50 by the end of the year. The additional amount of elective contributions that is permitted to be made by an eligible individual participating in such a plan is the lesser of: (1) the applicable dollar amount or (2) the participant's compensation for the year after reduction by any other elective deferrals of the participant for the year. The applicable dollar amount under a 401(k) plan, section 403(b) plan, SEP, or section 457 plan is $1,000 for 2002, $2,000 for 2003, $3,000 for 2004, $4,000 for 2005, and $5,000 for 2006 through 2010 (adjusted annually for inflation in $500 increments beginning in 2007). The applicable dollar amount under a SIMPLE plan is $500 for 2002, $1,000 for 2003, $1,500 for 2004, $2,000 for 2005, and $2,500 for 2006 through 2010 (adjusted annually for inflation in $500 increments beginning in 2007).

Provide a nonrefundable tax credit to certain individuals for elective deferrals and IRA contributions.—For taxable years beginning after December 31, 2001 and before January 1, 2007, a nonrefundable tax credit is provided for up to $2,000 in contributions made by eligible taxpayers to a qualified plan or to a traditional or Roth IRA. The credit, which is in addition to any deduction or exclusion that would otherwise apply with respect to the contribution, is available to single taxpayers with AGI less than or equal to $25,000 ($37,500 for heads of household and $50,000 for married taxpayers filing a joint return). The credit is available to individuals who are 18 years of age or older (other than individuals who are full-time students or claimed as a dependent on another taxpayer's return) and is offset against both the regular and alternative minimum tax. The credit rate is 50 percent for single taxpayers with AGI less than or equal to $15,000 ($30,000 for married taxpayers filing a joint return and $22,500 for heads of household), 20 percent for single taxpayers with AGI between $15,000 and $16,250 (between $30,000 and $32,500 for married taxpayers filing a joint return and between $22,500 and $24,375 for heads of household), and 10 percent for single taxpayers with AGI between $16,250 and $25,000 (between $32,500 and $50,000 for married taxpayers filing a joint return and between $24,375 and $37,500 for heads of household).

Provide tax credit for new retirement plan expenses of small businesses.—Effective for taxable years beginning after December 31, 2001, a nonrefundable tax credit is provided for qualified administrative and retirement-education expenses incurred by a small business (an employer that did not employ, in the preceding year, more than 100 employees with compensation in excess of $5,000) that adopts a new qualified defined benefit or defined contribution plan (including a section 401(k) plan), SIMPLE plan, or SEP. The credit applies to 50 percent of the first $1,000 in qualifying expenses for the plan for each of the first three years of the plan. The 50 percent of qualifying expenses offset by the credit are not deductible; the other 50 percent of qualifying expenses (and other expenses) are deductible as under prior law.

Modify other pension and retirement provisions.—In addition to the provisions described above, this Act expands coverage in pension and retirement plans through provisions that: (1) require accelerated vesting for matching employer contributions, (2) modify the definition of key employee, (3) eliminate IRS user fees for certain determination letter requests regarding employer plans, (4) modify the application of the deduction limitation with regard to elective deferral contributions, (5) repeal the rules coordinating contributions to eligible section 457 plans with contributions under other types of plans, (6) increase the annual limitation on the amount of deductible contributions made by an employer to a profit-sharing or stock bonus plan, (7) modify the definition of compensation for purposes of the deduction rules, (8) provide the option to treat elective deferrals as after-tax contributions, (9) improve notice to employees for pension amendments reducing future accruals, (10) increase portability, (11) strengthen pension security and enforcement, and (12) reduce regulatory burdens.

Other Provisions

Provide minimum tax relief to individuals.—An alternative minimum tax is imposed on individuals to the extent that the tentative minimum tax exceeds the regular tax. An individual's tentative minimum tax generally is equal to the sum of: (1) 26 percent of the first $175,000 ($87,500 in the case of a married individual filing a separate return) of alternative minimum taxable income (taxable income modified to take account of specified preferences and adjustments) in excess of an exemption amount and (2) 28 percent of the remaining alternative minimum taxable income. The AMT exemption amounts under prior law were: (1) $45,000 for married taxpayers filing a joint return and surviving spouses; (2) $33,750 for single taxpayers, and (3) $22,500 for married taxpayers filing a separate return, estates and trusts. The exemption amounts are phased out by an amount equal to 25 percent of the amount by which the individual's alternative minimum taxable income exceeds: (1) $150,000 for married taxpayers filing a joint return and surviving spouses, (2) $112,500 for single taxpayers, and (3) $75,000 for married taxpayers filing a separate return, estates and trusts. The exemption amounts, the threshold phase-out amounts, and the rate brackets are not indexed for inflation. Effective for taxable years beginning after December 31, 2001 and before January 1, 2005, the exemption amount is increased to $49,000 for married taxpayers filing a joint return and surviving spouses, $35,750 for single taxpayers, and $24,500 for married taxpayers filing a separate return, estates and trusts.

Modify the timing of estimated tax payments by corporations.—Corporations generally are required to pay their income tax liability in quarterly estimated payments. For corporations that keep their accounts on a calendar year basis, these payments are due on or before April 15, June 15, September 15 and December 15 (if these dates fall on a holiday or weekend, payment is due on the next business day). This Act allowed corporations to delay the estimated payment otherwise due on September 17, 2001 until October 1, 2001; 20 percent of the estimated tax payment otherwise due on September 15, 2004 may be delayed until October 1, 2004.

VICTIMS OF TERRORISM TAX RELIEF ACT OF 2001

This Act provides income and estate tax relief to the survivors of victims of (1) the September 11, 2001 terrorist attacks on the United States, (2) the April 19, 1995 Oklahoma City bombing, and (3) exposure to anthrax on or after September 11, 2001 and before January 1, 2002. General relief is also provided for victims of disasters and terrorist actions. The tax relief provided in this Act does not apply to any individual identified by the Attorney General to have been a participant or conspirator in the terrorist attack or attacks to which a specific provision applies, or a representative of such individual. The major provisions of this Act are described below.

Provide individual income tax relief to victims of terrorist attacks.—Under current law an individual in active service as a member of the Armed Forces who dies while serving in a combat zone is not subject to income tax for the year of death (as well as for any prior taxable year ending on or after the first day the individual served in the combat zone). In addition, military and civilian employees of the United States are exempt from income taxes if they die as a result of wounds or injury incurred outside the United States in terrorist or military action. This exemption is available for the year of death and for prior taxable years beginning with the taxable year prior to the taxable year in which the wounds or injury were incurred. This Act extends relief similar to the present-law treatment of military or civilian employees of the United States who die as a result of terrorist or military activity outside the United States to individuals who die from wounds or injury incurred as a result of: (1) the terrorist attacks on September 11, 2001 or April 19, 1995, or (2) exposure to anthrax on or after September 11, 2001 and before January 1, 2002. These individuals (whether killed as a result of an attack or in rescue or recovery operations) generally are exempt from income tax for the year of death and for prior taxable years beginning with the taxable year prior to the taxable year in which the wounds or injury occurred. A minimum tax relief benefit of $10,000 will be provided to each eligible individual regardless of the income tax liability incurred during the eligible tax years.

Exclude certain death benefits from gross income.—In general, gross income includes income from whatever source derived, including payments made as a result of the death of an individual. Under this Act, amounts paid by an employer by reason of the death of an employee attributable to wounds or injury incurred as a result of the terrorist attacks on September 11, 2001 or April 19, 1995, or exposure to anthrax on or after September 11, 2001 and before January 1, 2002, are excluded from gross income. Subject to rules prescribed by the Secretary of the Treasury, the exclusion does not apply to amounts that would have been payable if the individual had died for a reason other than the specified attacks.

Provide a reduction in Federal estate taxes.—Under current law a reduction in Federal estate taxes is provided for taxable estates of U.S. citizens or residents who are active members of the U.S. Armed Forces and who are killed in action while serving in a combat zone. This estate tax reduction also applies to active service members who die as a result of wounds, disease, or injury suffered while serving in a combat zone by reason of a hazard to which the service member was subjected as an incident of such service. This Act simplifies the estate tax relief provided for combat-related deaths and generally treats individuals who die from wounds or injury incurred as a result of the terrorist attacks that occurred on September 11, 2001 and April 19, 1995, or as a result of exposure to anthrax on or after September 11, 2001 and before January 1, 2002, in the same manner as if they were active members of the U.S. Armed Forces killed in action while serving in a combat zone or dying as a result of wounds or injury suffered while serving in a combat zone. The executor of an estate eligible for the reduction may elect not to have the reduction apply if more favorable tax treatment would be available under generally applicable rules. The reduction effectively shields the first $8.8 million of a victim's estate from Federal estate taxes and reduces estate tax rates.

Treat payments by charitable organizations as exempt payments.—Under current law, charitable organizations generally are exempt from taxation. Such organizations must be organized and operated exclusively for exempt purposes and no part of the net earnings of such organizations may inure to the benefit of any private shareholder or individual. Such organizations must serve a public rather than a private interest and generally must serve a charitable class of persons that is indefinite or of sufficient size. Under this Act, charitable organizations that make payments on or after September 11, 2001 by reason of the death, injury, wounding, or illness of an individual incurred as a result of the September 11, 2001 attacks, or as a result of exposure to anthrax occurring on or after September 11, 2001 and before January 1, 2002, are not required to make a specific assessment of need for the payments to be related to the purpose or function constituting the basis for the organization's exemption. This rule applies provided that the organization makes the payments in good faith using a reasonable and objective formula that is consistently applied. Such payments must be for public and not private benefit and must serve a charitable class. Similarly, if a tax-exempt private foundation makes payments under the conditions described above, the payment will not be subject to excise taxes on self-dealing, even if made to a person who is otherwise disqualified under current law.

Provide exclusion for certain cancellations of indebtedness.—Gross income generally includes income that is realized by a debtor from the discharge of indebtedness, subject to certain exceptions for debtors in Title 11 bankruptcy cases, insolvent debtors, certain farm indebtedness, and certain real property business indebtedness. Under this Act, an exclusion from gross income is provided for any amount realized from the discharge (in whole or in part) of indebtedness if the indebtedness is discharged by reason of the death of an individual incurred as a result of the September 11, 2001 terrorist attacks, or as a result of anthrax exposure occurring on or after September 11, 2001 and before January 1, 2002. This exclusion applies to discharges made on or after September 11, 2001 and before January 1, 2002.

Provide general tax relief for victims of terrorist/military actions, Presidentially-declared disasters, and certain other disasters.—This Act also: (1) clarifies that payments of compensation made under the Air Transportation Safety and System Stabilization Act are excludable from gross income, (2) provides a specific exclusion from gross income for "qualified disaster relief payments," (3) expands the authority of the Secretary of the Treasury to prescribe regulations concerning deadlines for performing various acts under the Internal Revenue Code and the waiver of interest on underpayments of tax liability, (4) expands the present-law exclusion from gross income for disability income of U.S. civilian employees attributable to a terrorist attack outside the United States to apply to disability income received by any individual attributable to a terrorist or military action, (5) extends the income tax relief provided under current law to U.S. military and civilian personnel who die as a result of terrorist or military activity outside the United States to such personnel regardless of where the terrorist or military action occurs, (6) modifies the tax treatment of structured settlement arrangements, (7) modifies the personal exemption deduction for certain disability trusts, and (8) expands the availability of returns and return information for purposes of investigating terrorist incidents, threats, or activities, and for analyzing intelligence concerning terrorist incidents, threats, or activities.

RAILROAD RETIREMENT AND SURVIVORS' IMPROVEMENT ACT OF 2001

The Federally administered railroad retirement system is a two-tier system consisting of social security equivalent benefits (frequently referred to as Tier I benefits) and a rail industry pension plan (frequently referred to as Tier II benefits). This Act modernizes the financing of the railroad retirement system and provides enhanced benefits to retirees and survivors. Under prior law, the Tier II payroll tax levied on the annual taxable wage base of rail industry employees was 16.1 percent for employers and 4.9 percent for employees. This Act reduces the rate for employers to 15.6 percent in 2002 and to 14.2 percent in 2003. Starting in 2004, the rates are adjusted annually and linked to the level of Tier II reserves. Under current estimates, those rates are expected to be 13.1 percent for employers and 4.9 percent for employees; the rates necessary to maintain reserves at a level sufficient to fund benefits for four years. If the reserve fund falls below the level sufficient to fund four years of benefits or increases to a level sufficient to fund more than six years of benefits, then payroll tax rates would change according to a schedule set in the Act. The rate on employers can vary between 8.2 percent and 22.1 percent, while the rate on employees can vary between zero and 4.9 percent.

INVESTOR AND CAPITAL MARKETS FEE RELIEF ACT

The Securities and Exchange Commission (SEC) collects fees for registrations, mergers, and transactions of securities. Under prior law, some of these fees were classified as receipts and others were classified as offsetting collections (outlays). The specific fees collected included the following: (1) Transaction fees equal to 1/300th of a percent (1/800th of a percent beginning in 2008) of the aggregate dollars traded through national securities exchanges, national securities associations, brokers, and dealers. (2) Registration fees equal to $200 per $1 million ($67 per $1 million beginning in 2007) of the maximum aggregate price for securities that are proposed to be offered. Additional registration fees (subject to appropriation) equal to $39 per $1 million for 2002 ($28 for 2003, $9 for 2004, $5 for 2005 and zero for 2006 and subsequent years) of the aggregate price for securities proposed to be offered. (3) Merger fees equal to $200 per $1 million of the value of securities proposed to be purchased as part of a merger. (4) Assessments on transactions of single stock futures equal to $.02 per transaction ($.0075 per transaction beginning in 2007).

This Act reclassifies all of these fees as offsetting collections (outlays) and adjusts the fee rates as follows: (1) Transaction fees are reduced to $15 per $1 million of the aggregate dollars traded. For 2003 and each subsequent year, the SEC is required to establish a rate that would generate transaction fee collections equal to a target amount for that year. (2) Registration fees are reduced to $92 per $1 million of the maximum aggregate price for securities that are proposed to be offered. For 2003 and each subsequent year, the SEC is required to establish a fee rate that would generate collections equal to a target amount. (3) Merger fees are reduced to $92 per $1 million of the value of securities proposed to be purchased as part of a merger. For 2003 and each subsequent year, these fees would be equal to the rate for registration fees. (4) Assessments on transactions of single stock futures would be reduced to $0.009 per transaction for 2002 through 2006 and then fall to $0.0042 per transaction for 2007 and subsequent years.

ADMINISTRATION PROPOSALS

The President's plan provides tax incentives for charitable giving, education, the disabled, health care, farmers, and the environment. It also provides tax incentives designed to increase domestic production of oil and gas and promote energy conservation, extends for two years provisions that expired in 2001, permanently extends the research and experimentation (R&E) tax credit, and permanently extends the provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 that sunset on December 31, 2010. In addition, the President intends to work with the Congress in a bipartisan manner to enact an economic security plan that will provide an immediate and effective stimulus to the Nation's economy. In addition, the Treasury Department will be conducting a thorough review of means of simplifying the tax code. The Administration intends to work with Congress, tax practitioners, tax administrators, and taxpayers to produce meaningful simplification. An introduction to these efforts is contained at the end of this Chapter.

BIPARTISAN ECONOMIC SECURITY PLAN

The President believes that it is crucial for Congress to quickly pass an economic security bill that will reinvigorate economic growth and assist workers affected by the economic downturn that has followed the terrorist attacks of September 11, 2001. To prevent further job losses and help displaced workers get back to work quickly, the Administration will continue to work with Congress in a bipartisan manner to enact an economic stimulus package and a worker assistance package to provide additional temporary, quick, and effective help for those who have lost their jobs

TAX INCENTIVES

Provide Incentives for Charitable Giving

Provide charitable contribution deduction for nonitemizers.—Under current law, individual taxpayers who do not itemize their deductions (nonitemizers) are not able to deduct contributions to qualified charitable organizations. The Administration proposes to allow nonitemizers to deduct charitable contributions in addition to claiming the standard deduction, effective for taxable years beginning after December 31, 2001. The deduction would be phased in between 2002 and 2012, as follows: (1) Single taxpayers would be allowed a maximum deduction of $100 in 2002 through 2004, $300 in 2005 through 2011, and $500 in 2012 and subsequent years. (2) Married taxpayers filing a joint return would be allowed a maximum deduction of $200 in 2002 through 2004, $600 in 2005 through 2011, and $1,000 in 2012 and subsequent years. Deductible contributions would be subject to existing rules governing itemized charitable contributions, such as the substantiation requirements and the percentage-of-AGI limitations.

Permit tax-free withdrawals from IRAs for charitable contributions.—Under current law, eligible individuals may make deductible or non-deductible contributions to a traditional IRA. Pre-tax contributions and earnings in a traditional IRA are included in income when withdrawn. Effective for distributions after December 31, 2001, the Administration proposes to allow individuals who have attained age 59½ to exclude from gross income IRA distributions made directly to a charitable organization. The exclusion would apply without regard to the percentage-of-AGI limitations that apply to deductible charitable contributions. The exclusion would apply only to the extent the individual receives no return benefit in exchange for the transfer, and no charitable deduction would be allowed with respect to any amount that is excludable from income under this provision.

Raise the cap on corporate charitable contributions.—Current law limits deductible charitable contributions by corporations to 10 percent of net income (calculated before the deduction of the charitable contributions and certain other deductions). The Administration proposes to increase the limit on deductible charitable contributions by corporations from 10 percent to 15 percent of net income, effective for taxable years beginning after December 31, 2001.

Expand and increase the enhanced charitable deduction for contributions of food inventory.—A taxpayer's deduction for charitable contributions of inventory generally is limited to the taxpayer's basis (typically cost) in the inventory. However, for certain contributions of inventory, C corporations may claim an enhanced deduction equal to the lesser of: (1) basis plus one half of the fair market value in excess of basis, or (2) two times basis. To be eligible for the enhanced deduction, the contributed property generally must be inventory of the taxpayer, contributed to a charitable organization, and the donee must (1) use the property consistent with the donee's exempt purpose solely for the care of the ill, the needy, or infants, (2) not transfer the property in exchange for money, other property, or services, and (3) provide the taxpayer a written statement that the donee's use of the property will be consistent with such requirements. To use the enhanced deduction, the taxpayer must establish that the fair market value of the donated item exceeds basis.

Under the Administration's proposal, which is designed to encourage contributions of food inventory to charitable organizations, any taxpayer engaged in a trade or business would be eligible to claim an enhanced deduction for donations of food inventory. The enhanced deduction for donations of food inventory would be increased to the lesser of: (1) fair market value, or (2) two times basis. However, to ensure consistent treatment of all businesses claiming an enhanced deduction for donations of food inventory, the enhanced deduction for qualified food donations by S corporations and non-corporate taxpayers would be limited to 15 percent of net income from the trade or business. A special provision would allow taxpayers with a zero or low basis in the qualified food donation (e.g., taxpayers that use the cash method of accounting for purchases and sales, and taxpayers that are not required to capitalize indirect costs) to assume a basis equal to 25 percent of fair market value. The enhanced deduction would be available only for donations of "apparently wholesome food" (food intended for human consumption that meets all quality and labeling standards imposed by Federal, State, and local laws and regulations, even though the food may not be readily marketable due to appearance, age, freshness, grade, size, surplus, or other conditions). The fair market value of "apparently wholesome food" that cannot or will not be sold solely due to internal standards of the taxpayer or lack of market, would be determined by taking into account the price at which the same or substantially the same food items are sold by the taxpayer at the time of the contribution or, if not sold at such time, in the recent past. These proposed changes in the enhanced deduction for donations of food inventory would be effective for taxable years beginning after December 31, 2001.

Reform excise tax based on investment income of private foundations.—Under current law, private foundations that are exempt from Federal income tax are subject to a two-percent excise tax on their net investment income (one-percent if certain requirements are met). The tax on private foundations that are not exempt from Federal income tax, such as certain charitable trusts, is equal to the excess of the sum of the excise tax that would have been imposed if the foundation were tax exempt and the amount of the unrelated business income tax that would have been imposed if the foundation were tax exempt, over the income tax imposed on the foundation. To encourage increased charitable activity and simplify the tax laws, the Administration proposes to replace the two rates of tax on the net investment income of private foundations that are exempt from Federal income tax with a single tax rate of one percent. The tax on private foundations not exempt from Federal income tax would be equal to the excess of the sum of the one-percent excise tax that would have been imposed if the foundation were tax exempt and the amount of the unrelated business income tax what would have been imposed if the foundation were tax exempt, over the income tax imposed on the foundation. The proposed change would be effective for taxable years beginning after December 31, 2001.

Modify tax on unrelated business taxable income of charitable remainder trusts.—A charitable remainder annuity trust is a trust that is required to pay, at least annually, a fixed dollar amount of at least five percent of the initial value of the trust to a non-charity for the life of an individual or for a period of 20 years or less, with the remainder passing to charity. A charitable remainder unitrust is a trust that generally is required to pay, at least annually, a fixed percentage of at least five percent of the fair market value of the trust's assets determined at least annually to a non-charity for the life of an individual or for a period of 20 years or less, with the remainder passing to charity. A trust does not qualify as a charitable remainder annuity if the annuity for a year is greater than 50 percent of the initial fair market value of the trust's assets. A trust does not qualify as a charitable remainder unitrust if the percentage of assets that are required to be distributed at least annually is greater than 50 percent. A trust does not qualify as a charitable remainder annuity trust or a charitable remainder unitrust unless the value of the remainder interest in the trust is at least 10 percent of the value of the assets contributed to the trust. Distributions from a charitable remainder annuity trust or charitable remainder unitrust, which are included in the income of the beneficiary for the year that the amount is required to be distributed, are treated in the following order as: (1) ordinary income to the extent of the trust's current and previously undistributed ordinary income for the trust's year in which the distribution occurred, (2) capital gains to the extent of the trust's current capital gain and previously undistributed capital gain for the trust's year in which the distribution occurred, (3) other income to the extent of the trust's current and previously undistributed other income for the trust's year in which the distribution occurred, and (4) corpus (trust principal).

Charitable remainder annuity trusts and charitable remainder unitrusts are exempt from Federal income tax; however, such trusts lose their income tax exemption for any year in which they have unrelated business taxable income. Any taxes imposed on the trust are required to be allocated to trust corpus. The Administration proposes to levy a 100-percent excise tax on the unrelated business taxable income of charitable remainder trusts, in lieu of removing the Federal income tax exemption for any year in which unrelated business taxable income is incurred. This change, which is a more appropriate remedy than loss of tax exemption, is proposed to become effective for taxable years beginning after December 31, 2001, regardless of when the trust was created.

Modify basis adjustment to stock of S corporations contributing appreciated property.—Under current law, each shareholder in an S corporation separately accounts for his/her pro rata share of the S corporation's charitable contributions in determining his/her income tax liability. A shareholder's basis in the stock of the S corporation must be reduced by the amount of his/her pro-rata share of the S corporation's charitable contribution. In order to preserve the benefit of providing a charitable contribution deduction for contributions of appreciated property and to prevent the recognition of gain on the contributed property on the disposition of the S corporation stock, the Administration proposes to allow a shareholder in an S corporation to increase his/her basis in the stock of an S corporation by an amount equal to the excess of the shareholder's pro rata share of the S corporation's charitable contribution over the stockholder's pro rata share of the adjusted basis of the contributed property. The proposal would be effective for taxable years beginning after December 31, 2001.

Allow expedited consideration of applications for exempt status.—The Administration proposes to allow expedited consideration of applications for exempt status by organizations formed for the primary purpose of providing social services to the poor and the needy. To be eligible, the organization must have applied for a grant under a Federal, State, or local program that provides funding for social service programs on or before the day that the organization applies to the Secretary of the Treasury for determination of its exempt status. Organizations that demonstrate that under the terms of the grant program exempt status is required before the organization is eligible to apply for a grant would also qualify for expedited consideration. Each organization would be required to include with its application for exempt status a copy of its completed grant application. The proposal would be effective for taxable years beginning after December 31, 2001.

Strengthen and Reform Education

Provide refundable tax credit for certain costs of attending a different school for pupils assigned to failing public schools.—Under the Administration's proposal, a refundable tax credit would be allowed for 50 percent of the first $5,000 of qualifying elementary and secondary education expenses incurred during the taxable year with respect to enrollment of a qualifying student in a qualifying school. Qualifying students would be those who, for a given school year, would normally attend a public school determined by the State as not having made "adequate yearly progress" under the terms of the Elementary and Secondary Education Act as amended by the No Child Left Behind Act of 2001. A qualifying student in one school year generally would qualify for an additional school year even if the school normally attended made adequate yearly progress by the beginning of the second school year. A qualifying school would be any public school making adequate yearly progress or private elementary or secondary school. Qualifying expenses generally would be tuition, required fees, and transportation costs incurred by the taxpayer in connection with the attendance at a qualifying school. The proposal would be effective with respect to expenses incurred beginning with the 2002–2003 school year through the 2006–2007 school year.

Allow teachers to deduct out-of-pocket classroom expenses.—Under current law, teachers who incur unreimbursed, job-related expenses may deduct those expenses to the extent that when combined with other miscellaneous itemized deductions they exceed 2 percent of AGI, but only if the teacher itemizes deductions (i.e., does not use the standard deduction). Effective for expenses incurred in taxable years beginning after December 31, 2003, the Administration proposes to allow certain teachers and other elementary and secondary school professionals to treat up to $400 in qualified out-of-pocket classroom expenses as a non-itemized deduction (above-the-line deduction). Unreimbursed expenditures for certain books, supplies and equipment related to classroom instruction and for certain professional training programs would qualify for the deduction.

Invest in Health Care

Provide refundable tax credit for the purchase of health insurance.—Current law provides a tax preference for employer-provided group health insurance plans, but not for individually purchased health insurance coverage except to the extent that deductible medical expenses exceed 7.5 percent of AGI or the individual has self-employment income. The Administration proposes to make health insurance more affordable for individuals not covered by an employer plan or a public program. Effective for taxable years beginning after December 31, 2002, a new refundable tax credit would be provided for the cost of health insurance purchased by individuals under age 65. The credit would provide a subsidy for a percentage of the health insurance premium, up to a maximum includable premium. The maximum subsidy percentage would be 90 percent for low-income taxpayers and would phase down with income. The maximum credit would be $1,000 for an adult and $500 for a child. The credit would be phased out at $30,000 for single taxpayers and $60,000 for families purchasing a family policy.

Individuals could claim the tax credit for health insurance premiums paid as part of the normal tax-filing process. Alternatively, beginning July 1, 2003, the tax credit would be available in advance at the time the individual purchases health insurance. The advance credit would reduce the premium paid by the individual to the health insurer, and the health insurer would be reimbursed directly by the Department of Treasury for the amount of the advance credit. Eligibility for an advance credit would be based on an individual's prior year tax return. To qualify for the credit, a health insurance policy would have to include coverage for catastrophic medical expenses. Qualifying insurance could be purchased in the individual market. Qualifying health insurance could also be purchased through private purchasing groups, State-sponsored insurance purchasing pools, and high-risk pools. Such groups may help reduce health insurance costs and increase coverage options for individuals, including older and higher-risk individuals. Individuals would not be allowed to claim the credit and make a contribution to an Archer Medical Savings Account (MSA) for the same taxable year.

Provide an above-the-line deduction for long-term care insurance premiums.—Current law provides a tax preference for employer-paid long-term care insurance. However, the vast majority of the long-term care insurance market consists of individually purchased policies, for which no tax preference is provided except to the extent that deductible medical expenses exceed 7.5 percent of AGI or the individual has self-employment income. Premiums on qualified long-term care insurance are deductible as a medical expense, subject to annual dollar limitations that increase with age. The Administration proposes to make individually-purchased long-term care insurance (the vast majority of the long-term care insurance market) more affordable by creating an above-the-line deduction for qualified long-term care insurance premiums. To qualify for the deduction, the long-term care insurance would be required to meet certain standards providing consumer protections. The deduction would be available to taxpayers who individually purchase qualified long-term care insurance and to those who pay at least 50 percent of the cost of employer-provided coverage. The deduction would be effective for taxable years beginning after December 31, 2003 but would be phased in over five years. The deduction would be subject to current law annual dollar limitations on qualified long-term care insurance premiums.

Allow up to $500 in unused benefits in a health flexible spending arrangement to be carried forward to the next year.—Under current law, unused benefits in a health flexible spending arrangement under a cafeteria plan for a particular year revert to the employer at the end of the year. Effective for plan years beginning after December 31, 2003, the Administration proposes to allow up to $500 in unused benefits in a health flexible spending arrangement at the end of a particular year to be carried forward to the next plan year.

Provide additional choice with regard to unused benefits in a health flexible spending arrangement.—In addition to the proposed carryforward of unused benefits (see preceding discussion), the Administration proposes to allow up to $500 in unused benefits in a health flexible spending arrangement at the end of a particular year to be distributed to the participant as taxable income, contributed to an Archer MSA, or contributed to the employer's 401(k), 403(b), or governmental 457(b) retirement plan. Amounts distributed to the participant would be subject to income tax withholding and employment taxes. Amounts contributed to an Archer MSA or retirement plan would be subject to the normal rules applicable to elective contributions to the receiving plan or account. The proposal would be effective for plan years beginning after December 31, 2003.

Permanently extend and reform Archer Medical Savings Accounts.—Current law allows only self-employed individuals and employees of small firms to establish Archer MSAs, and caps the number of accounts at 750,000. In addition to other requirements, (1) individuals who establish MSAs must be covered by a high-deductible health plan (and no other plan) with a deductible of at least $1,650 but not greater than $2,500 for policies covering a single person and a deductible of at least $3,300 but not greater than $4,950 in all other cases, (2) tax-preferred contributions are limited to 65 percent of the deductible for single policies and 75 percent of the deductible for other policies, and (3) either an individual or an employer, but not both, may make a tax-preferred contribution to an MSA for a particular year. The Administration proposes to permanently extend the MSA program, which is scheduled to expire on December 31, 2002, and to modify the program to make it more consistent with currently available health plans. Effective after December 31, 2002, the Administration proposes to remove the 750,000 cap on the number of accounts. In addition, the program would be reformed by (1) expanding eligibility to include all individuals and employees of firms of all sizes covered by a high-deductible health plan, (2) modifying the definition of high deductible to permit a deductible as low as $1,000 for policies covering a single person and $2,000 in all other cases, (3) increasing allowable tax-preferred contributions to 100 percent of the deductible, (4) allowing tax-preferred contributions by both employers and employees for a particular year, up to the applicable maximum, (5) allowing contributions to MSAs under cafeteria plans, and (6) permitting qualified plans to provide, without counting against the deductible, up to $100 of coverage for allowable preventive services per covered individual each year. Individuals would not be allowed to make a contribution to an MSA and claim the proposed refundable tax credit for health insurance premiums for the same taxable year.

Provide an additional personal exemption to home caretakers of family members.—Current law provides a tax deduction for certain long-term care expenses. In addition, taxpayers are allowed to claim exemptions for themselves (and their spouses, if married) and dependents who they support. However, neither provision may meet the needs of taxpayers who provide long-term care in their own home for close family members. Effective for taxable years beginning after December 31, 2003, the Administration proposes to provide an additional personal exemption to taxpayers who care for certain qualified family members who reside with the taxpayer in the household maintained by the taxpayer. A taxpayer is considered to maintain a household only if he/she furnishes over half of the annual cost of maintaining the household. Qualified family members would include any individual with long-term care needs who (1) is the spouse of the taxpayer or an ancestor of the taxpayer or the spouse of such an ancestor and (2) is a member of the taxpayer's household for the entire year. An individual would be considered to have long-term care needs if he or she were certified by a licensed physician (prior to the filing of a return claiming the exemption) as being unable for at least 180 consecutive days to perform at least two activities of daily living without substantial assistance from another individual due to a loss of functional capacity. Alternatively, an individual would be considered to have long-term care needs if he or she were certified by a licensed physician as, for at least 180 consecutive days, (1) requiring substantial supervision to be protected from threats to his or her own health and safety due to severe cognitive impairment and (2) being unable to perform at least one activity of daily living or being unable to engage in age appropriate activities.

Assist Americans With Disabilities

Exclude from income the value of employer-provided computers, software and peripherals.—The Administration proposes to allow individuals with disabilities to exclude from income the value of employer-provided computers, software or other office equipment that are necessary for the individual to perform work for the employer at home. To qualify for the exclusion, the employee would be required to make substantial use of the equipment (relative to overall use) performing work for his or her employer. However, unlike current law, which limits the exclusion to the extent that the equipment is used to perform work for the employer, the proposed exclusion would apply to all use of such equipment, including use by the employee for personal or non-employer-related trade or business purposes. Employees would be required to provide their employer with a certification from a licensed physician that they meet eligibility criteria. The proposal would be effective for taxable years beginning after December 31, 2003.

Help Farmers and Fishermen Manage Economic Downturns

Establish Farm, Fish and Ranch Risk Management (FFARRM) savings accounts.—Current law does not provide for the elective deferral of farm or fishing income. However, farmers can elect to average their farming income over a three-year period, and farmers may carry back net operating losses over the five previous years. In addition, taxes can be deferred on certain forms of income, including disaster payments, crop insurance and proceeds from emergency livestock sales. The Administration proposes to allow up to 20 percent of taxable income attributable to an eligible farming or fishing business to be contributed to a FFARRM savings account each year and deducted from income. Earnings on contributions would be taxable as earned and distributions from the account (except those attributable to earnings on contributions) would be included in gross income. Any amount not distributed within five years of deposit would be deemed to have been distributed and included in gross income; in addition, such distributions would be subject to a 10-percent surtax. The proposal would be effective for taxable years beginning after December 31, 2003.

Increase Housing Opportunities

Provide tax credit for developers of affordable single-family housing.—The Administration proposes to provide annual tax credit authority to States (including U.S. possessions) designed to promote the development of affordable single-family housing in low-income urban and rural neighborhoods. Beginning in calendar year 2003, first-year credit authority of $1.75 per capita (indexed annually for inflation thereafter) would be made available to each State. State housing agencies would award first-year credits to single-family housing units comprising a project located in a census tract with median income equal to 80 percent or less of area median income. Units in condominiums and cooperatives could qualify as single-family housing. Credits would be awarded as a fixed amount for individual units comprising a project. The present value of the credits, determined on the date of a qualifying sale, could not exceed 50 percent of the cost of constructing a new home or rehabilitating an existing property. The taxpayer (developer or investor partnership) owning the housing unit immediately prior to the sale to a qualified buyer would be eligible to claim credits over a 5-year period beginning on the date of sale. Eligible homebuyers would be required to have incomes equal to 80 percent or less of area median income. Technical features of the provision would follow similar features of current law with respect to the low-income housing tax credit and mortgage revenue bonds.

Encourage Saving

Establish Individual Development Accounts (IDAs).—The Administration proposes to allow eligible individuals to make contributions to a new savings vehicle, the Individual Development Account, which would be set up and administered by qualified financial institutions, nonprofit organizations, or Indian tribes (qualified entities). Citizens or legal residents of the United States between the ages of 18 and 60 who cannot be claimed as a dependent on another taxpayer's return, are not students, and who meet certain income limitations would be eligible to establish and contribute to an IDA. A single taxpayer would be eligible to establish and contribute to an IDA if his/her modified AGI in the preceding taxable year did not exceed $20,000 ($30,000 for heads of household, and $40,000 for married taxpayers filing a joint return). These thresholds would be indexed annually for inflation beginning in 2004. Qualified entities that set up and administer IDAs would be required to match, dollar-for-dollar, the first $500 contributed by an eligible individual to an IDA in a taxable year. Qualified entities would be allowed a 100 percent tax credit for up to $500 in annual matching contributions to each IDA, and a $50 tax credit for each IDA maintained at the end of a taxable year with a balance of not less that $100 (excluding the taxable year in which the account was established). Matching contributions and the earnings on those contributions would be deposited in a separate "parallel account." Contributions to an IDA by an eligible individual would not be deductible, and earnings on those contributions would be included in income. Matching contributions by qualified entities and the earnings on those contributions would be tax-free. Withdrawals from the parallel account may be made only for qualified purposes (higher education, the first-time purchase of a home, business start-up, and qualified rollovers). Withdrawals from the IDA for other than qualified purposes may result in the forfeiture of some or all matching contributions and the earnings on those contributions. The proposal would be effective for contributions made after December 31, 2002 and before January 1, 2010, to the first 900,000 IDA accounts opened before January 1, 2008.

Protect the Environment

Permanently extend expensing of brownfields remediation costs.—Taxpayers may elect to treat certain environmental remediation expenditures that would otherwise be chargeable to capital account as deductible in the year paid or incurred. Under current law, the ability to deduct such expenditures expires with respect to expenditures paid or incurred after December 31, 2003. The Administration proposes to permanently extend this provision, facilitating its use by businesses to undertake projects that may extend beyond the current expiration date and be uncertain in overall duration.

Exclude 50 percent of gains from the sale of property for conservation purposes.—The Administration proposes to create a new incentive for private, voluntary land protection. This incentive is a cost-effective, non-regulatory approach to conservation. Under the proposal, when land (or an interest in land or water) is sold for conservation purposes, only 50 percent of any gain would be included in the seller's income. To be eligible for the exclusion, the sale may be either to a government agency or to a qualified conservation organization, and the buyer must supply a letter of intent that the acquisition will serve conservation purposes. In addition, the taxpayer or a member of the taxpayer's family must have owned the property for the three years immediately preceding the sale. The provision would be effective for sales taking place after December 31, 2003.

Increase Energy Production and Promote Energy Conservation

Extend and modify the tax credit for producing electricity from certain sources.—Taxpayers are provided a 1.5-cent-per-kilowatt-hour tax credit, adjusted for inflation after 1992, for electricity produced from wind, closed-loop biomass (organic material from a plant grown exclusively for use at a qualified facility to produce electricity), and poultry waste. To qualify for the credit, the electricity must be sold to an unrelated third party and must be produced during the first 10 years of production at a facility placed in service before January 1, 2002. The Administration proposes to extend the credit for electricity produced from wind and biomass to facilities placed in service before January 1, 2005. In addition, eligible biomass sources would be expanded to include certain biomass from forest-related resources, agricultural sources, and other specified sources. Special rules would apply to biomass facilities placed in service before January 1, 2002. Electricity produced at such facilities from newly eligible sources would be eligible for the credit only from January 1, 2002 through December 31, 2004, and at a rate equal to 60 percent of the generally applicable rate. Electricity produced from newly eligible biomass co-fired in coal plants would also be eligible for the credit only from January 1, 2002 through December 31, 2004, and at a rate equal to 30 percent of the generally applicable rate. The Administration also proposes to modify the rules relating to governmental financing of qualified facilities. There would be no percentage reduction in the credit for governmental financing attributable to tax-exempt bonds. Instead, such financing would reduce the credit only to the extent necessary to offset the value of the tax exemption. The rules relating to leased facilities would also be modified to permit the lessee, rather than the owner, to claim the credit.

Provide tax credit for residential solar energy systems.—Current law provides a 10-percent investment tax credit to businesses for qualifying equipment that uses solar energy to generate electricity; to heat, cool or provide hot water for use in a structure; or to provide solar process heat. A credit currently is not provided for nonbusiness purchases of solar energy equipment. The Administration proposes a new tax credit for individuals who purchase solar energy equipment to generate electricity (photovoltaic equipment) or heat water (solar water heating equipment) for use in a dwelling unit that the individual uses as a residence, provided the equipment is used exclusively for purposes other than heating swimming pools. The proposed nonrefundable credit would be equal to 15 percent of the cost of the equipment and its installation; each individual taxpayer would be allowed a maximum credit of $2,000 for photovoltaic equipment and $2,000 for solar water heating equipment. The credit would apply to photovoltaic equipment placed in service after December 31, 2001 and before January 1, 2008 and to solar water heating equipment placed in service after December 31, 2001 and before January 1, 2006.

Modify treatment of nuclear decommissioning funds.—Under current law, deductible contributions to nuclear decommissioning funds are limited to the amount included in the taxpayer's cost of service for ratemaking purposes. For deregulated utilities, this limitation may result in the denial of any deduction for contributions to a nuclear decommissioning fund. The Administration proposes to repeal this limitation.

Also under current law, deductible contributions are not permitted to exceed the amount the IRS determines to be necessary to provide for level funding of an amount equal to the taxpayer's post-1983 decommissioning costs. The Administration proposes to permit funding of all decommissioning costs through deductible contributions. Any portion of these additional contributions relating to pre-1983 costs that exceeds the amount previously deducted (other than under the nuclear decommissioning fund rules) or excluded from the taxpayer's gross income on account of the taxpayer's liability for decommissioning costs, would be allowed as a deduction ratably over the remaining useful life of the nuclear power plant.

The Administration's proposal would also permit taxpayers to make deductible contributions to a qualified fund after the end of the nuclear power plant's estimated useful life and would provide that nuclear decommissioning costs are deductible when paid. These changes in the treatment of nuclear decommissioning funds are proposed to be effective for taxable years beginning after December 31, 2001.

Provide tax credit for purchase of certain hybrid and fuel cell vehicles.—Under current law, a 10-percent tax credit up to $4,000 is provided for the cost of a qualified electric vehicle. The full amount of the credit is available for purchases prior to 2002. The credit begins to phase down in 2002 and is not available after 2004. A qualified electric vehicle is a motor vehicle that is powered primarily by an electric motor drawing current from rechargeable batteries, fuel cells, or other portable sources of electric current, the original use of which commences with the taxpayer, and that is acquired for use by the taxpayer and not for resale. Electric vehicles and hybrid vehicles (those that have more than one source of power on board the vehicle) have the potential to reduce petroleum consumption, air pollution and greenhouse gas emissions. To encourage the purchase of such vehicles, the Administration is proposing the following tax credits: (1) A credit of up to $4,000 would be provided for the purchase of qualified hybrid vehicles after December 31, 2001 and before January 1, 2008. The amount of the credit would depend on the percentage of maximum available power provided by the rechargeable energy storage system and the amount by which the vehicle's fuel economy exceeds the 2000 model year city fuel economy. (2) A credit of up to $8,000 would be provided for the purchase of new qualified fuel cell vehicles after December 31, 2001 and before January 1, 2008. A minimum credit of $4,000 would be provided, which would increase as the vehicle's fuel efficiency exceeded the 2000 model year city fuel economy, reaching a maximum credit of $8,000 if the vehicle achieved at least 300 percent of the 2000 model year city fuel economy.

Provide tax credit for energy produced from landfill gas.—Taxpayers that produce gas from biomass (including landfill methane) are eligible for a tax credit equal to $3 per barrel-of-oil equivalent (the amount of gas that has a British thermal unit content of 5.8 million), adjusted by an inflation adjustment factor for the calendar year in which the sale occurs. To qualify for the credit, the gas must be produced domestically from a facility placed in service by the taxpayer before July 1, 1998, pursuant to a written binding contract in effect before January 1, 1997. In addition, the gas must be sold to an unrelated person before January 1, 2008. The Administration proposes to extend the credit to apply to landfill methane produced from a facility (or portion of a facility) placed in service after December 31, 2001 and before January 1, 2011, and sold (or used to produce electricity that is sold) before January 1, 2011. The credit for fuel produced at landfills subject to EPA's 1996 New Source Performance Standards/Emissions Guidelines would be limited to two-thirds of the otherwise applicable amount beginning on January 1, 2008, if any portion of the facility for producing fuel at the landfill was placed in service before July 1, 1998, and beginning on January 1, 2002, in all other cases.

Provide tax credit for combined heat and power property.—Combined heat and power (CHP) systems are used to produce electricity (and/or mechanical power) and usable thermal energy from a single primary energy source. Depreciation allowances for CHP property vary by asset use and capacity. No income tax credit is provided under current law for investment in CHP property. CHP systems utilize thermal energy that is otherwise wasted in producing electricity by more conventional methods and achieve a greater level of overall energy efficiency, thereby lessening the consumption of primary fossil fuels, lowering total energy costs, and reducing carbon emissions. To encourage increased energy efficiency by accelerating planned investments and inducing additional investments in such systems, the Administration is proposing a 10-percent investment credit for qualified CHP systems with an electrical capacity in excess of 50 kilowatts or with a capacity to produce mechanical power in excess of 67 horsepower (or an equivalent combination of electrical and mechanical energy capacities). A qualified CHP system would be required to produce at least 20 percent of its total useful energy in the form of thermal energy and at least 20 percent of its total useful energy in the form of electrical or mechanical power (or a combination thereof) and would also be required to satisfy an energy-efficiency standard. For CHP systems with an electrical capacity in excess of 50 megawatts (or a mechanical energy capacity in excess of 67,000 horsepower), the total energy efficiency would have to exceed 70 percent. For smaller systems, the total energy efficiency would have to exceed 60 percent. Investments in qualified CHP assets that are otherwise assigned cost recovery periods of less than 15 years would be eligible for the credit, provided that the taxpayer elected to treat such property as having a 22-year class life. The credit, which would be treated as an energy credit under the investment credit component of the general business credit, and could not be used in conjunction with any other credit for the same equipment, would apply to investments in CHP property placed in service after December 31, 2001 and before January 1, 2007.

Provide excise tax exemption (credit) for ethanol.—Under current law an income tax credit and an excise tax exemption are provided for ethanol and renewable source methanol used as a fuel. In general, the income tax credit for ethanol is 53 cents per gallon, but small ethanol producers (those producing less than 30 million gallons of ethanol per year) qualify for a credit of 63 cents per gallon on the first 15 million gallons of ethanol produced in a year. A credit of 60 cents per gallon is allowed for renewable source methanol. As an alternative to the income tax credit, gasohol blenders may claim a gasoline tax exemption of 53 cents for each gallon of ethanol and 60 cents for each gallon of renewable source methanol that is blended into qualifying gasohol. The rates for the ethanol credit and exemption are each reduced by 1 cent per gallon in 2003 and by an additional 1 cent per gallon in 2005. The income tax credit expires on December 31, 2007 and the excise tax exemption expires on September 30, 2007. Neither the credit nor the exemption apply during any period in which motor fuel taxes dedicated to the Highway Trust Fund are limited to 4.3 cents per gallon. The Administration proposes to extend both the income tax credit and the excise tax exemption through December 31, 2010. The current law rule providing that neither the credit nor the exemption apply during any period in which motor fuel taxes dedicated to the Highway Trust Fund are limited to 4.3 cents per gallon would be retained.

Promote Trade

Extend and expand Andean trade preferences.—The Administration proposes to renew and enhance the Andean Trade Preference Act (ATPA), which expired on December 4, 2001, through December 31, 2005. The ATPA, which was enacted in 1991, was designed to provide economic alternatives for Bolivia, Columbia, Ecuador, and Peru in their fight against narcotics production and trafficking.

Initiate a new trade preference program for Southeast Europe.—The Administration is proposing the Southeast Europe Trade Preference Act (SETPA), which would initiate a new five-year trade preference program for Southeast Europe, beginning October 1, 2002. The program is designed to rebuild the economies of Southeast Europe that were harmed by recent ethnic conflict in the area and will fulfill a commitment made by the United States, along with our European partners, when we signed the Stability Pact for Southeast Europe.

Implement free trade agreements with Chile and Singapore.—Free trade agreements are expected to be completed with Chile and Singapore in 2002, with ten-year implementation to begin in fiscal year 2003. These agreements will benefit U.S. producers and consumers, as well as strengthen the economies of Chile and Singapore. In addition, these agreements will establish precedents in our market opening efforts in two important and dynamic regions - Latin America and Southeast Asia.

Improve Tax Administration

Modify the IRS Restructuring and Reform Act of 1998 (RRA98).—The proposed modification to RRA98 is comprised of six parts. The first part modifies employee infractions subject to mandatory termination and permits a broader range of available penalties. It strengthens taxpayer privacy while reducing employee anxiety resulting from unduly harsh discipline or unfounded allegations. The second part adopts measures to curb frivolous submissions and filings that are intended to impede or delay tax administration. The third part allows IRS to terminate installment agreements when taxpayers fail to make timely tax deposits and file tax returns on current liabilities. The fourth part streamlines jurisdiction over collection due process cases in the Tax Court, thereby reducing the cycle time for certain collection due process cases. The fifth part permits taxpayers to enter into installment agreements that do not guarantee full payment of liability over the life of the agreement. It allows the IRS to enter into agreements with taxpayers that desire to resolve their tax obligations but cannot make payments large enough to satisfy their entire liability and for whom an offer in compromise is not a viable alternative. The sixth part eliminates the requirement that the IRS Chief Counsel provide an opinion for any accepted offer-in-compromise of unpaid tax (including interest and penalties) equal to or exceeding $50,000. This proposal requires that the Treasury Secretary establish standards to determine when an opinion is appropriate.

Initiate IRS cost savings measures.—The Administration has six proposals to improve IRS efficiency and performance from current resources. The first proposal permits the IRS to use certificates of mailing as an alternative to certified mail for notices and letters that currently require such mailing. The second proposal eliminates the requirement that notices of an intent to levy and right to a pre-levy hearing be sent with return receipt requested, but retains the requirement that such notices be sent by certified or registered mail or by first-class mail evidenced by a certificate of mailing. These two proposals reduce postal costs while retaining proof of first-class mailing. The third proposal eliminates the requirement that dual notices be sent to joint filers who reside at the same address. The fourth proposal treats as nullities certain tax returns that the Criminal Investigation Division determines contain insufficient information to compute tax, contain false information, or lack a valid signature. Under this proposal, such returns that have been filed to impede or delay tax administration are excluded from deficiency procedures. The fifth proposal modifies the way that Financial Management Services (FMS) recovers its transaction fees for processing IRS levies by permitting FMS to retain a portion of the amount collected before transmitting the balance to the IRS. The offset amount would be included as part of the 15-percent limit on levies against income and would also be credited against the taxpayer's liability, thereby reducing Government transactions costs. Finally, the sixth proposal extends the April filing date for electronically filed tax returns by at least ten days to help encourage the growth of electronic filing.

Reform Unemployment Insurance

Reform unemployment insurance administrative financing.—Current law funds the administrative costs of the unemployment insurance system and related programs out of the Federal Unemployment Tax (FUTA) paid by employers. FUTA is set at 0.8 percent of the first $7,000 in covered wages, which includes a 0.2 percent surtax scheduled to expire in 2007. State unemployment taxes are deposited into the Unemployment Trust Fund and used by States to pay unemployment benefits. Under current law, FUTA balances in excess of statutory ceilings are distributed to the States to pay unemployment benefits or the administrative costs of the system (these are known as Reed Act transfers). The Administration supports an immediate distribution of $9 billion in Reed Act funds as part of a bipartisan economic security plan. This would take the place of the smaller Reed Act transfer projected for October 1, 2002. In addition, the Administration has a comprehensive proposal to reform the administrative financing of this system. It proposes to eliminate the FUTA surtax in 2003, and make additional rate cuts to achieve a net FUTA tax rate of 0.2 percent in 2007. The proposal will transfer administrative funding control to the States in 2005 and allow them to use their benefit taxes to pay these costs. Federal administrative grants to the States will be significantly reduced. During the transition to State financing, special Reed Act distributions will be made to the States, and additional Federal funds for administrative expenses will be provided.

EXPIRING PROVISIONS

Extend Provisions that Expired in 2001 for Two Years

Extend the work opportunity tax credit.—The work opportunity tax credit provides an incentive for employers to expand the number of entry level positions for individuals from certain targeted groups. The credit generally applies to the first $6,000 of wages paid to several categories of economically disadvantaged or handicapped workers. The credit rate is 25 percent of qualified wages for employment of at least 120 hours but less than 400 hours and 40 percent for employment of 400 or more hours. The Administration proposes to extend the credit for two years, making the credit available for workers hired after December 31, 2001 and before January 1, 2004.

Extend the welfare-to-work tax credit.—The welfare-to-work tax credit entitles employers to claim a tax credit for hiring certain recipients of long-term family assistance. The purpose of the credit is to expand job opportunities for persons making the transition from welfare to work. The credit is 35 percent of the first $10,000 of eligible wages in the first year of employment and 50 percent of the first $10,000 of eligible wages in the second year of employment. Eligible wages include cash wages plus the cash value of certain employer-paid health, dependent care, and educational fringe benefits. The minimum employment period that employees must work before employers can claim the credit is 400 hours. The Administration proposes to extend the credit for two years, to apply to individuals who begin work after December 31, 2001 and before January 1, 2004.

Extend minimum tax relief for individuals.—A temporary provision of prior law permits nonrefundable personal tax credits to be offset against both the regular tax and the alternative minimum tax. The temporary provision expires after taxable year 2001. The Administration is concerned that the AMT may limit the benefit of personal tax credits and impose financial and compliance burdens on taxpayers who have few, if any, tax preference items and who were not the originally intended targets of the AMT. The Administration proposes to extend minimum tax relief for nonrefundable personal tax credits two years, to apply to taxable years 2002 and 2003. The proposed extension does not apply to the child credit, the earned income tax credit or the adoption credit, which were provided AMT relief through December 31, 2010 under the Economic Growth and Tax Relief Reconciliation Act of 2001, as explained above. The refundable portion of the child credit and the earned income tax credit are also allowed against the AMT through December 31, 2010.

Extend exceptions provided under subpart F for certain active financing income.—Under the Subpart F rules, certain U.S. shareholders of a controlled foreign corporation (CFC) are subject to U.S. tax currently on certain income earned by the CFC, whether or not such income is distributed to the shareholders. The income subject to current inclusion under the subpart F rules includes, among other things, “foreign personal holding company income” and insurance income. Foreign personal holding company income generally includes many types of income derived by a financial service company, such as dividends; interest; royalties; rents; annuities; net gains from the sale of certain property, including securities, commodities and foreign currency; and income from notional principal contracts and securities lending activities. For taxable years beginning before 2002, certain income derived in the active conduct of a banking, financing, insurance, or similar business is excepted from Subpart F. The Administration proposes to extend the exception for two years, to apply to taxable years beginning in 2002 and 2003.

Extend suspension of net income limitation on percentage depletion from marginal oil and gas wells.—Taxpayers are allowed to recover their investment in oil and gas wells through depletion deductions. For certain properties, deductions may be determined using the percentage depletion method; however, in any year, the amount deducted generally may not exceed 100 percent of the net income from the property. For taxable years beginning after December 31, 1997 and before January 1, 2002, domestic oil and gas production from "marginal" properties is exempt from the 100-percent of net income limitation. The Administration proposes to extend the exemption to apply to taxable years beginning after December 31, 2001 and before January 1, 2004.

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. The Administration proposes to extend this program, which expired after September 30, 2001, through September 30, 2003.

Extend authority to issue Qualified Zone Academy Bonds.—Prior law allows State and local governments to issue "qualified zone academy bonds," the interest on which is effectively paid by the Federal government in the form of an annual income tax credit. The proceeds of the bonds must be used for teacher training, purchases of equipment, curriculum development, or rehabilitation and repairs at certain public school facilities. A nationwide total of $400 million of qualified zone academy bonds was authorized to be issued in each of calendar years 1998 through 2001. In addition, unused authority arising in 1998 and 1999 may be carried forward for up to three years and unused authority arising in 2000 and 2001 may be carried forward for up to two years. The Administration proposes to authorize the issuance of an additional $400 million of qualified zone academy bonds in each of calendar years 2002 and 2003.

Permanently Extend Expiring Provisions

Permanently extend provisions expiring in 2010.—As explained in the discussion of the Economic Growth and Tax Relief Reconciliation Act of 2001, most of the provisions of the Act sunset on December 31, 2010. The Administration proposes to permanently extend these provisions.

Permanently extend the research and experimentation (R&E) tax credit.—The Administration proposes to permanently extend the 20-percent tax credit for qualified research and experimentation expenditures above a base amount and the alternative incremental credit, which are scheduled to expire on June 30, 2004.

TAX SIMPLIFICATION

In addition to the proposals summarized above, the Administration is developing both short-term and longer-term tax simplification proposals. The project to develop short-term proposals, which is described below, focuses on immediately achievable reforms of the current tax system, while the longer-term project focuses on more fundamental reforms of the tax system.

As many recent studies and proposals have highlighted, the U.S. income tax system is extraordinarily complex. Many taxpayers and businesses face significant challenges in understanding the tax laws, keeping required records, and filling out numerous complicated and detailed tax forms, which often require working through lengthy abstruse instructions and cumbersome calculations. Fortunately, our tax system is not complicated for everyone. Millions of taxpayers who have relatively uncomplicated financial and family circumstances and are able to file form 1040EZ, for example, avoid most of the complexity of the tax system. But for many others, coping with the tax system is daunting. The need to deal with complexities in the tax system is not limited to multinational corporations or high-income investors with complex financial assets; many taxpayers facing overwhelmingly complicated tax situations are lower- and middle-income families, single mothers, elderly people, small business owners and entrepreneurs.

Tax complexity is costly to taxpayers and the economy. Credible estimates of the cost to taxpayers of complying with the income tax range from $70 billion to $125 billion per year. Additional costs may be imposed on the economy if taxpayers avoid certain investments, savings vehicles, business transactions, etc., because of the tax complexities they would involve or because of uncertainty about how the tax system would apply to them. Extensive tax planning engaged in by some taxpayers and businesses is a wasteful use of resources. Complexity makes it more costly for the IRS to administer the tax system. It makes it more difficult for the IRS to train its staff, to give correct answers to increased numbers of taxpayers seeking help in understanding the tax laws, and to check and audit tax returns. These costs are a significant burden on the economy. Tax simplification can cut these costs and contribute to greater economic efficiency.

Tax complexity also may have other undesirable effects. Complexity may undermine confidence in the tax system. If taxpayers conclude that the tax system is so complex that no one can really figure it out, it will destroy confidence that the tax system is accomplishing its objectives, that other taxpayers are paying their fair share of tax, and that the IRS can administer the system fairly. It may thereby undermine compliance with the tax system and confidence in the government in general. Reducing tax complexity is, therefore, an important policy objective.

But tax simplification is not simple. Complexity in the tax system has not arisen merely because the writers of the tax laws have been inattentive or because of a desire to provide jobs for tax accountants and lawyers. Many legitimate factors contribute to tax complexity. The modern, highly-productive U.S. economy is very complex, and many taxpayers and companies have complex financial and economic situations. Application of the tax system to these complex financial and economic arrangements is also unavoidably complex. Many taxpayers have complex family arrangements or have special circumstances that affect their needs or their ability to pay taxes. Many special provisions have been added to the tax system to recognize the special circumstances of certain groups of taxpayers and adjust their tax burdens accordingly. The tax system has also been used extensively to provide incentives or benefits for taxpayers engaging in certain kinds of activities ranging from saving for retirement to saving energy that are deemed to be socially beneficial. While all of these tax provisions are well intended and presumptively have beneficial effects, they also contribute to complexity in the tax system. At some point, the complexity itself detracts from the ability of the tax system to function effectively and to accomplish these other objectives.

Because of the multiple objectives involved in shaping any particular tax provision, the effort to simplify the tax system frequently involves tradeoffs. There may be a few places in the tax code where it is possible to draft less complex provisions that will accomplish all of the policy objectives equally well or even better. Such complexities may have arisen because of insufficient time to draft less complex provisions as a tax bill was being passed or because a series of provisions has been enacted, revised, and added to over time without an effort to consider the whole set of provisions and how they could be combined and simplified to better achieve their objectives. In many cases, however, simplification will result in some compromise in achieving other policy objectives, less precise targeting of a tax benefit, treatment of a type of income or expense in a way that is less consistent with its true economic nature, etc. In many areas, therefore, developing simplification proposals involves identifying areas of the tax system and specific simplification schemes for which the simplification that can be achieved is regarded as more valuable than the resulting decrease in achievement of other policy goals.

The purpose of tax simplification, therefore, may be stated succinctly as implementing changes that will reduce the compliance burden on taxpayers and/or administrative costs of the IRS while enhancing or resulting in acceptably small sacrifices in the achievement of other policy objectives such as efficiency, fairness, revenue, and enforceability.

The Administration has established the following objectives for the simplification project and principles for developing the simplification proposals.

Objectives of Simplification

- To reduce burdens on taxpayers and the IRS.
- Greater economic growth.
- Increased voluntary compliance, including use of the tax benefits provided by the law.
- Lower administrative and compliance costs.
- Fewer errors made by taxpayers and the IRS.
- Fewer inquiries taxpayers must make and the IRS must handle.
- Fewer disputes between the IRS and taxpayers.
- Increased predictability (i.e., transparency) of the tax law.
- Improvement of taxpayers' confidence in the system.
- Similar treatment of similarly situated taxpayers.
- Similar treatment of transactions with similar economic results.
- Fewer complex and expensive tax planning strategies.

Principles for Developing Tax Simplification Proposals

- Reduce or eliminate rules or requirements when the cost of compliance and/or enforcement outweighs the benefits of the rules or requirements.
- Improve the readability of the law.
- Reduce overly technical and overly vague language in the law.
- Avoid highly detailed conditions and requirements.
- Eliminate duplicative or overlapping provisions.
- Eliminate differing definitions of similar terms or concepts.
- Reduce the amount of subjectivity necessary to apply the tax law by providing clear rules and clear distinctions.
- Reduce structural complexity.
- Reduce the number of phase-out provisions or coordinate the amounts in different phase-out provisions.
- Reduce the number and/or complexity of computations.
- Reduce record keeping and information gathering requirements; coordinate record keeping and information gathering requirements with business practices.
- Reduce inconsistencies in the law so that similarly situated taxpayers are treated the same.
- Reduce distortions among economic activities.
- Eliminate provisions or rules no longer needed because other provisions or rules have changed or because the provisions or rules are outdated.
- Reduce the number of temporary or sunset provisions.

Highest priority will be given to simplification proposals that will yield the largest benefits, i.e., that will affect the most people and have the largest effects in reducing compliance burdens and administrative costs.

Examples of areas in the tax system where the Administration's tax simplification project is focusing include the following:

Individual AMT.—The AMT was enacted to ensure that taxpayers with substantial amounts of economic income do not avoid significant tax liability by using combinations of exclusions, deductions, and tax credits. Structural defects in the AMT, including lack of index-ing for inflation or adjustment for family size, have resulted in the tax affecting millions of taxpayers to whom it was not intended to apply. Millions of additional taxpayers must complete AMT schedules or forms to determine that they are not subject to the AMT.

The number of taxpayers affected by the AMT and the amount of revenue raised by the AMT are rising rapidly, making simplification of the AMT an increasingly important objective of tax policy. This year, 2 million individual filers will be subject to the AMT and therefore required to file the 65-line AMT form. The temporary increase in the AMT exemption under EGTRRA will reduce the increase in the number of AMT taxpayers through 2004. Nevertheless, that number will increase to 5 million in 2004, and more than double, increasing to 12 million in 2005 when the temporary provision expires. In 2005, 47 percent of taxpayers with AGI between $100,000 and $200,000 (in 2002 dollars) and 75 percent of taxpayers with AGI between $200,000 and $500,000 (in 2002 dollars) will pay AMT. By 2010, these percentages will increase to 90 percent and 96 percent, respectively. By 2012, the number of AMT taxpayers will be 39 million (assuming EGTRRA is extended), which is 34 percent of all taxpayers with individual income tax liability.

Family-related provisions.— Taxpayers with family responsibilities face confusing and sometimes conflicting rules. Many taxpayers are entitled to both the EITC and the additional child tax credit. Both credits are based on earned income and the number of children in the family. But the two credits use different definitions of earned income, and different definitions of qualifying children. Further, many taxpayers with three or more children must compute the additional child tax credit twice to determine which formula yields the larger credit. Similarly, some taxpayers can offset the costs of child care assistance using either a child and dependent care tax credit or an exclusion from income, but they must make multiple computations to determine which of the two is most advantageous. Conforming eligibility criteria and reducing the number of computations taxpayers must make would help simplify family-related tax provisions, thus reducing burdens on families.

Uniform definition of a child.—The tax code provides assistance to families with children through the dependent exemption, head-of-household filing status, child tax credit, child and dependent care tax credit, and EITC. But to obtain these benefits, taxpayers must wade through pages of bewildering rules and instructions because each provision defines “qualifying child” differently. For example, to claim the dependent exemption and the child tax credit, a taxpayer must demonstrate that he or she provides most of the support of the child. To claim the EITC, the taxpayer must demonstrate that he or she resides with the child for a specified period of time. Replacing the support test, which is difficult to understand and to administer, with a uniform residency test would reduce both compliance and administrative costs.

Income based phaseouts.—Various tax provisions are phased out in order to target the effects of the provisions and to limit the associated revenue loss. The major provisions subject to income-based phaseouts are the EITC, the child tax credit, the child and dependent care tax credit, IRAs, the HOPE and Lifetime Learning tax credits, the deduction for higher-education expenses, the deduction for student loan interest, the exclusion for interest on education savings bonds, and the adoption credit and exclusion. Two additional phase-out provisions are scheduled to be reduced beginning in 2006 and eliminated completely in 2010: the overall limitation on itemized deductions; and the phaseout of personal exemptions. Phaseouts are complicated and increase marginal tax rates, sometimes significantly. Complexity is increased even more by the fact that different benefits are phased out differently. As a result, taxpayers must often consider multiple phase-out provisions.

Education incentives.—The various tax code provisions providing incentives for higher education use differing definitions of the various elements that make up qualifying higher education expenses. The definitional differences add to the complexity taxpayers face when they use the education incentives. The array of education incentives from which taxpayers may choose means further complexity.

Individual Retirement Accounts.—The current multiple sets of IRA income limits are complex and contain marriage penalties. The income limits complicate participation in IRAs by disallowing participation among certain workers depending on type of IRA, income level, filing status, and both spouses’ coverage under an employer retirement plan. Taxpayers need to make year-end calculations to determine their eligibility for a deduction or contribution. Taxpayers in the income range over which eligibility for the benefits phases out need to make calculations to determine the deductible portion of contributions to a traditional IRA, or the allowable amount of contributions to a Roth IRA. Taxpayers face uncertainty at the start of the year, because they need to forecast their year-end income to estimate their eligibility.

Individual capital gains.—Under current law, long-term capital gains in excess of any short-term losses are taxed separately from other income, and may be taxed at 8, 10, 18, 20, 25 or 28 percent rates. Special rules apply to collectibles, recapture of certain depreciation deductions, certain small business stock, principal residences, certain investments in Enterprise Zones and similar qualified zones, and certain like-kind exchanges. These multiple capital gains rates and exclusions result in complicated tax forms and schedules, and the need for careful tax planning.

Excise taxes.—A number of excise taxes no longer have a policy rationale, and in several cases involve a significant number of taxpayers but generate relatively little revenue. Some excise taxes could be restructured to better accomplish policy objectives, reflect recent technological changes, and reduce compliance burdens for both taxpayers and the IRS. Other changes would both improve excise tax compliance and simplify their administration.

Tax-exempt bonds.—Two areas of the statutory tax-exempt bond rules are particularly complex: the definition of a private activity bond and the arbitrage-related provisions. The definition of a private activity bond could be simplified without undoing the policy objective of limiting the issuance of these bonds in tax-exempt form. Compliance with arbitrage rules can be burdensome for issuers even in cases in which bond proceeds are used for traditional governmental purposes. Simplifying changes could be made while still avoiding incentives for premature or over issuance of tax-exempt bonds.

Corporate AMT.—The corporate AMT is a separate tax regime within the Federal income tax system. Under present law, corporations with average gross receipts of at least $7.5 million for the prior three years are required to calculate their tax liability twice: once using the rules of the regular tax system and a second time using the corporate AMT rules. Under the corporate AMT rules, many of the advantageous deductions and credits allowed under the regular tax rules are not allowed, but income under the AMT is taxed at a lower rate than under the regular corporate tax (20 percent, rather than 35 percent). If tax liability calculated under the AMT rules exceeds regular tax liability, the corporation is required to pay AMT in addition to its regular tax. Because payment of AMT represents a prepayment of regular tax, the amount of AMT paid generates AMT credits that can be used to offset regular tax in subsequent years (subject to certain limitations).

The corporate AMT rules increase compliance burdens by causing corporations to devote additional resources to tax planning and record keeping. Because the AMT rules limit the use of tax preferences only for corporations that are AMT payers, corporations that engage in tax-preferred activities incur expenditures to develop strategies to minimize the effect of the AMT rules. In addition, the AMT requires corporations to keep extensive records of numerous adjustments and preferences. For example, depreciation allowances for newly invested property generally are calculated one way under the regular tax and a different way under the AMT. Although a corporation may not have AMT liability, it is required to calculate the AMT to determine whether it owes AMT. The AMT tax regime is difficult and burdensome for corporations to comply with and for IRS to administer.

Depreciation.—There are several sources of complexity in tax depreciation. One source is ambiguity in determining an asset's class life, which determines the asset's annual depreciation allowance. New types of assets, assets used in multiple activities, and building-related expenditures are sometimes difficult to classify and so lead to disputes between taxpayers and the IRS. New assets may be particularly difficult to fit within existing classification guidelines, which generally have not been updated since the mid-1980s.

Placed-in-service conventions also can add to complexity and create uncertainty. Generally, an asset does not receive a full year's depreciation during the tax year in which it is initially placed in service. Instead, the asset receives a fraction of the annual depreciation allowances, as determined by the date on which statutory convention deems the asset to have been placed in service. The placed-in-service conventions sometimes require taxpayers to wait until the end of the taxable year to determine the proper depreciation allowance for property that may have been placed in service at various dates throughout the year.

Capitalization.— Substantial ambiguity exists over whether many items of cost may be deducted currently or instead must be capitalized. Case law holds that the determination of whether an item of cost must be capitalized is based on each particular taxpayer's facts and circumstances. While no one factor has been held to be determinative, the current legal standard relies heavily on whether the item creates a significant future benefit, but the degree of future benefit required for capitalization is ambiguous. Thus, taxpayers and the IRS may end up in dispute over whether certain costs, which traditionally have been deducted, should instead be capitalized. The present uncertain legal environment has elevated capitalization to the top of the list of contested audit issues for businesses.

Tax accounting.—There are many sources of complexity in tax accounting. These include issues related to accrual and inventory accounting, uniform capitalization rules, and the percentage of completion method. Compliance problems generally are more severe for small companies.

Accrual accounting and inventory accounting can be complex and add to the burden of complying with the tax law, especially for small taxpayers. Some of this complexity arises from the additional record keeping required to measure taxes on an accrual basis when the taxpayer uses cash accounting for financial reporting. Additional complexity arises from legal ambiguities about whether certain taxpayers are required to keep inventory accounts. Recently implemented IRS Revenue Procedures provide substantial simplification and certainty by exempting many small taxpayers from the record-keeping burdens of accrual and inventory accounting. For small businesses that do not qualify for tax relief under these Procedures, however, accrual and inventory accounting may continue to impose complexity and record keeping costs.

The LIFO (Last In First Out, a method of accounting for inventories) conformity requirement, that requires firms to use the LIFO method for financial reporting when they use LIFO for tax accounting, also adds to complexity. Conformity violations are more a matter of how information is provided than of what information is provided, creating complications and traps for the unwary.

The uniform capitalization (UNICAP) rules require that both direct and indirect costs be added to basis or included in inventory. Measuring and accounting for all capitalizable costs can be difficult, especially for small taxpayers. Yet, for many taxpayers the UNICAP rules have only a small effect on tax liability, compared to simpler methods, and so add to complexity without substantially affecting tax results.

The percentage of completion method used for determining income from a long-term contract requires the taxpayer to estimate costs and receipts over the life of the contract, with timing errors corrected by a look-back adjustment once the contract is completed. The calculations and record keeping required can be burdensome, especially for small taxpayers. Moreover, in some cases simpler tax accounting methods would cause only a small reduction in tax liability.

International tax rules.—There is much that can be done to reduce the complexity of our international tax rules. This area of the tax law is singled out by businesses as one of the biggest sources of administrative complexity and compliance costs. Moreover, the global economy has changed dramatically since the U.S. international tax rules were developed. It is time to re-examine the rules with a view toward significant rationalization. The focus of efforts in this area will be to reduce the instances in which the international tax rules impose conditions or requirements on U.S. taxpayers that are not consistent with the way businesses operate in the global marketplace and that require efforts that otherwise are unnecessary or non-economic.

Table 4–3. EFFECT OF PROPOSALS ON RECEIPTS

(In millions of dollars)

	Estimate							
	2002	2003	2004	2005	2006	2007	2003–2007	2003–2012
Bipartisan Economic Security Plan [1]	–62,000	–65,000	–47,500	–9,500	17,000	18,000	–87,000	–43,500
Tax Incentives:								
Provide incentives for charitable giving:								
Provide charitable contribution deduction for nonitemizers	–570	–1,429	–1,437	–2,288	–3,567	–3,591	–12,312	–32,636
Permit tax-free withdrawals from IRAs for charitable contributions	–93	–192	–205	–219	–230	–238	–1,084	–2,632
Raise the cap on corporate charitable contributions	–24	–169	–121	–127	–139	–156	–712	–1,730
Expand and increase the enhanced charitable deduction for contributions of food inventory	–10	–49	–54	–59	–66	–72	–300	–789
Reform excise tax based on investment income of private foundations	–122	–177	–181	–189	–198	–205	–950	–2,101
Modify tax on unrelated business taxable income of charitable remainder trusts	–1	–3	–3	–4	–4	–4	–18	–48
Modify basis adjustment to stock of S corporations contributing appreciated property	–8	–11	–13	–17	–21	–25	–87	–282
Allow expedited consideration of applications for exempt status [2]	....	....	....	....	....	....	....	....
Strengthen and reform education:								
Provide refundable tax credit for certain costs of attending a different school for pupils assigned to failing public schools [3]	....	–10	–24	–38	–52	–62	–186	–219
Allow teachers to deduct out-of-pocket classroom expenses	....	....	–16	–163	–191	–207	–577	–1,718
Invest in health care:								
Provide refundable tax credit for the purchase of health insurance [4]	....	–245	–1,689	–2,811	–2,774	–2,951	–10,470	–29,116
Provide an above-the-line deduction for long-term care insurance premiums	....	–328	–406	–605	–1,222	–2,158	–4,719	–20,730
Allow up to $500 in unused benefits in a health flexible spending arrangement to be carried forward to the next year	....	....	–441	–723	–782	–830	–2,776	–7,819
Provide additional choice with regard to unused benefits in a health flexible spending arrangement	....	....	–23	–39	–45	–52	–159	–566
Permanently extend and reform Archer MSAs	....	....	–43	–468	–530	–607	–1,648	–5,691
Provide an additional personal exemption to home caretakers of family members	....	–314	–383	–362	–345	–348	–1,752	–3,957
Assist Americans with disabilities:								
Exclude from income the value of employer-provided computers, software and peripherals	....	....	–2	–6	–6	–6	–20	–52
Help farmers and fishermen manage economic downturns:								
Establish FFARRM savings accounts	....	....	–133	–350	–244	–171	–898	–1,233
Increase housing opportunities:								
Provide tax credit for developers of affordable single-family housing	....	–7	–76	–302	–715	–1,252	–2,352	–15,257
Encourage saving:								
Establish Individual Development Accounts (IDAs)	....	–124	–267	–319	–300	–255	–1,265	–1,722

Table 4–3. EFFECT OF PROPOSALS ON RECEIPTS—Continued

(In millions of dollars)

	Estimate							
	2002	2003	2004	2005	2006	2007	2003–2007	2003–2012
Protect the environment:								
Permanently extend expensing of brownfields remediation costs	....	....	–193	–306	–299	–289	–1,087	–2,390
Exclude 50 percent of gains from the sale of property for conservation purposes	....	–2	–44	–90	–94	–98	–328	–918
Increase energy production and promote energy conservation:								
Extend and modify tax credit for producing electricity from certain sources	–92	–227	–303	–212	–143	–146	–1,031	–1,779
Provide tax credit for residential solar energy systems	–3	–6	–7	–8	–17	–24	–62	–72
Modify treatment of nuclear decommissioning funds	–89	–156	–168	–178	–188	–199	–889	–2,042
Provide tax credit for purchase of certain hybrid and fuel cell vehicles	–21	–80	–181	–349	–530	–763	–1,903	–3,027
Provide tax credit for energy produced from landfill gas	–12	–34	–59	–86	–120	–140	–439	–1,130
Provide tax credit for combined heat and power property	–97	–208	–235	–238	–296	–139	–1,116	–1,091
Provide excise tax exemption (credit) for ethanol [2]	....	....	....	....	....	....	....	....
Promote trade:								
Extend and expand Andean trade preferences [5]	–130	–192	–213	–226	–58	....	–689	–689
Initiate a new trade preference program for Southeast Europe [5]	....	–19	–23	–25	–7	....	–74	–74
Implement free trade agreements with Chile and Singapore [5]	....	–21	–86	–109	–131	–155	–502	–1,560
Improve tax administration:								
Implement IRS administrative reforms	....	60	49	50	52	54	265	559
Reform unemployment insurance:								
Reform unemployment insurance administrative financing [5]	....	–1,002	–1,451	–2,902	–2,982	–4,429	–12,766	–6,924
Expiring Provisions:								
Extend provisions that expired in 2001 for two years:								
Work opportunity tax credit	–43	–153	–200	–127	–60	–29	–569	–576
Welfare-to-work tax credit	–9	–37	–57	–48	–32	–22	–196	–209
Minimum tax relief for individuals	–122	–353	–256	....	....	....	–609	–609
Exceptions provided under Subpart F for certain active financing income	–864	–1,502	–630	....	....	....	–2,132	–2,132
Suspension of net income limitation on percentage depletion from marginal oil and gas wells	–25	–44	–18	....	....	....	–62	–62
Generalized System of Preferences (GSP) [5]	–370	–415	....	....	....	....	–415	–415
Authority to issue qualified zone academy bonds	–4	–13	–25	–35	–37	–37	–147	–332
Permanently extend expiring provisions:								
Provisions expiring in 2010:								
Marginal individual income tax rate reductions	....	....	....	....	....	....	....	–183,769
Child tax credit [6]	....	....	....	....	....	....	....	–31,697
Marriage penalty relief [7]	....	....	....	....	....	....	....	–12,976
Education incentives	–1	–5	–10	–15	–20	–26	–76	–2,810
Repeal of estate and generation-skipping transfer taxes, and modification of gift taxes	178	–550	–1,097	–1,485	–1,987	–2,178	–7,297	–103,659
Modifications of IRAs and pension plans	....	....	....	....	....	....	....	–6,490
Other incentives for families and children	....	....	....	....	....	....	....	–1,298
Research and experimentation (R&E) tax credit	....	....	–906	–2,949	–4,654	–5,623	–14,132	–51,051
Total effect of proposals	**–64,532**	**–73,017**	**–59,130**	**–27,927**	**–6,034**	**–9,433**	**–175,541**	**–591,020**

[1] Affects both receipts and outlays. Only the receipt effect is shown here. The outlay effect is $27,000 million for 2002, $8,000 for 2003, $1,500 million for 2004, $9,500 million for 2003–2007, and $9,500 million for 2003–2012.

[2] Policy proposal with a receipt effect of zero.

[3] Affects both receipts and outlays. Only the receipt effect is shown here. The outlay effect is $165 million for 2003, $449 million for 2004, $699 million for 2005, $975 million for 2006, $1,213 million for 2007, $3,501 million for 2003–2007, and $4,155 million for 2003–2012.

[4] Affects both receipts and outlays. Only the receipt effect is shown here. The outlay effect is $667 million for 2003, $5,185 million for 2004, $6,292 million for 2005, $6,560 million for 2006, $6,441 million for 2007, $25,145 million for 2003–2007, and $59,873 million for 2003–2012.

[5] Net of income offsets.

[6] Affects both receipts and outlays. Only the receipt effect is shown here. The outlays effect is $8,745 million for 2003–2012.

[7] Affects both receipts and outlays. Only the receipt effect is shown here. The outlays effect is $1,527 million for 2003–2012,

Table 4–4. RECEIPTS BY SOURCE

(In millions of dollars)

Source	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Individual income taxes (federal funds):							
Existing law	994,339	949,885	1,009,047	1,063,560	1,119,913	1,167,409	1,233,065
Proposed Legislation (PAYGO)	....	–646	–2,693	–4,966	–7,904	–10,133	–11,378
Total individual income taxes	**994,339**	**949,239**	**1,006,354**	**1,058,594**	**1,112,009**	**1,157,276**	**1,221,687**
Corporation income taxes:							
Federal funds:							
Existing law	151,071	202,547	207,960	215,170	241,952	248,397	258,890
Proposed Legislation (PAYGO)	....	–1,102	–2,471	–3,182	–4,865	–6,949	–8,275
Total Federal funds corporation income taxes	151,071	201,445	205,489	211,988	237,087	241,448	250,615
Trust funds:							
Hazardous substance superfund	4	....	....	....	....	....	....
Total corporation income taxes	**151,075**	**201,445**	**205,489**	**211,988**	**237,087**	**241,448**	**250,615**
Social insurance and retirement receipts (trust funds):							
Employment and general retirement:							
Old-age and survivors insurance (Off-budget)	434,057	442,131	466,185	490,228	519,907	541,680	568,723
Disability insurance (Off-budget)	73,462	75,067	79,158	83,244	88,286	91,984	96,576
Hospital insurance	149,651	151,677	159,310	167,667	178,255	185,997	195,448
Railroad retirement:							
Social Security equivalent account	1,614	1,704	1,721	1,749	1,771	1,795	1,818
Rail pension and supplemental annuity	2,658	2,556	2,412	2,307	2,299	2,332	2,366
Total employment and general retirement	661,442	673,135	708,786	745,195	790,518	823,788	864,931
On-budget	153,923	155,937	163,443	171,723	182,325	190,124	199,632
Off-budget	507,519	517,198	545,343	573,472	608,193	633,664	665,299
Unemployment insurance:							
Deposits by States [1]	20,824	23,254	29,887	34,564	36,363	36,744	36,914
Proposed Legislation (PAYGO)	....	....	–1	–5	–462	63	–289
Federal unemployment receipts [1]	6,937	6,934	7,065	7,237	7,410	7,580	7,749
Proposed Legislation (PAYGO)	....	....	–1,252	–1,809	–3,165	–3,790	–5,247
Railroad unemployment receipts [1]	51	100	150	156	120	94	103
Total unemployment insurance	27,812	30,288	35,849	40,143	40,266	40,691	39,230
Other retirement:							
Federal employees' retirement—employee share	4,647	4,550	4,527	4,424	4,337	4,221	4,068
Non-Federal employees retirement [2]	66	62	50	46	42	39	36
Total other retirement	4,713	4,612	4,577	4,470	4,379	4,260	4,104
Total social insurance and retirement receipts	**693,967**	**708,035**	**749,212**	**789,808**	**835,163**	**868,739**	**908,265**
On-budget	186,448	190,837	203,869	216,336	226,970	235,075	242,966
Off-budget	507,519	517,198	545,343	573,472	608,193	633,664	665,299
Excise taxes:							
Federal funds:							
Alcohol taxes	7,624	7,627	7,664	7,748	7,831	7,877	7,923
Tobacco taxes	7,396	8,045	8,115	7,974	7,875	7,782	7,692
Transportation fuels tax	1,150	1,138	1,180	1,216	1,266	304	312
Telephone and teletype services	5,769	5,984	6,345	6,753	7,179	7,612	8,050
Ozone depleting chemicals and products	32	22	13	7	....	....	....
Other Federal fund excise taxes	2,151	1,963	1,867	1,854	1,911	1,976	2,030
Proposed Legislation (PAYGO)	....	–122	–177	–181	–189	–198	–205
Total Federal fund excise taxes	24,122	24,657	25,007	25,371	25,873	25,353	25,802
Trust funds:							
Highway	31,469	31,926	32,952	34,121	35,414	36,919	38,038
Proposed Legislation (PAYGO)	....	....	....	–7	–17	–29	–38

Table 4–4. RECEIPTS BY SOURCE—Continued

(In millions of dollars)

Source	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Airport and airway	9,191	8,939	9,680	10,269	10,878	11,518	12,178
Aquatic resources	358	385	393	414	424	435	443
Black lung disability insurance	522	554	573	597	616	628	638
Inland waterway	113	97	98	98	99	100	101
Hazardous substance superfund	2	....	....	....	....	....	....
Vaccine injury compensation	112	123	125	125	127	128	129
Leaking underground storage tank	179	190	193	199	204	214	218
Total trust funds excise taxes	41,946	42,214	44,014	45,816	47,745	49,913	51,707
Total excise taxes	**66,068**	**66,871**	**69,021**	**71,187**	**73,618**	**75,266**	**77,509**
Estate and gift taxes:							
Federal funds	28,400	27,484	23,559	27,638	24,769	28,121	24,992
Proposed Legislation (PAYGO)	....	6	–560	–1,050	–1,343	–1,736	–1,794
Total estate and gift taxes	**28,400**	**27,490**	**22,999**	**26,588**	**23,426**	**26,385**	**23,198**
Customs duties:							
Federal funds	18,583	18,538	19,781	21,424	22,549	23,964	25,283
Proposed Legislation (PAYGO)	....	–668	–863	–430	–482	–262	–207
Trust funds	786	796	887	905	977	1,041	1,075
Total customs duties	**19,369**	**18,666**	**19,805**	**21,899**	**23,044**	**24,743**	**26,151**
MISCELLANEOUS RECEIPTS: [3]							
Miscellaneous taxes	94	109	111	113	115	117	119
United Mine Workers of America combined benefit fund	150	143	138	132	127	123	117
Deposit of earnings, Federal Reserve System	26,124	25,596	29,025	31,512	32,084	33,214	34,832
Defense cooperation	7	6	6	6	6	6	6
Fees for permits and regulatory and judicial services	8,483	7,905	8,463	8,650	8,478	8,607	8,794
Fines, penalties, and forfeitures	2,724	2,685	2,523	2,509	2,517	2,525	2,534
Gifts and contributions	284	244	219	185	186	179	180
Refunds and recoveries	–54	–298	–305	–317	–325	–327	–335
Total miscellaneous receipts	**37,812**	**36,390**	**40,180**	**42,790**	**43,188**	**44,444**	**46,247**
Proposed bipartisan economic security plan (PAYGO)	....	–62,000	–65,000	–47,500	–9,500	17,000	18,000
Total budget receipts	**1,991,030**	**1,946,136**	**2,048,060**	**2,175,354**	**2,338,035**	**2,455,301**	**2,571,672**
On-budget	1,483,511	1,428,938	1,502,717	1,601,882	1,729,842	1,821,637	1,906,373
Off-budget	507,519	517,198	545,343	573,472	608,193	633,664	665,299
MEMORANDUM							
Federal funds	1,255,504	1,195,158	1,255,629	1,338,515	1,453,879	1,535,377	1,610,437
Trust funds	445,470	465,179	497,771	518,623	542,161	564,491	587,613
Interfund transactions	–217,463	–231,399	–250,683	–255,256	–266,198	–278,231	–291,677
Total on-budget	**1,483,511**	**1,428,938**	**1,502,717**	**1,601,882**	**1,729,842**	**1,821,637**	**1,906,373**
Off-budget (trust funds)	**507,519**	**517,198**	**545,343**	**573,472**	**608,193**	**633,664**	**665,299**
Total	**1,991,030**	**1,946,136**	**2,048,060**	**2,175,354**	**2,338,035**	**2,455,301**	**2,571,672**

[1] Deposits by States cover the benefit part of the program. Federal unemployment receipts cover administrative costs at both the Federal and State levels. Railroad unemployment receipts cover both the benefits and 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.

5. USER FEES AND OTHER COLLECTIONS

In addition to collecting taxes and other receipts by the exercise of its sovereign powers, which is discussed in the previous chapter, the Federal Government collects income from the public from market-oriented activities and the financing of regulatory expenses. Some of these collections are classified as user fees, which include the sale of postage stamps and electricity, fees for admittance to national parks, and premiums for deposit insurance; and some are other offsetting collections or receipts, such as rents and royalties for the right to extract oil from the Outer Continental Shelf.

Depending on the laws that authorize the collections, the collections can be credited directly to expenditure accounts as “offsetting collections,” or to receipt accounts as “offsetting receipts.” Usually offsetting collections are authorized to be spent for the purposes of the account without further action by the Congress. Offsetting receipts may or may not be earmarked for a specific purpose, depending on the legislation that authorizes them, and the authorizing legislation may either authorize them to be spent without further action by the Congress, or require them to be appropriated in annual appropriations acts before they can be spent.

The budget refers to them as offsetting collections and offsetting receipts, because they are subtracted from gross outlays rather than added to taxes on the receipts side of the budget. 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. [1]

Offsetting collections and receipts include most user fees, which are discussed below, as well as some amounts that are not user fees. Table 5–1 summarizes these transactions. For 2003, total offsetting collections and receipts from the public are estimated to be $231.2 billion, and total user fees are estimated to be $154.3 billion.

The following section discusses user fees and the Administration’s user fee proposals. The subsequent section displays more information on offsetting collections and receipts. The offsetting collections and receipts by agency are also displayed in Table 21–1, “Outlays to the Public, Net and Gross,” which appears in Chapter 21 of this volume.

Table 5–1. GROSS OUTLAYS, USER FEES, OTHER OFFSETTING COLLECTIONS AND RECEIPTS FROM THE PUBLIC, AND NET OUTLAYS

(In billions of dollars)

	2001 Actual	Estimate	
		2002	2003
Gross outlays	2,084.5	2,275.7	2,359.5
Offsetting collections and receipts from the public:			
User fees [1]	–132.1	–140.2	–152.7
Other	–88.4	–83.2	–78.5
Subtotal, offsetting collections and receipts from the public	–220.6	–223.4	–231.2
Net outlays	1,863.9	2,052.3	2,128.2

[1] Total user fees are shown below. They include user fees that are classified on the receipts side of the budget in addition to the amounts shown on this line. For additional details of total user fees, see table 5–2. “Total User Fee Collections.”

Total user fees:			
Offsetting collections and receipts from the public	132.1	140.2	152.7
Receipts	1.5	1.5	1.6
Total, user fees	133.7	141.6	154.3

[1] Showing collections from business-type transactions as offsets on the spending side of the budget follows the concept recommended by the 1967 Report of the President’s Commission on Budget Concepts. The concept is discussed in Chapter 25: “Budget System and Concepts and Glossary” in this volume.

USER FEES

I. Introduction and Background

The Federal Government may charge user fees to those who benefit directly from a particular activity or those subject to regulation. According to the definition of user fees used in this chapter, Table 5–2 shows that user fees were $133.7 billion in 2001, and are estimated to increase to $141.6 billion in 2002 and to $154.3 billion in 2003, growing to an estimated $176.9 billion in 2007, including the user fee proposals that are shown in Table 5–3. This table shows that the Administration is proposing to increase user fees by an estimated $1.5 billion in 2003, growing to an estimated $2.9 billion in 2007.

Definition. The term "user fee" as defined here is fees, charges, and assessments levied on groups or individuals directly benefitting from, or subject to regulation by, a government program or activity, and to be utilized solely to support the program or activity. In addition, the payers of the fee must be limited to those benefitting from, or subject to regulation by, the program or activity, and may not include the general public or a broad segment of the public. The user fee must be authorized for use only to fund the specified programs or activities for which it is charged, including directly associated agency functions, not for unrelated programs or activities and not for the broad purposes of the Government or an agency.

- Examples of business-type or market-oriented user fees include fees for the sale of postal services (the sale of stamps), electricity (e.g., sales by the Tennessee Valley Authority), payments for Medicare voluntary supplemental medical insurance, life insurance premiums for veterans, recreation fees for parks, NASA fees for shuttle services, the sale of weather maps and related information by the Department of Commerce, the sale of commemorative coins, and fees for the sale of books.
- Examples of regulatory and licensing user fees include fees for regulating the nuclear energy industry, bankruptcy filing fees, immigration fees, food inspection fees, passport fees, and patent and trademark fees.

User fees do not include all offsetting collections and receipts, such as the interest and repayments received from credit programs; proceeds from the sale of loans and other financial investments; interest, dividends, and other earnings; cost sharing contributions; the sale of timber, minerals, oil, commodities, and other natural resources; proceeds from asset sales (property, plant, and equipment); Outer Continental Shelf receipts; or spectrum auction proceeds. Neither do they include earmarked taxes (such as taxes paid to social insurance programs or excise taxes), or customs duties, fines, penalties, and forfeitures.

Alternative definitions. The definition used in this chapter is useful because it identifies goods, services, and regulations financed by earmarked collections and receipts.[2] Other definitions may be used for other purposes. Much of the discussion of user fees below—their purpose, when they should be levied, and how the amount should be set—applies to these alternatives as well.

OMB uses the broader concept of "user charges" to establish policy for charging prices to the public for the sale or use of goods, services, property, and resources (see OMB Circular A–25, "User Charges," July 8, 1993). User charges are all amounts assessed for the provision of Government services and for the sale or use of Government goods, property, or resources. The payers of the user charge must be limited in the authorizing legislation to those receiving special benefits from, or subject to regulation by, the program or activity beyond the benefits received by the general public or broad segments of the public (such as those who pay income taxes or customs duties). The term is broader than user fees as defined in this chapter in two ways. First, user charges encompass proceeds from the sale of government goods and services regardless of whether they are earmarked to fund the specific program or activity for which they are charged. Second, the term includes proceeds from the sale of natural resources (such as timber, oil, and minerals) and asset sales (such as property, plant, and equipment) as well as goods and services.

Other alternative definitions of user fees could, for example:

- be narrower than the one used here, by excluding regulatory fees and analyzing them as a separate category.
- interpret more broadly whether a program has private beneficiaries, or whether the proceeds are earmarked to benefit directly those paying the fee. A broader interpretation might include beneficiary- or liability-based excise taxes.[3]

What is the purpose of user fees? The purpose of user fees is to improve the efficiency and equity of certain Government activities, and to reduce the burden on the taxpayer to finance activities whose benefits accrue to a relatively limited number of people.

User fees that are set to cover the costs of production of goods and services can provide efficiency in the allocation of resources within the economy. They allocate goods and services to those who value them the most, and they signal to the Government how much of the goods or services it should provide. Prices in private, competitive markets serve the same purposes.

[2] The definition of user fees used here is similar to one the House of Representatives uses as a guide for purposes of committee jurisdiction. The definition helps differentiate between taxes, which are under the jurisdiction of the Ways and Means Committee, and fees, which can be under the jurisdiction of other committees. See the Congressional Record, January 3, 1991, p. H31, item 8.

[3] Beneficiary- and liability-based taxes are terms taken from the Congressional Budget Office, *The Growth of Federal User Charges,* August 1993, and updated in October 1995. Examples of beneficiary-based taxes include taxes on gasoline, which finance grants to States for highway construction, or taxes on airline tickets, which finance air traffic control activities and airports. An example of a liability-based tax is the excise tax that formerly helped fund the hazardous substance superfund in the Environmental Protection Agency. This tax was paid by industry groups to finance environmental cleanup activities related to the industry activity but not necessarily caused by the payer of the fee.

User fees for goods and services that do not have special social benefits improve equity, or fairness, by requiring that those who benefit from an activity are the same people who pay for it. The public often perceives user fees as fair because those who benefit from the good or service pay for it in whole or in part, and those who do not benefit do not pay.

When should the Government charge a fee? Discussions of whether to finance spending with a tax or a fee often focus on whether the benefits of the activity are to the public in general or to a limited group of people. In general, if the benefits accrue broadly to the public, then the program should be financed by taxes paid by the public; in contrast, if the benefits accrue to a limited number of private individuals or groups, then the program should be financed by fees paid by the private beneficiaries. For Federal programs where the benefits are entirely public or entirely private, applying this principle is relatively easy. For example, according to this principle, the benefits from national defense accrue to the public in general and should be (and are) financed by taxes. In contrast, the benefits of electricity sold by the Tennessee Valley Authority accrue exclusively to those using the electricity, and should be (and are) financed by user fees.

In many cases, however, an activity has benefits that accrue to both public and to private groups, and it may be difficult to identify how much of the benefits accrue to each. Because of this, it can be difficult to know how much of the program should be financed by taxes and how much by fees. For example, the benefits from recreation areas are mixed. Fees for visitors to these areas are appropriate because the visitors benefit directly from their visit, but the public in general also benefits because these areas protect the Nation's natural and historical heritage now and for posterity.

As a further complication, where a fee may be appropriate to finance all or part of an activity, some consideration must be given to the ease of administering the fee.

What should be the amount of the fee? For programs that have private beneficiaries, the amount of the fee should depend on the costs of producing the goods or services and the portion of the program that is for private benefits. If the benefit is primarily private, and any public benefits are incidental, current policies support fees that cover the full cost to the Government, including both direct and indirect costs.[4]

The Executive Branch is working to put cost accounting systems in place across the Government that would make the calculation of full cost more feasible. The difficulties in measuring full cost are associated in part with allocating to an activity the full costs of capital, retirement benefits, and insurance, as well as other Federal costs that may appear in other parts of the budget. Guidance in the Statement of Federal Financial Accounting Standards No. 4, Managerial Cost Accounting Concepts and Standards for the Federal Government (July 31, 1995), should underlie cost accounting in the Federal Government.

Classification of user fees in the budget. As shown in Table 5–1, most user fees are classified as offsets to outlays on the spending side of the budget, but a few are classified on the receipts side of the budget. An estimated $1.6 billion in 2003 are classified this way and are included in the totals described in Chapter 4. "Federal Receipts." They are classified as receipts because they are regulatory fees collected by the Federal Government by the exercise of its sovereign powers.

The remaining user fees, an estimated $152.7 billion in 2003, are classified as offsetting collections and receipts on the spending side of the budget. Some of these are collected by the Federal Government by the exercise of its sovereign powers and would normally appear on the receipts side of the budget, but are required by law to be classified as offsetting collections or receipts.

An estimated $108.8 billion of user fees for 2003 are credited directly to expenditure accounts, and are generally available for expenditure when they are collected, without further action by the Congress. An estimated $43.9 billion of user fees for 2003 are deposited in offsetting receipt accounts, and are available to be spent only according to the legislation that established the fees.

As a further classification, the accompanying Tables 5–2 and 5–3 identify the fees as discretionary or mandatory. These classifications are terms from the Budget Enforcement Act of 1990 as amended and are used frequently in the analysis of the budget. "Discretionary" in this chapter refers to fees generally controlled through annual appropriations acts and under the jurisdiction of the appropriations committees in the Congress. These fees offset discretionary spending under the discretionary caps. "Mandatory" refers to fees controlled by permanent laws and under the jurisdiction of the authorizing committees. These fees are subject to rules of paygo, whereby changes in law affecting mandatory programs and receipts cannot result in a net cost. Mandatory spending is sometimes referred to as direct spending.

These and other classifications are discussed further in this volume in Chapter 25, "Budget System and Concepts and Glossary."

II. Current User Fees

As shown in Table 5–2, total user fee collections (including those proposed in this budget) are estimated to be $154.3 billion in 2003, increasing to $176.9 billion in 2007. User fee collections by the Postal Service and Medicare premiums are the largest and are estimated to be almost two-thirds of total user fee collections in 2003.

[4] Policies for setting user charges are promulgated in OMB Circular No. A–25: "User Charges" (July 8, 1993). These policies are required regardless of whether or not the proceeds are earmarked to finance the related activity.

Table 5–2. TOTAL USER FEE COLLECTIONS

(In millions of dollars)

	2001 Actual	Estimates					
		2002	2003	2004	2005	2006	2007
Receipts							
Agricultural quarantine inspection fees	265	215	260	259	266	272	279
Corps of Engineers, Harbor maintenance fees	722	733	823	839	909	972	1,005
Other governmental receipts user fees	545	515	532	538	548	552	559
Subtotal, receipts	1,532	1,463	1,615	1,636	1,723	1,796	1,843
Offsetting Collections and Receipts from the Public							
Discretionary							
Department of Agriculture: Food safety inspection and other fees	153	185	221	233	238	241	246
Department of Commerce: Patent and trademark, fees for weather services, and other fees	1,366	1,665	1,826	1,985	2,145	2,299	2,405
Department of Defense: Commissary and other fees	5,834	5,828	6,052	6,052	6,052	6,052	6,052
Department of Energy: Federal Energy Regulatory Commission, power marketing, and other fees	917	1,297	1,276	1,303	1,329	1,362	1,393
Department of Health and Human Services: Food and Drug Administration, Centers for Medicare and Medicaid Services, and other fees	273	294	529	531	543	545	549
Department of the Interior: Minerals Management Service and other fees	212	210	209	212	217	223	227
Department of Justice: Antitrust and other fees	304	414	435	441	446	452	458
Department of State: Passport and other fees	544	508	656	670	685	701	717
Department of Transportation: Railroad safety, navigation, and other fees	38	144	381	629	640	652	665
Department of the Treasury: Sale of commemorative coins and other fees	1,489	1,257	1,910	1,439	1,470	1,505	1,539
Department of Veterans Affairs: Medical care and other fees	774	808	1,087	1,288	1,377	1,467	1,558
Social Security Administration: State supplemental fees, supplemental security income	91	106	111	119	126	134	143
Federal Communications Commission: Regulatory fees	208	227	248	253	258	264	270
Federal Trade Commission: Regulatory fees	91	163	178	182	187	192	197
Nuclear Regulatory Commission: Regulatory fees	453	479	518	523	528	545	563
Securities and Exchange Commission: Regulatory fees	735	1,149	1,332	1,542	1,837	2,171	1,142
All other agencies, discretionary user fees	220	267	293	338	346	354	365
Subtotal, discretionary user fees	13,702	15,001	17,262	17,740	18,424	19,159	18,489
Mandatory							
Department of Agriculture: Crop insurance and other fees	1,240	1,100	1,097	1,198	1,237	1,199	1,215
Department of Defense: Commissary surcharge and other fees	265	743	599	599	599	599	599
Department of Energy: Proceeds from the sale of energy, nuclear waste disposal fees, and other fees	4,851	4,623	4,508	4,650	4,295	4,246	4,237
Department of Health and Human Services: Medicare Part B insurance premiums and other fees	23,764	25,637	27,363	29,063	31,082	33,264	35,568
Department of the Interior: Recreation and other fees	634	672	626	641	643	646	649
Department of Justice: Immigration and other fees	1,821	2,241	2,320	2,312	2,352	2,394	2,438
Department of Labor: Insurance premiums to guaranty private pensions	850	886	829	818	830	827	823
Department of the Treasury: Customs, bank regulation, and other fees	1,929	1,992	2,143	717	736	751	766
Department of Veterans Affairs: Veterans life insurance and other fees	1,553	1,974	2,114	2,101	2,059	2,077	2,035
Federal Emergency Management Agency: Flood insurance fees	1,603	1,729	1,785	1,839	1,906	1,980	2,069
Office of Personnel Management: Federal employee health and life insurance fees	7,404	8,037	9,881	10,680	11,372	12,091	12,886
Federal Communications Commission: Analog spectrum lease fee	....	....	....	....	....	....	500
Federal Deposit Insurance Corporation: Deposit insurance fees	83	86	893	2,123	2,274	2,333	2,375
Postal Service: Fees for postal services	64,871	67,794	73,727	75,796	77,996	79,996	81,996
Tennessee Valley Authority: Proceeds from the sale of energy	7,326	7,348	7,205	7,462	7,674	7,806	8,018
All other agencies, mandatory user fees	224	322	337	372	384	397	405
Subtotal, mandatory user fees	118,418	125,184	135,427	140,371	145,439	150,606	156,579
Subtotal, offsetting collections and receipts from the public	132,120	140,185	152,689	158,111	163,863	169,765	175,068
Total, User fees	133,652	141,648	154,304	159,747	165,586	171,561	176,911

User fee collections are used to offset outlays in both the discretionary and mandatory parts of the budget. User fee collections classified in the discretionary part of the budget are estimated to be $17.3 billion in 2003, and those in the mandatory part are estimated to be $135.4 billion in 2003.

III. User Fee Proposals

As shown in Table 5–3, the Administration is proposing new or increased user fees that would increase collections by an estimated $1.5 billion in 2003, increasing to $2.9 billion in 2007.

A. User Fee Proposals to Offset Discretionary Spending

1. Offsetting collections

Department of Agriculture

Animal and Plant Health Inspection Service.—Legislation will be proposed to establish user fees for APHIS costs for animal welfare inspections, such as for animal research centers, humane societies, and kennels.

Grain Inspection, Packers and Stockyards Administration.—Legislation will be proposed to establish a fee for the standardization activities of the Grain Inspection, Packers and Stockyards Administration, and a licensing fee to cover the costs of administering these programs.

Department of Commerce

Patent and Trademark Office.—The Administration proposes changes to patent and trademark fee schedules effective in 2004 to fully support the PTO's long-term objectives to reduce application processing times and increase patent and trademark quality. As a first step, the Administration is proposing a one-year surcharge on all patent and trademark fees in 2003 as a proxy for the draft legislation.

International Trade Administration.—The Budget proposes an increase in fee collections of $10 million in 2003 and later years for ITA. In addition, ITA will study different fee options in 2002 to determine an appropriate model for cost recovery from firms that receive trade promotion services.

Department of Health and Human Services

User Fees for Medicare providers for paper claims and duplicate or unprocessable claims.—The Administration is proposing new user fees for providers submitting paper claims and duplicate or unprocessable claims. Under this proposal, providers would be charged $1.50 for every paper claim submitted for payment. The fee is necessary because processing paper claims is more costly than processing electronic claims. Paper claim fees would be waived for rural and poor providers.

The Centers for Medicare and Medicaid Services and its contractors go to great lengths to ensure that providers are aware of billing requirements and the need to submit accurate claims. Charging a fee for duplicate or unprocessable claims would heighten provider awareness of these issues and increase efficiency by deterring this action.

Fees for the review of new prescription drugs.—The Administration is proposing the reauthorization of the Prescription Drug User Fee Act (PDUFA). Originally authorized in 1992 and reauthorized in 1997, PDUFA assesses user fees to pharmaceutical manufacturers for the Food and Drug Administration (FDA) review of new prescription drugs for safety and efficacy. FDA review of a new prescription drug is required before these drugs are available to consumers on the market. Spending financed by these fees would be in addition to regular appropriations.

Department of State

Machine readable visa fee.—The State Department plans to increase machine readable visa (MRV) collection fees by more than 30 percent, from $45 to $65. Since 1996, MRVs have been available at all 221 U.S. visa issuing posts around the world. These visas provide increased border security control through the use of biometric technology. MRVs currently include digitized photographs and personal information related to the traveler. However, they have the capability to encode retinal images, fingerprints and other personal details, which can then be read electronically and relayed to other Federal agencies to be compared to other database information. Approximately 5 million visas are processed annually.

Commodity Futures Trading Commission

Fees on each round-turn commodities futures and options transactions.—The Commodities Futures Trading Commission regulates U.S. futures and options markets. It strives to protect investors by preventing fraud and abuse and ensuring adequate disclosure of information. The President's Budget includes a fee on each round-turn commodities futures and options transaction that will be phased in during 2003. This proposal recognizes that market participants derive direct benefits from CFTC's oversight, which provides legal certainty and contributes to the integrity and soundness of the markets.

Federal Trade Commission

Do Not Call List fee.—The Federal Trade Commission is proposing new fees that will be assessed, collected and used to cover costs of developing, implementing and maintaining a national database of telephone numbers of consumers who choose not to receive telephone solicitations, as authorized by the Telephone Consumer and Abuse Prevention Act.

2. Offsetting receipts

Department of Transportation

Hazardous materials transportation safety fees.—Beginning in 2003, hazardous materials transportation safety activities previously financed by general fund appropriations to the Research and Special Programs Administration are proposed to be financed instead by an increase in hazardous materials registration fees. Appropriation language is proposed to increase the fees

Table 5–3. USER FEE PROPOSALS

(Estimated collections in millions of dollars)

	2003	2004	2005	2006	2007	2003–2007
DISCRETIONARY						
1. Offsetting collections						
Department of Agriculture						
Animal Plant and Health Inspection Service	5	5	5	5	5	25
Grain Inspection, Packers, and Stockyards Administration	29	29	29	29	29	145
Department of Commerce						
Patent and Trademark Office: Increase current fees and raise fee rates	....	136	79	40	40	295
International Trade Administration: Increased fee revenues for export promotion	10	10	10	10	10	50
Department of Health and Human Services						
User fees for Medicare providers for paper claims and duplicate or unprocessable claims	130	130	130	130	130	650
Food and Drug Administration: Fees for the review of new prescription drugs	272	272	272	272	272	1,360
Department of State						
Machine readable visa fee	139	144	150	155	161	749
Commodity Futures Trading Commission						
Fees on each round-turn commodities futures and options transactions	33	70	73	78	83	337
Federal Trade Commission						
Do Not Call List fee	3	3	3	3	3	15
2. Offsetting receipts						
Department of Transportation						
Hazardous materials transportation safety fees	6	25	25	25	25	106
Railroad safety inspection fees	59	120	122	124	127	552
Coast Guard commercial navigation assistance fee	165	330	336	342	349	1,522
Department of the Treasury						
Customs Service air/sea passenger fee and cruise vessel fee	250	....	....	....	....	250
Department of Veterans Affairs						
Implement $1,500 deductible for priority level 7 (non-disabled, higher income) veterans for health care	363	381	400	420	441	2,005
Environmental Protection Agency						
Abolish cap on pre-manufacturing notification fees	4	8	8	8	8	36
Nuclear Regulatory Commission						
Extend NRC fees at their 2005 level for 2006 and later	....	....	....	345	357	702
Subtotal, discretionary fee proposals	1,468	1,663	1,642	1,986	2,040	8,799
MANDATORY						
1. Offsetting collections						
Federal Emergency Managment Agency						
Flood insurance fees	8	43	83	130	191	455
2. Offsetting receipts						
Department of Agriculture						
Food Safety and Inspection Service user fees	....	72	72	74	74	292
Forest Service ski fee permits	....	3	10	14	15	42
Forest Service recreation and entrance fees	....	....	43	44	44	131
Department of the Interior						
Recreation and entrance fees	....	....	43	44	44	131
Corps of Engineers						
Recreation user fees	6	11	16	21	21	75
Federal Communications Commission						
Analog spectrum lease fee	....	....	....	....	500	500
Subtotal, mandatory user fee proposals	14	129	267	327	889	1,626
Total, user fee proposals	**1,482**	**1,792**	**1,909**	**2,313**	**2,929**	**10,425**

paid by shippers and carriers of hazardous materials in 2003 to fund these safety activities.

Railroad safety inspection fee.—This proposal would fund Federal Railroad Administration safety inspections and the safety component of the railroad research and development program. The fees would be collected from the primary beneficiaries of these services, the railroad carriers, and be based upon a calculation of their usage as established through regulations. The estimated 2003 collections are 50 percent of the anticipated cost of safety services. In subsequent years these services would be fully funded with user fees.

. *Coast Guard commercial navigation assistance fee.*—This proposal would partially recover the costs of providing Coast Guard navigational assistance services. The fees would be collected from the primary beneficiaries of these services, which are commercial cargo and cruise vessels. The estimated 2003 collections assume a six month implementation period for this new fee and represent 50 percent of the anticipated full year receipts.

Department of the Treasury

Customs Service air/sea passenger fee and cruise vessel fee.—The Administration proposes an increase in two of the user fees collected by the Customs Service. The air/sea passenger fee was established in 1986 at $5.00 per passenger. The cruise vessel passenger fee was established at $1.75 per passenger. The receipts from these fees are used to pay for Customs' overtime inspections and related expenses. The air/sea fee would increase to $11 per passenger. The cruise vessel fee would increase to $2 per passenger. The new fee levels would help to offset higher costs incurred by the Customs Service.

Department of Veterans Affairs

Implement a $1,500 deductible for priority level 7 veterans for health care.—The budget request includes a proposal to establish a $1,500 annual deductible for priority level 7 veterans (non-disabled, higher-income). This proposal is in response to the significant growth in enrollment and usage by priority level 7 veterans over the last 3 years, as well as anticipated future growth. The objective is to have these veterans pay a larger portion of the cost of their health care. Coupled with the recent increase in pharmacy copayments and decrease in outpatient care copayments, this proposal makes certain that VA's health care system is able to continue providing high-quality health care to its core population—disabled and low-income veterans.

Environmental Protection Agency

Abolish cap on pre-manufacturing notification fees.—EPA collects fees from chemical manufacturers seeking to bring new chemicals into commerce. These fees are authorized by the Toxic Substances Control Act and are now subject to an outdated statutory cap. The Administration is proposing appropriations language to modify the cap so that EPA can increase fees to fully cover the cost of the program.

Nuclear Regulatory Commission

Extend NRC fees at their 2005 level for 2006 and later.—The Omnibus Budget Reconciliation Act (OBRA) of 1990, as amended, required that the Nuclear Regulatory Commission (NRC) assess license and annual fees that recover approximately 94 percent of its budget authority in 2003, less the appropriation from the Nuclear Waste Fund. Licensees are required to reimburse NRC for its services, because licensees benefit from such services.

Under OBRA, as amended, the budget authority recovery requirement decreases by 2 percentage points per year until it reaches 90 percent in 2005. After 2005, the requirement reverts to 33 percent per year. If the 90 percent requirement is not extended beyond 2005, fees would drop from an estimated $528 million in 2005 to $200 million in 2006; with an extension at 90 percent, fees would be an estimated $545 million in 2006, an increase of $345 million.

B. User Fee Proposals to Offset Mandatory Spending

1. Offsetting collections

Federal Emergency Management Agency

Flood insurance fees.—The Administration proposes to phase out subsidized premiums for flood insurance for vacation homes, rental properties, and other non-primary residences. Insurance rates for primary residences, which represent the majority of the program's policies, would not change under these proposal. In addition, the Administration proposes to include the cost of expected erosion losses for flood insurance policies in coastal areas, require that mortgage borrowers insure the full replacement value of their properties, and end State taxation of flood insurance polices.

2. Offsetting receipts

Department of Agriculture

Food Safety and Inspection Service.—Legislation will be proposed replacing the existing overtime fee structure with a revised structure that would distribute fees more proportionately between large and small plants. Overtime fees would also apply to all inspection hours provided after one eight hour shift. However, since the goal of the proposed fee is equity, rather than revenue, the costs for the overtime would be shared with the Federal Government paying 50 percent of the total overtime costs.

In addition to overtime fees, the legislative proposal would recover some overhead costs by charging all plants an annual fee in direct proportion to the plants volume of output. The funds collected would be available without appropriation to cover food safety-related activities and research.

Forest Service ski fees permits.—This proposal would require the receipt of fair market value from use and occupancy of ski resorts on national forest lands. The proposal would amend the Omnibus Parks and Public Lands Management Act (P.L. 104–333), which established a new fee schedule for ski resorts on National Forest System lands. The amendment would adjust percentages of gross revenue that determine fees to the Government. Funds collected are available for forest restoration of landscapes impacted by ski resorts.

Forest Service recreation and entrance fees.—The Administration proposes to permanently extend the current pilot program that allows the Forest Service to collect increased recreation and entrance fees. These receipts would be available for use without further appropriation and are necessary to maintain and improve recreation facilities and services. A similar proposal affects recreation fees for the National Park Service, the Bureau of Land Management, and the Fish and Wildlife Service in the Department of the Interior.

Department of the Interior

Recreation and entrance fees.—The Administration proposes to extend permanently the current recreation fee demonstration program. Since 1996, this program has allowed the National Park Service, the Bureau of Land Management, and the Fish and Wildlife Service to collect increased recreation and entrance fees and spend the receipts without further appropriation on facility improvements, visitor programs, and other services. At least half of the National Park Service receipts will be used to address deferred maintenance needs. A related proposal affects recreation fees for the Forest Service in the Department of Agriculture.

Corps of Engineers

Recreation user fees.—The Administration proposes to phase in recreation user fee increases with the entire increase available without further legislative action for spending on operation, maintenance, and improvements of the recreation facilities of the Corps of Engineers, many of which are obsolete. Legislation will be required to increase limits on existing recreation user fees, authorize new fees, or reclassify existing fees. In addition, the Administration recommends extending the recreation demonstration program, which makes available to the Corps without further appropriation recreation fee revenues above a baseline of $34 million per year, to be used for operation and maintenance of its recreation facilities. The Corps spends about $250 million annually on these activities.

Federal Communications Commission

Analog spectrum lease fee.—The Administration proposes authorizing the FCC to establish an annual lease fee totaling $500 million for the use of analog spectrum by commercial broadcasters beginning in 2007, to facilitate the clearing of analog television broadcast spectrum and provide taxpayers some compensation for use of this scarce resource.

OTHER OFFSETTING COLLECTIONS AND RECEIPTS

Table 5–4 shows that total offsetting collections and receipts from the public are estimated to be $231.2 billion in 2003. Of these, an estimated $149.3 billion are offsetting collections credited to appropriation accounts and an estimated $81.9 billion are deposited in offsetting receipt accounts.

The user fees in Table 5–4 were discussed in the previous section. Major offsetting collections deposited in expenditure accounts that are not user fees are pre-credit reform loan repayments, collections from States to supplement payments in the supplemental security income program, and collections for the Federal Savings and Loan resolution fund. Major offsetting receipts that are not user fees include spectrum auction receipts, military assistance program sales, rents and royalties for oil and gas on the Outer Continental Shelf, and interest income.

Table 5–5 includes all offsetting receipts deposited in receipt accounts. These include payments from one part of the Government to another, called intragovernmental transactions, and collections from the public. These receipts are offset (deducted) from outlays in the Federal budget. In total, offsetting receipts are estimated to be $511.5 billion in 2003—$429.6 billion are intragovernmental transactions, and $81.9 billion are from the public, shown in the table as proprietary receipts from the public and offsetting governmental receipts.

As noted above, offsetting collections and receipts by agency are also displayed in Table 21–1, "Outlays to the Public, Net and Gross," which appears in Chapter 21 of this volume.

Table 5–4. OFFSETTING COLLECTIONS AND RECEIPTS FROM THE PUBLIC

(In millions of dollars)

	2001 Actual	Estimate	
		2002	2003
Offsetting collections credited to expenditure accounts:			
User fees:			
Postal service stamps and other postal fees	64,871	67,794	73,727
Defense Commissary Agency	5,083	5,101	5,351
Employee contributions for employees and retired employees health benefits funds [1]	5,855	6,503	....
Sale of energy:			
Tennessee Valley Authority	7,326	7,348	7,205
Bonneville Power Administration	3,937	3,697	3,616
All other user fees	14,880	16,942	18,871
Subtotal, user fees	101,952	107,385	108,770
Other collections credited to expenditure accounts:			
Pre-credit reform loan repayments	14,078	14,851	13,551
Supplemental security income (collections from the States)	3,160	3,797	3,937
Federal Savings and Loan Insurance Corporation resolution fund	1,688	1,243	267
Other collections	19,386	20,082	22,786
Subtotal, other collections	38,312	39,973	40,541
Subtotal, offsetting collections credited to expenditure accounts	140,264	147,358	149,311
Offsetting receipts:			
User fees:			
Medicare premiums	23,748	25,622	27,347
Employee contributions for employees and retired employees health benefits funds [1]	....	....	8,264
All other user fees	6,420	7,178	8,308
Subtotal, user fees deposited in receipt accounts	30,168	32,800	43,919
Other collections deposited in receipt accounts:			
Spectrum auction receipts	1,024	530	460
Military assistance program sales	10,229	10,300	10,410
OCS rents, bonuses, and royalties	7,194	3,806	2,832
Interest income	12,175	12,513	13,887
All other collections deposited in receipt accounts	19,497	16,086	10,402
Subtotal, other collections deposited in receipt accounts	50,119	43,235	37,991
Subtotal, collections deposited in receipt accounts	80,287	76,035	81,910
Total, offsetting collections and receipts from the public	**220,551**	**223,393**	**231,221**
Total, offsetting collections and receipts excluding off-budget	**155,554**	**155,454**	**157,344**
ADDENDUM:			
User fees that are offsetting collections and receipts [2]	132,120	140,185	152,689
Other offsetting collections and receipts from the public	88,431	83,208	78,532
Total, offsetting collections and receipts from the public	220,551	223,393	231,221

[1] Beginning in 2003, amounts received by the Federal Employees Health Benefits Program (FEHBP), previously treated as offsetting collections, are now treated as offsetting receipts. This reflects a change in the FEHBP from a trust revolving fund to a special fund and is consistent with the President's proposed Managerial Flexibility Act.

[2] Excludes user fees that are classified on the receipts side of the budget. For total user fees, see Table 5.1 or Table 5.2.

Table 5–5. OFFSETTING RECEIPTS BY TYPE

(In millions of dollars)

Source	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
INTRAGOVERNMENTAL TRANSACTIONS							
On-budget receipts:							
Federal intrafund transactions:							
Distributed by agency:							
Interest from the Federal Financing Bank	2,157	1,930	1,484	1,724	2,044	2,342	2,230
Interest on Government capital in enterprises	1,091	1,095	1,075	1,047	1,165	932	826
Interest received by retirement and health benefits funds	....	....	773	1,335	1,899	2,491	3,112
General fund payments to retirement and health benefits funds:							
Employees health benefits fund	....	....	11,622	11,026	11,026	11,026	11,026
DoD retiree health care fund	....	....	16,351	24,455	27,034	29,816	32,817
Miscellaneous Federal retirement funds [1]	....	....	888	893	902	912	923
Subsidy balance transfers	4,026	909	....	....	....	....	....
Other	3,323	2,403	2,475	2,538	2,661	2,779	2,896
Undistributed by agency:							
Employing agency contributions:							
Employees health benefits fund	....	....	16,404	17,475	18,587	19,800	21,168
DoD retiree health care fund	....	....	8,312	15,475	16,416	17,418	18,500
Miscellaneous Federal retirement funds	8,219	8,683	279	331	288	285	286
Total Federal intrafunds	18,816	15,020	59,663	76,299	82,022	87,801	93,784
Trust intrafund transactions:							
Distributed by agency:							
Payments to railroad retirement	3,283	3,863	3,854	3,807	3,808	3,658	3,911
Other	1	1	1	1	1	1	1
Total trust intrafunds	3,284	3,864	3,855	3,808	3,809	3,659	3,912
Total intrafund transactions	22,100	18,884	63,518	80,107	85,831	91,460	97,696
Interfund transactions:							
Distributed by agency:							
Federal fund payments to trust funds:							
Contributions to insurance programs:							
Military retirement fund	16,089	17,047	17,643	18,261	18,900	19,563	20,247
Supplementary medical insurance	69,838	77,295	80,905	84,790	90,003	96,284	103,019
Proposed Legislation (non-PAYGO)	....	....	–19	–1	102	74	54
Hospital insurance	5,594	11,544	9,423	9,807	10,385	10,963	11,657
Railroad social security equivalent fund	98	95	100	103	106	109	114
Rail industry pension fund	229	242	254	265	275	284	296
Civilian supplementary retirement contributions	21,890	22,399	29,660	29,666	29,669	29,672	29,674
Unemployment insurance	432	517	531	526	522	526	541
Other contributions	560	482	506	508	535	533	536
Subtotal	114,730	129,621	139,003	143,925	150,497	158,008	166,138
Miscellaneous payments	1,520	930	988	944	901	882	865
Proposed Legislation (non-PAYGO)	....	....	2,066	....	....	....	....
Subtotal	116,250	130,551	142,057	144,869	151,398	158,890	167,003
Trust fund payments to Federal funds:							
Quinquennial adjustment for military service credits	836	....	....	....	....	....	....
Other	2,301	1,141	1,171	1,193	1,217	1,242	1,278
Proposed Legislation (non-PAYGO)	....	....	1,606	–446	–435	–430	–427
Subtotal	3,137	1,141	2,777	747	782	812	851
Total interfunds distributed by agency	119,387	131,692	144,834	145,616	152,180	159,702	167,854
Undistributed by agency:							
Employer share, employee retirement (on-budget):							
Civil service retirement and disability insurance	10,072	10,612	14,233	14,599	14,956	15,239	15,475
CSRDI from Postal Service	6,600	6,780	6,932	7,089	7,320	7,555	7,745
Hospital insurance (contribution as employer) [2]	2,031	2,183	2,299	2,402	2,538	2,645	2,755
Postal employer contributions to FHI	673	711	733	756	781	808	836
Military retirement fund	11,371	12,491	11,934	12,396	12,911	13,383	13,847

Table 5–5. OFFSETTING RECEIPTS BY TYPE—Continued

(In millions of dollars)

Source	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Other Federal employees retirement	136	134	138	142	147	152	157
Total employer share, employee retirement (on-budget)	30,883	32,911	36,269	37,384	38,653	39,782	40,815
Interest received by on-budget trust funds	75,302	74,287	77,254	80,145	83,559	87,259	91,793
Proposed Legislation (non-PAYGO)	....	....	–9	–44	–93	–149	–204
Total interfund transactions undistributed by agency	106,185	107,198	113,514	117,485	122,119	126,892	132,404
Total interfund transactions	225,572	238,890	258,348	263,101	274,299	286,594	300,258
Total on-budget receipts	247,672	257,774	321,866	343,208	360,130	378,054	397,954
Off-budget receipts:							
Trust intrafund transactions:							
Distributed by agency:							
Interfund transactions:							
Distributed by agency:							
Federal fund payments to trust funds:							
Old-age, survivors, and disability insurance	12,528	13,478	14,282	15,149	16,041	16,841	17,990
Undistributed by agency:							
Employer share, employee retirement (off-budget)	7,910	9,243	9,564	10,232	11,034	11,744	12,448
Interest received by off-budget trust funds	68,811	76,822	83,849	92,029	101,015	110,959	122,109
Total off-budget receipts:	89,249	99,543	107,695	117,410	128,090	139,544	152,547
Total intragovernmental transactions	**336,921**	**357,317**	**429,561**	**460,618**	**488,220**	**517,598**	**550,501**
PROPRIETARY RECEIPTS FROM THE PUBLIC							
Distributed by agency:							
Interest:							
Interest on foreign loans and deferred foreign collections	576	651	639	633	625	608	632
Interest on deposits in tax and loan accounts	951	451	585	585	585	585	585
Other interest (domestic—civil) [3]	10,647	11,411	12,663	13,283	13,770	14,238	14,659
Total interest	12,174	12,513	13,887	14,501	14,980	15,431	15,876
Dividends and other earnings	....	....	....	....	....	....	....
Royalties and rents	2,235	1,458	1,494	1,551	1,526	1,604	1,635
Sale of products:							
Sale of timber and other natural land products	218	623	635	400	407	397	387
Proposed Legislation (PAYGO)	....	....	....	3	10	14	15
Sale of minerals and mineral products	31	27	30	33	32	32	30
Sale of power and other utilities	562	721	683	695	695	714	717
Proposed Legislation (PAYGO)	....	....	–149	–149	–150	–150	–150
Other [3]	73	89	77	77	77	77	77
Total sale of products	884	1,460	1,276	1,059	1,071	1,084	1,076
Fees and other charges for services and special benefits:							
Medicare premiums and other charges (trust funds)	23,748	25,622	27,347	29,013	30,984	33,152	35,529
Proposed Legislation (PAYGO)	....	....	....	35	82	95	23
Employees health benefits premiums	....	....	8,352	9,077	9,717	10,380	11,121
Nuclear waste disposal revenues	689	640	647	612	637	621	609
Veterans life insurance (trust funds)	194	198	184	170	154	139	125
Other [3]	2,409	3,124	3,480	3,780	3,808	3,990	4,133
Proposed Legislation (PAYGO)	....	....	6	93	189	207	208
Total fees and other charges	27,040	29,584	40,016	42,780	45,571	48,584	51,748
Sale of Government property:							
Sale of land and other real property [3]	86	150	412	110	110	110	107
Military assistance program sales (trust funds)	10,229	10,300	10,410	10,380	10,570	10,730	10,890
Other	358	759	90	65	66	41	7
Total sale of Government property	10,673	11,209	10,912	10,555	10,746	10,881	11,004

Table 5–5. OFFSETTING RECEIPTS BY TYPE—Continued

(In millions of dollars)

Source	2001 Actual	Estimate					
		2002	2003	2004	2005	2006	2007
Realization upon loans and investments:							
Negative subsidies and downward reestimates	8,627	6,027	751	757	764	773	748
Repayment of loans to foreign nations	291	71	85	88	94	108	25
Other	83	117	97	93	89	85	83
Total realization upon loans and investments	9,001	6,215	933	938	947	966	856
Recoveries and refunds [3]	3,730	2,780	2,882	3,011	3,119	3,201	3,305
Proposed Legislation (PAYGO)	....	....	7	14	–103	–164	–172
Miscellaneous receipt accounts [3]	2,293	1,909	1,916	1,924	1,928	1,941	1,945
Total proprietary receipts from the public distributed by agency	68,030	67,128	73,323	76,333	79,785	83,528	87,273
Undistributed by agency:							
Other interest: Interest received from Outer Continental Shelf escrow account	1	....	....	....	....	....	....
Rents, bonuses, and royalties:							
Outer Continental Shelf rents and bonuses	719	834	466	509	427	396	347
Outer Continental Shelf royalties	6,475	2,972	2,366	2,443	3,243	3,573	3,671
Arctic National Wildlife Refuge:							
Proposed Legislation (PAYGO)	....	....	....	2,402	2	202	2
Sale of major assets	....	....	....	....	323	....	....
Total proprietary receipts from the public undistributed by agency	7,195	3,806	2,832	5,354	3,995	4,171	4,020
Total proprietary receipts from the public [4]	**75,225**	**70,934**	**76,155**	**81,687**	**83,780**	**87,699**	**91,293**
OFFSETTING GOVERNMENTAL RECEIPTS							
Distributed by agency:							
Regulatory fees [3]	3,964	4,494	4,739	3,015	3,056	3,111	3,168
Proposed Legislation (non-PAYGO)	....	....	313	128	130	132	135
Other	74	77	243	409	416	423	431
Undistributed by agency:							
Spectrum auction proceeds	1,024	530	4,510	10,565	8,770	675	680
Proposed Legislation (PAYGO)	....	....	–4,050	3,350	2,700	4,700	500
Total offsetting governmental receipts	5,062	5,101	5,755	17,467	15,072	9,041	4,914
Total offsetting receipts	**417,208**	**433,352**	**511,471**	**559,772**	**587,072**	**614,338**	**646,708**

[1] 2001 and 2002 amounts are offsets for the Administration's retirement acrual proposal.
[2] Includes provision for covered Federal civilian employees and military personnel.
[3] Includes both Federal funds and trust funds.
[4] Consists of:

MEMORANDUM

Composition of proprietary receipts from the public

	2001 Actual	*Estimate*					
		2002	*2003*	*2004*	*2005*	*2006*	*2007*
On-budget:							
Federal funds	39,952	33,366	36,428	40,180	40,076	41,639	42,775
Trust funds	35,190	37,489	39,646	41,423	43,618	45,972	48,427
Off-budget	83	79	81	84	86	88	91

6. TAX EXPENDITURES

The Congressional Budget Act of 1974 (Public Law 93–344) requires that a list of "tax expenditures" be included in the budget. Tax expenditures are defined in the law as "revenue losses attributable to provisions of the Federal tax laws which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, a preferential rate of tax, or a deferral of liability." The Act suggests that tax expenditures are exceptions to some norm or standard tax concept that is not specified in the law. Hence, different analyses may use different baseline tax structures; indeed, the budget presentation here provides tax expenditure estimates measured against more than one baseline.

Due, in part, to the degree of arbitrariness in the tax expenditure baseline, the Administration believes the meaningfulness of tax expenditure estimates is uncertain and that the "tax expenditure" presentation can be improved by consideration of alternative or additional tax bases. A description of an ongoing Treasury study to reevaluate the tax expenditure concept is presented at the beginning of this chapter. The tax expenditure estimates and related discussion following the description of this study, however, are based on materials and formats developed and included in previous budgets. Tax expenditure estimates under the unified transfer (i.e., estate and gift) tax have been eliminated from the presentation because there is no generally accepted normal baseline for transfer taxes and this tax has been repealed under the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA).

The largest reported tax expenditures tend to be associated with the individual income tax. For example, sizeable deferrals, deductions and exclusions are provided for pension contributions and earnings, employer contributions for medical insurance, mortgage interest payments on owner-occupied homes, capital gains, and payments of State and local individual income and property taxes. Reported tax expenditures under the corporate income tax tend to be related to timing differences in 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.

Each tax expenditure estimate in this chapter was calculated assuming other parts of the tax code remained unchanged. The estimates would be different if all tax expenditures or major groups of tax expenditures were changed simultaneously because of potential interactions among provisions. For that reason, this chapter does not present a grand total for the estimated 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.

Tax expenditures relating to the individual and corporate income taxes are estimated for fiscal years 2001–2007 using three methods of accounting: revenue effects, outlay equivalent, and present value. The present value approach provides estimates of the revenue effects for tax expenditures that involve deferrals of tax payments into the future or have similar long-term effects.

The section of the chapter on performance measures and economic effects presents information related to assessment of the effect of tax expenditures on the achievement of program performance goals. This section is a complement to the government-wide performance plan required by the Government Performance and Results Act of 1993.

FUTURE REVISIONS TO THE TAX EXPENDITURE PRESENTATION

Policymakers and researchers have long recognized that certain income tax code provisions have policy purposes other than simply raising revenue and that it is useful to understand better the nature of these provisions. It is important to know the amounts of revenue associated with them, whether they are achieving desired results, and their consequences for the economy. The answers to these questions are important simply as a source of information, but also so that policymakers and the public can review these features of the income tax regularly to see if change is warranted. Thus it was that in 1974 the Congress mandated as part of the Congressional Budget Act of 1974 that the annual Federal budget presentation include a list of "tax expenditures", where tax expenditures were defined as:

> ...those revenue losses attributable to provisions of the Federal tax laws which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, a preferential rate of tax, or a deferral of tax liability....

Though imperfect, the tax expenditure budget has expanded our understanding of policy programs operating through the Federal income tax and, more generally, the workings of the Federal income tax.

The complexity of our economy and society on the one hand, and the complexity of the income tax on the other, suggest the need for a variety of analyses to understand their interaction better. The Treasury Department has begun an effort to review the tax expenditure presentation, and will be considering possible revisions and improvements in methodology and approach. The need for this effort was raised in the President's Fiscal Year 2002 budget submission, which noted that the current tax expenditure analysis was developed relative to an arbitrary tax base and that:

> Because of the breadth of this arbitrary tax base, the Administration believes that the concept of "tax expenditure" is of questionable analytic value. [1]

This review is intended to improve the quality and range of information available regarding the Federal income tax and its effects on the economy. The Treasury Department's efforts in this area will continue over the coming year, assisted by public debate and comment.

The Need for Change

The definition of the baseline against which tax expenditures are measured is crucial to the definition and calculation of tax expenditures. For purposes of calculating tax expenditures, the 1974 Budget Act did not specify the provisions of the baseline tax law, which, quoting further from the Fiscal Year 2002 budget, means that: "Deciding whether provisions are exceptions (from the normal baseline), therefore, is a matter of judgement." As the normal baseline and deviations from the baseline are constructed from a set of potentially subjective judgements, differences of opinion can arise as to the correct classification of specific provisions of the tax code. While the normal baseline follows a theoretically appealing measure of a comprehensive income tax in many ways, it deviates in other important ways. These deviations may reflect judgements along a number of dimensions, including administrative concerns, political judgements, social policy, and historical methods of taxing income. But these deviations inject a degree of subjectivity that can limit the value of the underlying analysis.

One problem with injecting subjective elements into the definition of the baseline income tax is that common notions of what constitutes a "normal" income tax will change over time. For example, although the tax exemption for employer-provided pensions is labeled a tax expenditure, the growing presence of tax-deferred savings vehicles in the tax code suggests that these may today be part of "normal" income tax circa 2002. It is not clear, however, whether the "normal" income tax of 2002 is more appropriate than that in place in any other year if one is interested in better understanding deviations of the current income tax from a more objective standard of a comprehensive income tax.

A highly subjective baseline also may not inform policymakers and the public about those aspects of social or economic policy that are implemented through the tax code. The Federal income tax contains many provisions for providing income support for lower-income citizens. Examples include the Earned Income Tax Credit, the Work Opportunity Credit, and the Child Tax Credit. Each of these provisions is appropriately labeled a tax expenditure in the current tax expenditure presentation. The personal exemption, which cannot be claimed by higher-income taxpayers because of a phase-out of the exemption, however, is not presently labeled a tax expenditure although it can also be viewed as a component of the income support policies effected through the income tax. In many other ways, the "normal tax" baseline may fail to capture the extent to which the tax system serves such programmatic purposes.

Finally, the public and policymakers are interested in the tax subsidies and excises imbedded in the tax code and their effects on individual behavior and on economic activity. Tax subsidies and excises arise when the relative prices of goods, services, or activities are distorted by the tax system. A highly subjective "normal tax" may shed little light on these issues.

Because of the controversy that accompanies the existing "normal tax" concept, it may be appropriate to reconsider a comprehensive income tax as a baseline for the tax expenditure budget. Comprehensive income is a well-accepted theoretical concept, and so avoids some subjectivity that plagues the "normal tax" baseline. A comprehensive measure of income, however, would not eliminate all contentious issues. Any practical implementation of a comprehensive tax base would involve judgements, e.g., about which items of theoretical income or expense are too abstract or difficult to estimate to include in the baseline, but that other analysts may see as necessary.

Focus of the Reconsideration and Revision Effort

The effort to improve the tax expenditure presentation will focus on three aspects. The first relates to the definition of an income tax or standard against which tax expenditures are identified and measured as discussed above. The study will consider redefining the baseline income concept to be more consistent with a comprehensive income tax base, as well as other alternative definitions of income.

The study will also consider issues involved in estimating "negative" tax expenditures in addition to the conventional positive tax expenditures currently reported in the Budget. A negative tax expenditure arises whenever a tax provision causes a taxpayer to pay more tax than would be consistent with the baseline income tax. Negative tax expenditures have not been identified and calculated in the past, in part because they did not appear to relate to the original purpose of the tax expenditure analysis to identify implicit spending programs operating through the tax system. Nevertheless, negative tax expenditures provide an important additional perspective and may offer a useful source of information to analysts and policy makers.

Academics and tax specialists have studied intensively whether the United States should adopt a con-

[1] Analytical Perspectives, Budget of the United States, Fiscal Year 2002, Chapter 5.

sumption tax at the Federal level, either as a source of additional revenue, or in place of some or all of the current sources of Federal revenue. Though the existing Federal individual income tax is thought of as a tax on income, in many respects it has evolved into a hybrid tax containing some elements consistent both with a comprehensive income tax and a consumption tax, as well as many elements consistent with neither an income nor a consumption tax. Therefore, the third aspect of the Treasury's effort will be to consider estimating tax expenditures relative to a hypothetical consumption tax, as well as relative to an income tax. This would allow a comparison of the Federal income tax vis-à-vis the two baseline systems. It would also serve to give additional perspective on the tax expenditure analysis by highlighting those provisions in the Federal income tax that may give rise to a tax expenditure or negative expenditure in one system but not in the other.

When completed, this review can significantly improve the overall understanding of the effects of the Federal income tax on the economy. For example, reconsideration of the income tax baseline is intended to provide a baseline definition that can better capture the numerous ways in which the tax system influences economic behavior relative to a comprehensive income tax system. Similarly, the definition and calculation of negative tax expenditures can provide useful new information about those activities subject to a tax surcharge relative to the baseline tax. Viewing these negative tax expenditures alongside the traditional tax expenditure presentation can provide important context for the overall tax expenditure budget. The calculation of tax expenditures and negative tax expenditures relative to a consumption tax budget can provide further context for the traditional tax expenditure presentation while providing important new information about the effects of the tax system on the economy. Finally, a consumption tax base analysis can help illuminate some of the central issues that would arise in any effort to enact a Federal consumption tax.

TAX EXPENDITURES IN THE INCOME TAX

Tax Expenditure Estimates

All tax expenditure estimates presented here are based upon current tax law enacted as of December 31, 2001. Expired or repealed provisions are not listed if their revenue effects result only from taxpayer activity occurring before fiscal year 2001. Due to the time required to estimate the large number of tax expenditures, the estimates are based on Mid-Session economic assumptions; exceptions are the earned income tax credit and child credit provisions, which involve outlay components and hence are updated to reflect the economic assumptions used elsewhere in the budget.

The total revenue effects for tax expenditures for fiscal years 2001–2007 are displayed according to the budget's functional categories in Table 6–1. Descriptions of the specific tax expenditure provisions follow the tables of estimates and the 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 effects for these items are zero using the reference tax rules. The alternative baseline concepts are discussed in detail following the tables.

Table 6–2 reports the respective portions of the total revenue effects that arise under the individual and corporate income taxes separately. The location of the 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 could be shareholders, employees, customers, or other providers of capital, depending on economic forces.

Table 6–3 ranks the major tax expenditures by the size of their FY 2003 revenue effect.

Interpreting Tax Expenditure Estimates

The estimates shown for individual tax expenditures in Tables 6–1, 6–2, and 6–3 do not necessarily equal the increase in Federal revenues (or the change in the budget balance) that would result from repealing these 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 activity or of other tax provisions 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. Such indirect effects are not reflected in the estimates.

Tax expenditures are interdependent even without incentive effects. Repeal of a tax expenditure provision can increase or decrease the tax revenues associated with other provisions. For example, even if behavior does not change, repeal of an itemized deduction could increase the revenue costs from other deductions because some taxpayers would be moved into higher tax brackets. Alternatively, repeal of an itemized deduction could lower the revenue cost 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, because each is estimated assuming that the other remains in force. In addition, the estimates reported in Table 6–1 are the totals of individual and corporate income tax revenue effects reported in Table 6–2 and do not reflect any possible interactions between the individual and corporate income tax receipts. For this reason, the estimates in Table 6–1 (as well as those in Table 6–5, which are also based on summing individual and corporate estimates) should be regarded as approximations.

The annual value of tax expenditures for tax deferrals is reported on a cash basis in all tables except Table 6–4. 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. Although such estimates are useful as a measure of cash flows into the Government, they do not accurately reflect the true economic cost of these provisions. For example, for a provision where activity levels have changed, so that incoming tax receipts from past deferrals are greater than deferred receipts from new activity, the cash-basis tax expenditure estimate can be negative, despite the fact that in present-value terms current deferrals do have a real cost to the Government. Alternatively, in the case of a newly enacted deferral provision, a cash-based estimate can overstate the real effect on receipts to the Government because the newly deferred taxes will ultimately be received. Present-value estimates, which are a useful complement to the cash-basis estimates for provisions involving deferrals, are discussed below.

Present-Value Estimates

Discounted present-value estimates of revenue effects are presented in Table 6–4 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 effects, net of future tax payments, that follow from activities undertaken during calendar year 2001 that cause the deferrals or other long-term revenue effects. For instance, a pension contribution in 2001 would cause a deferral of tax payments on wages in 2001 and on pension earnings on this contribution (e.g., interest) in later years. In some future year, however, the 2001 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 6–1. ESTIMATES OF TOTAL INCOME TAX EXPENDITURES

(In millions of dollars)

		Total from corporations and individuals							
		2001	2002	2003	2004	2005	2006	2007	2003–2007
	National Defense								
1	Exclusion of benefits and allowances to armed forces personnel	2,160	2,190	2,210	2,240	2,260	2,290	2,310	11,310
	International affairs:								
2	Exclusion of income earned abroad by U.S. citizens	2,450	2,540	2,660	2,690	2,760	2,810	3,170	14,090
3	Exclusion of certain allowances for Federal employees abroad	760	800	840	880	920	960	1,020	4,620
4	Extraterritorial income exclusion	4,490	4,820	5,150	5,510	5,890	6,290	6,730	29,570
5	Inventory property sales source rules exception	1,400	1,470	1,540	1,620	1,700	1,790	1,880	8,530
6	Deferral of income from controlled foreign corporations (normal tax method)	6,600	7,000	7,450	7,900	8,400	8,930	9,550	42,230
7	Deferred taxes for financial firms on certain income earned overseas	1,300	550	0	0	0	0	0	0
	General science, space, and technology:								
8	Expensing of research and experimentation expenditures (normal tax method)	2,020	1,780	2,380	2,880	3,400	3,910	4,160	16,730
9	Credit for increasing research activities	5,370	6,010	4,590	4,020	2,330	990	410	12,350
	Energy:								
10	Expensing of exploration and development costs, fuels	50	60	70	90	90	100	100	450
11	Excess of percentage over cost depletion, fuels	250	260	270	290	300	310	320	1,490
12	Alternative fuel production credit	900	850	410	130	130	130	130	930
13	Exception from passive loss limitation for working interests in oil and gas properties	20	20	20	20	20	20	20	100
14	Capital gains treatment of royalties on coal	100	100	110	120	120	130	140	620
15	Exclusion of interest on energy facility bonds	90	90	100	120	130	140	150	640
16	Enhanced oil recovery credit	310	360	440	530	640	760	910	3,280
17	New technology credit	60	80	100	100	100	90	90	480
18	Alcohol fuel credits [1]	30	30	30	30	30	30	30	150
19	Tax credit and deduction for clean-fuel burning vehicles	50	50	50	20	–10	–50	–50	–40
20	Exclusion from income of conservation subsidies provided by public utilities	70	70	70	70	70	70	60	340
	Natural resources and environment:								
21	Expensing of exploration and development costs, nonfuel minerals	10	10	10	10	10	10	10	50
22	Excess of percentage over cost depletion, nonfuel minerals	250	260	270	290	300	300	310	1,470
23	Exclusion of interest on bonds for water, sewage, and hazardous waste facilities	400	420	440	480	530	580	630	2,660
24	Capital gains treatment of certain timber income	100	100	110	120	120	130	140	620
25	Expensing of multiperiod timber growing costs	360	360	370	380	390	400	410	1,950
26	Tax incentives for preservation of historic structures	180	200	210	220	230	240	250	1,150
	Agriculture:								
27	Expensing of certain capital outlays	170	170	170	170	170	170	170	850
28	Expensing of certain multiperiod production costs	120	130	130	130	120	120	120	620
29	Treatment of loans forgiven for solvent farmers	10	10	10	10	10	10	10	50
30	Capital gains treatment of certain income	990	1,040	1,100	1,160	1,220	1,290	1,360	6,130
31	Income averaging for farmers	70	70	70	70	80	80	80	380
32	Deferral of gain on sale of farm refiners	10	10	10	10	10	10	10	50
	Commerce and housing:								
	Financial institutions and insurance:								
33	Exemption of credit union income	1,000	1,070	1,150	1,230	1,320	1,420	1,530	6,650
34	Excess bad debt reserves of financial institutions	60	50	30	20	10	0	0	60
35	Exclusion of interest on life insurance savings	16,290	17,710	19,250	20,940	22,780	24,790	26,930	114,690
36	Special alternative tax on small property and casualty insurance companies	10	10	10	10	10	10	10	50
37	Tax exemption of certain insurance companies owned by tax-exempt organizations	220	230	250	260	280	290	300	1,380
38	Small life insurance company deduction	100	100	100	100	100	100	100	500
	Housing:								
39	Exclusion of interest on owner-occupied mortgage subsidy bonds	800	830	870	960	1,050	1,140	1,240	5,260
40	Exclusion of interest on rental housing bonds	160	170	180	200	220	240	260	1,100
41	Deductibility of mortgage interest on owner-occupied homes	64,510	64,190	66,110	68,070	70,870	73,560	76,870	355,480
42	Deductibility of State and local property tax on owner-occupied homes	22,410	22,680	23,580	23,210	20,330	16,300	14,410	97,830
43	Deferral of income from post 1987 installment sales	1,040	1,050	1,080	1,100	1,120	1,140	1,160	5,600
44	Capital gains exclusion on home sales	19,090	19,670	20,260	20,860	21,490	22,140	22,800	107,550
45	Exception from passive loss rules for $25,000 of rental loss	4,800	4,400	4,070	3,780	3,530	3,290	3,090	17,760
46	Credit for low-income housing investments	3,220	3,330	3,460	3,630	3,810	3,980	4,130	19,010
47	Accelerated depreciation on rental housing (normal tax method)	5,190	5,440	5,710	5,790	5,800	5,720	5,800	28,820
	Commerce:								
48	Cancellation of indebtedness	30	30	30	40	40	40	40	190
49	Exceptions from imputed interest rules	80	80	80	80	80	80	80	400
50	Capital gains (except agriculture, timber, iron ore, and coal) (normal tax method)	67,800	61,810	60,200	56,990	56,180	50,670	49,880	273,920
51	Capital gains exclusion of small corporation stock	70	100	130	160	210	250	300	1,050
52	Step-up basis of capital gains at death	26,540	27,610	28,710	29,860	31,050	32,300	33,590	155,510
53	Carryover basis of capital gains on gifts	530	600	680	760	900	1,080	1,130	4,550
54	Ordinary income treatment of loss from small business corporation stock sale	40	40	40	50	50	50	50	240
55	Accelerated depreciation of buildings other than rental housing (normal tax method)	4,540	4,560	4,240	3,960	3,800	4,160	4,880	21,040

Table 6–1. ESTIMATES OF TOTAL INCOME TAX EXPENDITURES—Continued

(In millions of dollars)

		Total from corporations and individuals							
		2001	2002	2003	2004	2005	2006	2007	2003–2007
56	Accelerated depreciation of machinery and equipment (normal tax method)	37,860	37,130	36,480	36,790	37,430	38,520	40,930	190,150
57	Expensing of certain small investments (normal tax method)	1,670	1,430	1,420	1,390	1,360	1,480	1,720	7,370
58	Amortization of start-up costs (normal tax method)	130	160	200	240	250	270	270	1,230
59	Graduated corporation income tax rate (normal tax method)	4,940	5,590	6,210	6,580	7,120	7,450	7,880	35,240
60	Exclusion of interest on small issue bonds	310	310	330	360	390	430	470	1,980
	Transportation:								
61	Deferral of tax on shipping companies	20	20	20	20	20	20	20	100
62	Exclusion of reimbursed employee parking expenses	1,980	2,090	2,190	2,300	2,420	2,550	2,670	12,130
63	Exclusion for employer-provided transit passes	220	280	360	410	470	540	600	2,380
	Community and regional development:								
64	Investment credit for rehabilitation of structures (other than historic)	30	30	30	30	30	30	30	150
65	Exclusion of interest for airport, dock, and similar bonds	630	640	680	750	820	890	980	4,120
66	Exemption of certain mutuals' and cooperatives' income	60	60	60	60	70	70	70	330
67	Empowerment zones, Enterprise communities, and Renewal communities	380	730	1,130	1,170	1,280	1,410	1,580	6,570
68	New markets tax credit	10	90	190	290	430	610	830	2,350
69	Expensing of environmental remediation costs	80	100	100	20	–20	–10	–10	80
	Education, training, employment, and social services:								
	Education:								
70	Exclusion of scholarship and fellowship income (normal tax method)	1,210	1,200	1,210	1,240	1,330	1,380	1,390	6,550
71	HOPE tax credit	4,130	4,110	3,520	2,880	2,930	2,730	2,900	14,960
72	Lifetime Learning tax credit	2,370	2,290	2,360	3,140	2,980	2,740	2,960	14,180
73	Education Individual Retirement Accounts	30	50	80	130	220	330	470	1,230
74	Deductibility of student-loan interest	390	450	640	660	680	700	720	3,400
75	Deduction for higher education expenses	0	430	2,290	2,960	3,710	3,010	0	11,970
76	State prepaid tuition plans	190	270	340	400	460	530	590	2,320
77	Exclusion of interest on student-loan bonds	230	230	240	260	290	310	350	1,450
78	Exclusion of interest on bonds for private nonprofit educational facilities	540	550	580	640	700	760	830	3,510
79	Credit for holders of zone academy bonds	30	50	70	80	90	90	90	420
80	Exclusion of interest on savings bonds redeemed to finance educational expenses	10	20	20	20	20	20	20	100
81	Parental personal exemption for students age 19 or over	1,010	1,070	1,120	1,170	1,230	1,280	1,340	6,140
82	Deductibility of charitable contributions (education)	3,830	3,980	4,200	4,440	4,600	4,840	5,030	23,110
83	Exclusion of employer-provided educational assistance	260	410	500	530	560	590	620	2,800
	Training, employment, and social services:								
84	Work opportunity tax credit	300	230	140	60	30	10	0	240
85	Welfare-to-work tax credit	90	70	40	20	10	0	0	70
86	Employer provided child care exclusion	720	740	770	810	930	1,020	1,080	4,610
87	Employer-provided child care credit	0	40	90	130	150	150	160	680
88	Assistance for adopted foster children	190	220	250	260	270	280	290	1,350
89	Adoption credit and exclusion	130	140	220	450	500	540	560	2,270
90	Exclusion of employee meals and lodging (other than military)	710	740	780	810	850	890	930	4,260
91	Child credit [2]	19,840	19,760	19,680	19,550	20,550	21,530	21,240	102,550
92	Credit for child and dependent care expenses	2,670	2,610	2,670	2,960	2,700	2,150	1,920	12,400
93	Credit for disabled access expenditures	50	50	50	50	60	60	60	280
94	Deductibility of charitable contributions, other than education and health	30,150	30,810	32,080	33,830	35,190	36,890	38,290	176,280
95	Exclusion of certain foster care payments	500	510	520	530	540	570	610	2,770
96	Exclusion of parsonage allowances	350	370	400	420	450	470	490	2,230
	Health:								
97	Exclusion of employer contributions for medical insurance premiums and medical care	82,800	90,910	99,260	106,940	115,380	124,050	134,960	580,590
98	Self-employed medical insurance premiums	1,520	1,730	2,420	3,570	3,870	4,170	4,430	18,460
99	Workers' compensation insurance premiums	4,730	4,870	5,080	5,230	5,410	5,570	5,790	27,080
100	Medical Savings Accounts	20	20	20	20	20	20	20	100
101	Deductibility of medical expenses	4,990	5,260	5,530	5,840	6,280	6,600	7,100	31,350
102	Exclusion of interest on hospital construction bonds	1,100	1,130	1,190	1,310	1,440	1,570	1,700	7,210
103	Deductibility of charitable contributions (health)	4,010	4,180	4,420	4,690	4,850	5,100	5,320	24,380
104	Tax credit for orphan drug research	140	150	170	190	220	240	270	1,090
105	Special Blue Cross/Blue Shield deduction	270	300	340	310	300	270	300	1,520
	Income security:								
106	Exclusion of railroad retirement system benefits	380	390	400	400	400	400	400	2,000
107	Exclusion of workers' compensation benefits	5,560	5,810	6,070	6,320	6,600	6,900	7,200	33,090
108	Exclusion of public assistance benefits (normal tax method)	370	380	400	410	430	450	470	2,160
109	Exclusion of special benefits for disabled coal miners	70	70	60	60	60	50	50	280
110	Exclusion of military disability pensions	110	120	120	120	130	130	140	640
	Net exclusion of pension contributions and earnings:								
111	Employer plans	42,070	48,070	53,080	54,500	55,630	58,980	63,320	285,510
112	401(k) plans	44,080	52,960	59,510	62,770	65,290	69,230	73,320	330,120

Table 6–1. ESTIMATES OF TOTAL INCOME TAX EXPENDITURES—Continued

(In millions of dollars)

		Total from corporations and individuals							
		2001	2002	2003	2004	2005	2006	2007	2003–2007
113	Individual Retirement Accounts	18,680	18,090	18,660	19,050	18,930	19,230	18,330	94,200
114	Low and moderate income savers credit	0	550	1,960	1,940	1,900	1,800	1,280	8,880
115	Keogh plans	6,160	6,520	6,770	7,040	7,250	7,490	7,730	36,280
	Exclusion of other employee benefits:								
116	Premiums on group term life insurance	1,750	1,780	1,800	1,830	1,860	1,890	1,920	9,300
117	Premiums on accident and disability insurance	210	220	230	240	250	260	270	1,250
118	Small business retirement plan credit	0	20	50	90	120	130	150	540
119	Income of trusts to finance supplementary unemployment benefits	20	20	30	30	30	30	30	150
120	Special ESOP rules	1,290	1,340	1,420	1,490	1,570	1,640	1,730	7,850
121	Additional deduction for the blind	40	40	40	40	40	40	40	200
122	Additional deduction for the elderly	1,970	1,890	1,950	2,060	2,100	2,150	2,050	10,310
123	Tax credit for the elderly and disabled	30	30	30	30	30	30	30	150
124	Deductibility of casualty losses	210	250	310	360	410	450	490	2,020
125	Earned income tax credit [3]	4,940	4,370	4,800	4,930	5,100	5,180	5,390	25,400
	Social Security:								
	Exclusion of social security benefits:								
126	Social Security benefits for retired workers	17,830	18,000	18,180	18,560	18,850	19,720	20,890	96,200
127	Social Security benefits for disabled	2,690	2,930	3,240	3,630	4,020	4,470	5,020	20,380
128	Social Security benefits for dependents and survivors	3,720	3,870	4,060	4,320	4,560	4,820	5,170	22,930
	Veterans benefits and services:								
129	Exclusion of veterans death benefits and disability compensation	3,150	3,190	3,300	3,490	3,680	3,870	4,080	18,420
130	Exclusion of veterans pensions	70	80	80	80	90	90	100	440
131	Exclusion of GI bill benefits	90	90	90	100	100	110	110	510
132	Exclusion of interest on veterans housing bonds	40	40	40	40	50	50	60	240
	General purpose fiscal assistance:								
133	Exclusion of interest on public purpose State and local bonds	23,100	23,680	24,270	24,880	25,500	26,140	26,800	127,590
134	Deductibility of nonbusiness state and local taxes other than on owner-occupied homes	45,520	46,160	48,150	47,730	43,270	34,820	30,890	204,860
135	Tax credit for corporations receiving income from doing business in U.S. possessions	2,190	2,240	2,240	2,240	2,200	1,300	0	7,980
	Interest:								
136	Deferral of interest on U.S. savings bonds	290	300	310	330	330	350	360	1,680
	Addendum: Aid to State and local governments:								
	Deductibility of:								
	Property taxes on owner-occupied homes	22,410	22,680	23,580	23,210	20,330	16,300	14,410	97,830
	Nonbusiness State and local taxes other than on owner-occupied homes	45,520	46,160	48,150	47,730	43,270	34,820	30,890	204,860
	Exclusion of interest on State and local bonds for:								
	Public purposes	23,100	23,680	24,270	24,880	25,500	26,140	26,800	127,590
	Energy facilities	90	90	100	120	130	140	150	640
	Water, sewage, and hazardous waste disposal facilities	400	420	440	480	530	580	630	2,660
	Small-issues	310	310	330	360	390	430	470	1,980
	Owner-occupied mortgage subsidies	800	830	870	960	1,050	1,140	1,240	5,260
	Rental housing	160	170	180	200	220	240	260	1,100
	Airports, docks, and similar facilities	630	640	680	750	820	890	980	4,120
	Student loans	230	230	240	260	290	310	350	1,450
	Private nonprofit educational facilities	540	550	580	640	700	760	830	3,510
	Hospital construction	1,100	1,130	1,190	1,310	1,440	1,570	1,700	7,210
	Veterans' housing	40	40	40	40	50	50	60	240
	Credit for holders of zone academy bonds	30	50	70	80	90	90	90	420

[1] The determination of whether a provision is a tax expenditure is made on the basis of a broad concept of ''income'' that is larger in scope than is ''income'' as defined under general U.S. income tax principles. For tax reasons, the tax expenditure estimates include, for example, estimates related to the exclusion of extraterritorial income, as well as other exclusions, notwithstanding that such exclusions define income under the general rule of U.S. income taxation.

[2] In addition, the partial exemption from the excise tax for alcohol fuels results in a reduction in excise tax receipts (in millions of dollars) as follows: 2001 $990; 2002 $1,020; 2003 $1,050; 2004 $1,080; 2005 $1,080; 2006 $1,100; and 2007 $1,120.

[3] The figures in the table indicate the effect of the child tax credit on receipts. The effect of the credit on outlays (in millions of dollars) is as follows: 2001 $980; 2002 $7,390; 2003 $7,390; 2004 $7,210; 2005 $6,950; 2006 $9,380; and 2007 $9,200.

[4] The figures in the table indicate the effect of the earned income tax credit on receipts. The effect of the credit on outlays (in millions of dollars) is as follows: 2001 $26,120; 2002 $28,280; 2003 $30,630; 2004 $31,080; 2005 $31,720; 2006 $33,130; and 2007 $34,090.

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 $10 million. Provisions with estimates that rounded to zero in each year are not included in the table.

Table 6–2. CORPORATE AND INDIVIDUAL INCOME TAX ESTIMATES OF TAX EXPENDITURES

(In millions of dollars)

		Corporations								Individuals							
		2001	2002	2003	2004	2005	2006	2007	2003–2007	2001	2002	2003	2004	2005	2006	2007	2003–2007
	National Defense																
1	Exclusion of benefits and allowances to armed forces personnel	....	....	....	....	....	....	....	....	2,160	2,190	2,210	2,240	2,260	2,290	2,310	11,310
	International affairs:																
2	Exclusion of income earned abroad by U.S. citizens	....	....	....	....	....	....	....	....	2,450	2,540	2,660	2,690	2,760	2,810	3,170	14,090
3	Exclusion of certain allowances for Federal employees abroad	....	....	....	....	....	....	....	....	760	800	840	880	920	960	1,020	4,620
4	Extraterritorial income exclusion	4,490	4,820	5,150	5,510	5,890	6,290	6,730	29,570	....	....	....	....	....	....	....	....
5	Inventory property sales source rules exception	1,400	1,470	1,540	1,620	1,700	1,790	1,880	8,530	....	....	....	....	....	....	....	....
6	Deferral of income from controlled foreign corporations (normal tax method)	6,600	7,000	7,450	7,900	8,400	8,930	9,550	42,230	....	....	....	....	....	....	....	....
7	Deferred taxes for financial firms on certain income earned overseas	1,300	550	....	....	....	....	....	0	....	....	....	....	....	....	....	....
	General science, space, and technology:																
8	Expensing of research and experimentation expenditures (normal tax method)	1,980	1,750	2,330	2,820	3,330	3,830	4,080	16,390	40	30	50	60	70	80	80	340
9	Credit for increasing research activities	5,310	5,950	4,540	3,980	2,310	990	410	12,240	60	60	50	40	20	....	....	110
	Energy:																
10	Expensing of exploration and development costs, fuels	40	50	60	70	70	80	80	360	10	10	10	20	20	20	20	90
11	Excess of percentage over cost depletion, fuels	220	230	240	250	260	270	280	1,300	30	30	30	40	40	40	40	190
12	Alternative fuel production credit	860	810	390	120	120	120	120	870	40	40	20	10	10	10	10	60
13	Exception from passive loss limitation for working interests in oil and gas properties	....	....	....	....	....	....	....	....	20	20	20	20	20	20	20	100
14	Capital gains treatment of royalties on coal	....	....	....	....	....	....	....	....	100	100	110	120	120	130	140	620
15	Exclusion of interest on energy facility bonds	20	20	20	30	30	30	30	140	70	70	80	90	100	110	120	500
16	Enhanced oil recovery credit	280	330	400	480	580	690	830	2,980	30	30	40	50	60	70	80	300
17	New technology credit	60	80	100	100	100	90	90	480	....	....	....	....	....	....	....	....
18	Alcohol fuel credits [1]	20	20	20	20	20	20	20	100	10	10	10	10	10	10	10	50
19	Tax credit and deduction for clean-fuel burning vehicles	30	30	20	0	–20	–40	–40	–80	20	20	30	20	10	–10	–10	40
20	Exclusion from income of conservation subsidies provided by public utilities	....	....	....	....	....	....	....	....	70	70	70	70	70	70	60	340
	Natural resources and environment:																
21	Expensing of exploration and development costs, nonfuel minerals	10	10	10	10	10	10	10	50	....	....	....	....	....	....	....	....
22	Excess of percentage over cost depletion, nonfuel minerals	240	250	260	270	280	280	290	1,380	10	10	10	20	20	20	20	90
23	Exclusion of interest on bonds for water, sewage, and hazardous waste facilities	100	110	110	110	110	120	120	570	300	310	330	370	420	460	510	2,090
24	Capital gains treatment of certain timber income	....	....	....	....	....	....	....	....	100	100	110	120	120	130	140	620
25	Expensing of multiperiod timber growing costs	240	240	250	260	260	270	280	1,320	120	120	120	120	130	130	130	630
26	Tax incentives for preservation of historic structures	170	180	190	200	210	220	230	1,050	10	20	20	20	20	20	20	100
	Agriculture:																
27	Expensing of certain capital outlays	20	20	20	20	20	20	20	100	150	150	150	150	150	150	150	750
28	Expensing of certain multiperiod production costs	10	20	20	20	20	20	20	100	110	110	110	110	100	100	100	520
29	Treatment of loans forgiven for solvent farmers	....	....	....	....	....	....	....	....	10	10	10	10	10	10	10	50
30	Capital gains treatment of certain income	....	....	....	....	....	....	....	....	990	1,040	1,100	1,160	1,220	1,290	1,360	6,130
31	Income averaging for farmers	....	....	....	....	....	....	....	....	70	70	70	70	80	80	80	380
32	Deferral of gain on sale of farm refiners	10	10	10	10	10	10	10	50	....	....	....	....	....	....	....	....

Table 6–2. CORPORATE AND INDIVIDUAL INCOME TAX ESTIMATES OF TAX EXPENDITURES—Continued

(In millions of dollars)

		Corporations								Individuals							
		2001	2002	2003	2004	2005	2006	2007	2003–2007	2001	2002	2003	2004	2005	2006	2007	2003–2007
	Commerce and housing:																
	Financial institutions and insurance:																
33	Exemption of credit union income	1,000	1,070	1,150	1,230	1,320	1,420	1,530	6,650	......	......	......	......	......	......	......	......
34	Excess bad debt reserves of financial institutions	60	50	30	20	10	0	0	60	......	......	......	......	......	......	......	......
35	Exclusion of interest on life insurance savings	1,650	1,770	1,890	2,020	2,160	2,280	2,490	10,840	14,640	15,940	17,360	18,920	20,620	22,510	24,440	103,850
36	Special alternative tax on small property and casualty insurance companies	10	10	10	10	10	10	10	50	......	......	......	......	......	......	......	......
37	Tax exemption of certain insurance companies owned by tax-exempt organizations	220	230	250	260	280	290	300	1,380	......	......	......	......	......	......	......	......
38	Small life insurance company deduction	100	100	100	100	100	100	100	500	......	......	......	......	......	......	......	......
	Housing:																
39	Exclusion of interest on owner-occupied mortgage subsidy bonds	200	210	210	220	230	230	240	1,130	600	620	660	740	820	910	1,000	4,130
40	Exclusion of interest on rental housing bonds	40	40	40	50	50	50	50	240	120	130	140	150	170	190	210	860
41	Deductibility of mortgage interest on owner-occupied homes	......	......	......	......	......	......	......	......	64,510	64,190	66,110	68,070	70,870	73,560	76,870	355,480
42	Deductibility of State and local property tax on owner-occupied homes	......	......	......	......	......	......	......	......	22,410	22,680	23,580	23,210	20,330	16,300	14,410	97,830
43	Deferral of income from post 1987 installment sales	270	270	280	290	290	300	300	1,460	770	780	800	810	830	840	860	4,140
44	Capital gains exclusion on home sales	......	......	......	......	......	......	......	......	19,090	19,670	20,260	20,860	21,490	22,140	22,800	107,550
45	Exception from passive loss rules for $25,000 of rental loss	......	......	......	......	......	......	......	......	4,800	4,400	4,070	3,780	3,530	3,290	3,090	17,760
46	Credit for low-income housing investments	2,420	2,500	2,600	2,730	2,860	2,990	3,100	14,280	800	830	860	900	950	990	1,030	4,730
47	Accelerated depreciation on rental housing (normal tax method)	390	410	440	450	460	470	480	2,300	4,800	5,030	5,270	5,340	5,340	5,250	5,320	26,520
	Commerce:																
48	Cancellation of indebtedness	......	......	......	......	......	......	......	......	30	30	30	40	40	40	40	190
49	Exceptions from imputed interest rules	......	......	......	......	......	......	......	......	80	80	80	80	80	80	80	400
50	Capital gains (except agriculture, timber, iron ore, and coal) (normal tax method)	......	......	......	......	......	......	......	......	67,800	61,810	60,200	56,990	56,180	50,670	49,880	273,920
51	Capital gains exclusion of small corporation stock	......	......	......	......	......	......	......	......	70	100	130	160	210	250	300	1,050
52	Step-up basis of capital gains at death	......	......	......	......	......	......	......	......	26,540	27,610	28,710	29,860	31,050	32,300	33,590	155,510
53	Carryover basis of capital gains on gifts	......	......	......	......	......	......	......	......	530	600	680	760	900	1,080	1,130	4,550
54	Ordinary income treatment of loss from small business corporation stock sale	......	......	......	......	......	......	......	......	40	40	40	50	50	50	50	240
55	Accelerated depreciation of buildings other than rental housing (normal tax method)	2,690	2,620	2,450	2,180	1,990	2,050	2,310	10,980	1,850	1,940	1,790	1,780	1,810	2,110	2,570	10,060
56	Accelerated depreciation of machinery and equipment (normal tax method)	30,750	30,220	29,750	30,200	30,860	31,970	34,070	156,850	7,110	6,910	6,730	6,590	6,570	6,550	6,860	33,300
57	Expensing of certain small investments (normal tax method)	530	470	460	460	450	490	570	2,430	1,140	960	960	930	910	990	1,150	4,940
58	Amortization of start-up costs (normal tax method)	90	110	140	160	170	180	180	830	40	50	60	80	80	90	90	400
59	Graduated corporation income tax rate (normal tax method)	4,940	5,590	6,210	6,580	7,120	7,450	7,880	35,240	......	......	......	......	......	......	......	......
60	Exclusion of interest on small issue bonds	80	80	80	80	80	90	90	420	230	230	250	280	310	340	380	1,560
	Transportation:																
61	Deferral of tax on shipping companies	20	20	20	20	20	20	20	100	......	......	......	......	......	......	......	......

Table 6–2. CORPORATE AND INDIVIDUAL INCOME TAX ESTIMATES OF TAX EXPENDITURES—Continued

(In millions of dollars)

		Corporations								Individuals							
		2001	2002	2003	2004	2005	2006	2007	2003–2007	2001	2002	2003	2004	2005	2006	2007	2003–2007
62	Exclusion of reimbursed employee parking expenses	....	....	....	....	....	....	....	....	1,980	2,090	2,190	2,300	2,420	2,550	2,670	12,130
63	Exclusion for employer-provided transit passes	....	....	....	....	....	....	....	....	220	280	360	410	470	540	600	2,380
	Community and regional development:																
64	Investment credit for rehabilitation of structures (other than historic)	20	20	20	20	20	20	20	100	10	10	10	10	10	10	10	50
65	Exclusion of interest for airport, dock, and similar bonds	160	160	170	170	180	180	190	890	470	480	510	580	640	710	790	3,230
66	Exemption of certain mutuals' and cooperatives' income	60	60	60	60	70	70	70	330	....	....	....	....	....	....	....	....
67	Empowerment zones, Enterprise communities, and Renewal communities	100	220	300	300	320	350	390	1,660	280	510	830	870	960	1,060	1,190	4,910
68	New markets tax credit	0	20	50	70	110	150	210	590	10	70	140	220	320	460	620	1,760
69	Expensing of environmental remediation costs	70	80	80	20	–20	–10	–10	60	10	20	20	....	....	....	....	20
	Education, training, employment, and social services:																
	Education:																
70	Exclusion of scholarship and fellowship income (normal tax method)	....	....	....	....	....	....	....	....	1,210	1,200	1,210	1,240	1,330	1,380	1,390	6,550
71	HOPE tax credit	....	....	....	....	....	....	....	....	4,130	4,110	3,520	2,880	2,930	2,730	2,900	14,960
72	Lifetime Learning tax credit	....	....	....	....	....	....	....	....	2,370	2,290	2,360	3,140	2,980	2,740	2,960	14,180
73	Education Individual Retirement Accounts	....	....	....	....	....	....	....	....	30	50	80	130	220	330	470	1,230
74	Deductibility of student-loan interest	....	....	....	....	....	....	....	....	390	450	640	660	680	700	720	3,400
75	Deduction for higher education expenses	....	....	....	....	....	....	....	....	0	430	2,290	2,960	3,710	3,010	0	11,970
76	State prepaid tuition plans	....	....	....	....	....	....	....	....	190	270	340	400	460	530	590	2,320
77	Exclusion of interest on student-loan bonds	60	60	60	60	60	60	70	310	170	170	180	200	230	250	280	1,140
78	Exclusion of interest on bonds for private nonprofit educational facilities	140	140	140	150	150	150	160	750	400	410	440	490	550	610	670	2,760
79	Credit for holders of zone academy bonds	30	50	70	80	90	90	90	420	....	....	....	....	....	....	....	....
80	Exclusion of interest on savings bonds redeemed to finance educational expenses	....	....	....	....	....	....	....	....	10	20	20	20	20	20	20	100
81	Parental personal exemption for students age 19 or over	....	....	....	....	....	....	....	....	1,010	1,070	1,120	1,170	1,230	1,280	1,340	6,140
82	Deductibility of charitable contributions (education)	590	680	770	830	840	900	950	4,290	3,240	3,300	3,430	3,610	3,760	3,940	4,080	18,820
83	Exclusion of employer-provided educational assistance	....	....	....	....	....	....	....	....	260	410	500	530	560	590	620	2,800
	Training, employment, and social services:																
84	Work opportunity tax credit	260	190	120	50	20	10	0	200	40	40	20	10	10	0	0	40
85	Welfare-to-work tax credit	80	60	30	20	10	0	0	60	10	10	10	0	0	0	0	10
86	Employer provided child care exclusion	....	....	....	....	....	....	....	....	720	740	770	810	930	1,020	1,080	4,610
87	Employer-provided child care credit	0	40	90	130	150	150	160	680	....	....	....	....	....	....	....	....
88	Assistance for adopted foster children	....	....	....	....	....	....	....	....	190	220	250	260	270	280	290	1,350
89	Adoption credit and exclusion	....	....	....	....	....	....	....	....	130	140	220	450	500	540	560	2,270
90	Exclusion of employee meals and lodging (other than military)	....	....	....	....	....	....	....	....	710	740	780	810	850	890	930	4,260
91	Child credit [2]	....	....	....	....	....	....	....	....	19,840	19,760	19,680	19,550	20,550	21,530	21,240	102,550
92	Credit for child and dependent care expenses	....	....	....	....	....	....	....	....	2,670	2,610	2,670	2,960	2,700	2,150	1,920	12,400
93	Credit for disabled access expenditures	10	10	10	10	20	20	20	80	40	40	40	40	40	40	40	200
94	Deductibility of charitable contributions, other than education and health	730	850	950	1,040	1,040	1,110	1,180	5,320	29,420	29,960	31,130	32,790	34,150	35,780	37,110	170,960
95	Exclusion of certain foster care payments	....	....	....	....	....	....	....	....	500	510	520	530	540	570	610	2,770

Table 6–2. CORPORATE AND INDIVIDUAL INCOME TAX ESTIMATES OF TAX EXPENDITURES—Continued

(In millions of dollars)

		Corporations								Individuals							
		2001	2002	2003	2004	2005	2006	2007	2003–2007	2001	2002	2003	2004	2005	2006	2007	2003–2007
96	Exclusion of parsonage allowances									350	370	400	420	450	470	490	2,230
	Health:																
97	Exclusion of employer contributions for medical insurance premiums and medical care									82,800	90,910	99,260	106,940	115,380	124,050	134,960	580,590
98	Self-employed medical insurance premiums									1,520	1,730	2,420	3,570	3,870	4,170	4,430	18,460
99	Workers' compensation insurance premiums									4,730	4,870	5,080	5,230	5,410	5,570	5,790	27,080
100	Medical Savings Accounts									20	20	20	20	20	20	20	100
101	Deductibility of medical expenses									4,990	5,260	5,530	5,840	6,280	6,600	7,100	31,350
102	Exclusion of interest on hospital construction bonds	280	290	290	300	310	320	320	1,540	820	840	900	1,010	1,130	1,250	1,380	5,670
103	Deductibility of charitable contributions (health)	710	820	920	1,010	1,010	1,080	1,150	5,170	3,300	3,360	3,500	3,680	3,840	4,020	4,170	19,210
104	Tax credit for orphan drug research	140	150	170	190	220	240	270	1,090								
105	Special Blue Cross/Blue Shield deduction	270	300	340	310	300	270	300	1,520								
	Income security:																
106	Exclusion of railroad retirement system benefits									380	390	400	400	400	400	400	2,000
107	Exclusion of workers' compensation benefits									5,560	5,810	6,070	6,320	6,600	6,900	7,200	33,090
108	Exclusion of public assistance benefits (normal tax method)									370	380	400	410	430	450	470	2,160
109	Exclusion of special benefits for disabled coal miners									70	70	60	60	60	50	50	280
110	Exclusion of military disability pensions									110	120	120	120	130	130	140	640
	Net exclusion of pension contributions and earnings:																
111	Employer plans									42,070	48,070	53,080	54,500	55,630	58,980	63,320	285,510
112	401(k) plans									44,080	52,960	59,510	62,770	65,290	69,230	73,320	330,120
113	Individual Retirement Accounts									18,680	18,090	18,660	19,050	18,930	19,230	18,330	94,200
114	Low and moderate income savers credit									0	550	1,960	1,940	1,900	1,800	1,280	8,880
115	Keogh plans									6,160	6,520	6,770	7,040	7,250	7,490	7,730	36,280
	Exclusion of other employee benefits:																
116	Premiums on group term life insurance									1,750	1,780	1,800	1,830	1,860	1,890	1,920	9,300
117	Premiums on accident and disability insurance									210	220	230	240	250	260	270	1,250
118	Small business retirement plan credit	0	10	30	50	70	80	90	320	0	10	20	40	50	50	60	220
119	Income of trusts to finance supplementary unemployment benefits	20	20	30	30	30	30	30	150								
120	Special ESOP rules	980	1,020	1,080	1,140	1,200	1,260	1,330	6,010	310	320	340	350	370	380	400	1,840
121	Additional deduction for the blind									40	40	40	40	40	40	40	200
122	Additional deduction for the elderly									1,970	1,890	1,950	2,060	2,100	2,150	2,050	10,310
123	Tax credit for the elderly and disabled									30	30	30	30	30	30	30	150
124	Deductibility of casualty losses									210	250	310	360	410	450	490	2,020
125	Earned income tax credit [3]									4,940	4,370	4,800	4,930	5,100	5,180	5,390	25,400
	Social Security:																
	Exclusion of social security benefits:																
126	Social Security benefits for retired workers									17,830	18,000	18,180	18,560	18,850	19,720	20,890	96,200
127	Social Security benefits for disabled									2,690	2,930	3,240	3,630	4,020	4,470	5,020	20,380
128	Social Security benefits for dependents and survivors									3,720	3,870	4,060	4,320	4,560	4,820	5,170	22,930
	Veterans benefits and services:																
129	Exclusion of veterans death benefits and disability compensation									3,150	3,190	3,300	3,490	3,680	3,870	4,080	18,420
130	Exclusion of veterans pensions									70	80	80	80	90	90	100	440
131	Exclusion of GI bill benefits									90	90	90	100	100	110	110	510
132	Exclusion of interest on veterans housing bonds	10	10	10	10	10	10	10	50	30	30	30	30	40	40	50	190

Table 6–2. CORPORATE AND INDIVIDUAL INCOME TAX ESTIMATES OF TAX EXPENDITURES—Continued

(In millions of dollars)

		Corporations								Individuals							
		2001	2002	2003	2004	2005	2006	2007	2003–2007	2001	2002	2003	2004	2005	2006	2007	2003–2007
	General purpose fiscal assistance:																
133	Exclusion of interest on public purpose State and local bonds	5,860	6,010	6,160	6,310	6,470	6,630	6,800	32,370	17,240	17,670	18,110	18,570	19,030	19,510	20,000	95,220
134	Deductibility of nonbusiness state and local taxes other than on owner-occupied homes	....	....	....	....	....	....	....	....	45,520	46,160	48,150	47,730	43,270	34,820	30,890	204,860
135	Tax credit for corporations receiving income from doing business in U.S. possessions	2,190	2,240	2,240	2,240	2,200	1,300	0	7,980	....	....	....	....	....	....	....	....
	Interest:																
136	Deferral of interest on U.S. savings bonds	....	....	....	....	....	....	....	....	290	300	310	330	330	350	360	1,680
	Addendum: Aid to State and local governments:																
	Deductibility of:																
	Property taxes on owner-occupied homes	....	....	....	....	....	....	....	....	22,410	22,680	23,580	23,210	20,330	16,300	14,410	97,830
	Nonbusiness State and local taxes other than on owner-occupied homes	....	....	....	....	....	....	....	....	45,520	46,160	48,150	47,730	43,270	34,820	30,890	204,860
	Exclusion of interest on State and local bonds for:																
	Public purposes	5,860	6,010	6,160	6,310	6,470	6,630	6,800	32,370	17,240	17,670	18,110	18,570	19,030	19,510	20,000	95,220
	Energy facilities	20	20	20	30	30	30	30	140	70	70	80	90	100	110	120	500
	Water, sewage, and hazardous waste disposal facilities	100	110	110	110	110	120	120	570	300	310	330	370	420	460	510	2,090
	Small-issues	80	80	80	80	80	90	90	420	230	230	250	280	310	340	380	1,560
	Owner-occupied mortgage subsidies	200	210	210	220	230	230	240	1,130	600	620	660	740	820	910	1,000	4,130
	Rental housing	40	40	40	50	50	50	50	240	120	130	140	150	170	190	210	860
	Airports, docks, and similar facilities	160	160	170	170	180	180	190	890	470	480	510	580	640	710	790	3,230
	Student loans	60	60	60	60	60	60	70	310	170	170	180	200	230	250	280	1,140
	Private nonprofit educational facilities	140	140	140	150	150	150	160	750	400	410	440	490	550	610	670	2,760
	Hospital construction	280	290	290	300	310	320	320	1,540	820	840	900	1,010	1,130	1,250	1,380	5,670
	Veterans' housing	10	10	10	10	10	10	10	50	30	30	30	30	40	40	50	190
	Credit for holders of zone academy bonds	30	50	70	80	90	90	90	420	....	....	....	....	....	....	....	....

[1] The determination of whether a provision is a tax expenditure is made on the basis of a broad concept of "income" that is larger in scope than is "income" as defined under general U.S. income tax principles. For tax reasons, the tax expenditure estimates include, for example, estimates related to the exclusion of extraterritorial income, as well as other exclusions, notwithstanding that such exclusions define income under the general rule of U.S. income taxation.

[2] In addition, the partial exemption from the excise tax for alcohol fuels results in a reduction in excise tax receipts (in millions of dollars) as follows: 2001 $990; 2002 $1,020; 2003 $1,050; 2004 $1,080; 2005 $1,080; 2006 $1,100; and 2007 $1,120.

[3] The figures in the table indicate the effect of the child tax credit on receipts. The effect of the credit on outlays (in millions of dollars) is as follows: 2001 $980; 2002 $7,390; 2003 $7,390; 2004 $7,210; 2005 $6,950; 2006 $9,380; and 2007 $9,200.

[4] The figures in the table indicate the effect of the earned income tax credit on receipts. The effect of the credit on outlays (in millions of dollars) is as follows: 2001 $26,120; 2002 $28,280; 2003 $30,630; 2004 $31,080; 2005 $31,720; 2006 $33,130; and 2007 $34,090.

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 $10 million. Provisions with estimates that rounded to zero in each year are not included in the table.

Table 6–3. INCOME TAX EXPENDITURES RANKED BY TOTAL 2003 PROJECTED REVENUE EFFECT

(In millions of dollars)

Provision	2003	2003–2007
Exclusion of employer contributions for medical insurance premiums and medical care	99,260	580,590
Deductibility of mortgage interest on owner-occupied homes	66,110	355,480
Capital gains (except agriculture, timber, iron ore, and coal) (normal tax method)	60,200	273,920
Net exclusion of pension contributions and earnings: 401(k) plans	59,510	330,120
Net exclusion of pension contributions and earnings: Employer plans	53,080	285,510
Deductibility of nonbusiness state and local taxes other than on owner-occupied homes	48,150	204,860
Accelerated depreciation of machinery and equipment (normal tax method)	36,480	190,150
Deductibility of charitable contributions, other than education and health	32,080	176,280
Step-up basis of capital gains at death	28,710	155,510
Exclusion of interest on public purpose State and local bonds	24,270	127,590
Deductibility of State and local property tax on owner-occupied homes	23,580	97,830
Capital gains exclusion on home sales	20,260	107,550
Child credit	19,680	102,550
Exclusion of interest on life insurance savings	19,250	114,690
Net exclusion of pension contributions and earnings: Individual Retirement Accounts	18,660	94,200
Exclusion of Social Security benefits for retired workers	18,180	96,200
Deferral of income from controlled foreign corporations (normal tax method)	7,450	42,230
Net exclusion of pension contributions and earnings: Keogh plans	6,770	36,280
Graduated corporation income tax rate (normal tax method)	6,210	35,240
Exclusion of workers' compensation benefits	6,070	33,090
Accelerated depreciation on rental housing (normal tax method)	5,710	28,820
Deductibility of medical expenses	5,530	31,350
Extraterritorial income exclusion	5,150	29,570
Workers' compensation insurance premiums	5,080	27,080
Earned income tax credit	4,800	25,400
Credit for increasing research activities	4,590	12,350
Deductibility of charitable contributions (health)	4,420	24,380
Accelerated depreciation of buildings other than rental housing (normal tax method)	4,240	21,040
Deductibility of charitable contributions (education)	4,200	23,110
Exception from passive loss rules for $25,000 of rental loss	4,070	17,760
Exclusion of Social Security benefits for dependents and survivors	4,060	22,930
HOPE tax credit	3,520	14,960
Credit for low-income housing investments	3,460	19,010
Exclusion of veterans death benefits and disability compensation	3,300	18,420
Exclusion of Social Security benefits for disabled	3,240	20,380
Credit for child and dependent care expenses	2,670	12,400
Exclusion of income earned abroad by U.S. citizens	2,660	14,090
Self-employed medical insurance premiums	2,420	18,460
Expensing of research and experimentation expenditures (normal tax method)	2,380	16,730
Lifetime Learning tax credit	2,360	14,180
Deduction for higher education expenses	2,290	11,970
Tax credit for corporations receiving income from doing business in U.S. possessions	2,240	7,980
Exclusion of benefits and allowances to armed forces personnel	2,210	11,310
Exclusion of reimbursed employee parking expenses	2,190	12,130
Net exclusion of pension contributions and earnings: Low and moderate income savers credit	1,960	8,880
Additional deduction for the elderly	1,950	10,310
Net exclusion of pension contributions and earnings: Premiums on group term life insurance	1,800	9,300
Inventory property sales source rules exception	1,540	8,530
Special ESOP rules	1,420	7,850
Expensing of certain small investments (normal tax method)	1,420	7,370
Exclusion of scholarship and fellowship income (normal tax method)	1,210	6,550
Exclusion of interest on hospital construction bonds	1,190	7,210
Exemption of credit union income	1,150	6,650
Empowerment zones, Enterprise communities, and Renewal communities	1,130	6,570
Parental personal exemption for students age 19 or over	1,120	6,140
Capital gains treatment of certain income	1,100	6,130
Deferral of income from post 1987 installment sales	1,080	5,600
Exclusion of interest on owner-occupied mortgage subsidy bonds	870	5,260
Exclusion of certain allowances for Federal employees abroad	840	4,620
Exclusion of employee meals and lodging (other than military)	780	4,260
Employer provided child care exclusion	770	4,610
Carryover basis of capital gains on gifts	680	4,550
Exclusion of interest for airport, dock, and similar bonds	680	4,120
Deductibility of student-loan interest	640	3,400
Exclusion of interest on bonds for private nonprofit educational facilities	580	3,510
Exclusion of certain foster care payments	520	2,770
Exclusion of employer-provided educational assistance	500	2,800
Enhanced oil recovery credit	440	3,280
Exclusion of interest on bonds for water, sewage, and hazardous waste facilities	440	2,660

Table 6–3. INCOME TAX EXPENDITURES RANKED BY TOTAL 2003 PROJECTED REVENUE EFFECT—Continued

(In millions of dollars)

Provision	2003	2003–2007
Alternative fuel production credit	410	930
Exclusion of parsonage allowances	400	2,230
Exclusion of public assistance benefits (normal tax method)	400	2,160
Exclusion of railroad retirement system benefits	400	2,000
Expensing of multiperiod timber growing costs	370	1,950
Exclusion for employer-provided transit passes	360	2,380
State prepaid tuition plans	340	2,320
Special Blue Cross/Blue Shield deduction	340	1,520
Exclusion of interest on small issue bonds	330	1,980
Deductibility of casualty losses	310	2,020
Deferral of interest on U.S. savings bonds	310	1,680
Excess of percentage over cost depletion, fuels	270	1,490
Excess of percentage over cost depletion, nonfuel minerals	270	1,470
Tax exemption of certain insurance companies owned by tax-exempt organizations	250	1,380
Assistance for adopted foster children	250	1,350
Exclusion of interest on student-loan bonds	240	1,450
Net exclusion of pension contributions and earnings: Premiums on accident and disability insurance	230	1,250
Adoption credit and exclusion	220	2,270
Tax incentives for preservation of historic structures	210	1,150
Amortization of start-up costs (normal tax method)	200	1,230
New markets tax credit	190	2,350
Exclusion of interest on rental housing bonds	180	1,100
Tax credit for orphan drug research	170	1,090
Expensing of certain capital outlays	170	850
Work opportunity tax credit	140	240
Capital gains exclusion of small corporation stock	130	1,050
Expensing of certain multiperiod production costs	130	620
Exclusion of military disability pensions	120	640
Capital gains treatment of royalties on coal	110	620
Capital gains treatment of certain timber income	110	620
Exclusion of interest on energy facility bonds	100	640
Small life insurance company deduction	100	500
New technology credit	100	480
Expensing of environmental remediation costs	100	80
Employer-provided child care credit	90	590
Exclusion of GI bill benefits	90	510
Education Individual Retirement Accounts	80	1,230
Exclusion of veterans pensions	80	440
Exceptions from imputed interest rules	80	400
Expensing of exploration and development costs, fuels	70	450
Credit for holders of zone academy bonds	70	420
Income averaging for farmers	70	380
Exclusion from income of conservation subsidies provided by public utilities	70	340
Exemption of certain mutuals' and cooperatives' income	60	330
Exclusion of special benefits for disabled coal miners	60	280
Small business retirement plan credit	50	540
Credit for disabled access expenditures	50	280
Tax credit and deduction for clean-fuel burning vehicles	50	–40
Ordinary income treatment of loss from small business corporation stock sale	40	240
Exclusion of interest on veterans housing bonds	40	240
Additional deduction for the blind	40	200
Welfare-to-work tax credit	40	70
Cancellation of indebtedness	30	190
Alcohol fuel credits	30	150
Investment credit for rehabilitation of structures (other than historic)	30	150
Income of trusts to finance supplementary unemployment benefits	30	150
Tax credit for the elderly and disabled	30	150
Excess bad debt reserves of financial institutions	30	60
Exception from passive loss limitation for working interests in oil and gas properties	20	100
Deferral of tax on shipping companies	20	100
Exclusion of interest on savings bonds redeemed to finance educational expenses	20	100
Medical Savings Accounts	20	100
Expensing of exploration and development costs, nonfuel minerals	10	50
Treatment of loans forgiven for solvent farmers	10	50
Deferral of gain on sale of farm refiners	10	50
Special alternative tax on small property and casualty insurance companies	10	50
Deferred taxes for financial firms on certain income earned overseas	0	0

Table 6–4. PRESENT VALUE OF SELECTED TAX EXPENDITURES FOR ACTIVITY IN CALENDAR YEAR 2001

(In millions of dollars)

	Provision	Present Value of Revenue Loss
1	Deferral of income from controlled foreign corporations (normal tax method)	6,760
2	Deferred taxes for financial firms on income earned overseas	1,170
3	Expensing of research and experimentation expenditures (normal tax method)	1,700
4	Expensing of exploration and development costs - fuels	130
5	Expensing of exploration and development costs - nonfuels	0
6	Expensing of multiperiod timber growing costs	220
7	Expensing of certain multiperiod production costs - agriculture	230
8	Expensing of certain capital outlays - agriculture	260
9	Deferral of income on life insurance and annuity contracts	22,920
10	Accelerated depreciation of rental housing (normal tax method)	4,750
11	Accelerated depreciation of buildings other than rental housing (normal tax method)	540
12	Accelerated depreciation of machinery and equipment (normal tax method)	31,210
13	Expensing of certain small investments (normal tax method)	990
14	Amortization of start-up costs (normal tax method)	20
15	Deferral of tax on shipping companies	20
16	Credit for holders of zone academy bonds	120
17	Credit for low-income housing investments	2,850
18	Deferral for state prepaid tuition plans	190
19	Exclusion of pension contributions - employer plans	97,290
20	Exclusion of 401(k) contributions	69,980
21	Exclusion of IRA contributions and earnings	6,090
22	Exclusion of contributions and earnings for Keogh plans	9,780
23	Exclusion of interest on public-purpose bonds	20,730
24	Exclusion of interest on non-public purpose bonds	5,560
25	Deferral of interest on U.S. savings bonds	330

Outlay Equivalents

The concept of "outlay equivalents" is another theoretical measure of the budget effect of tax expenditures. It is the amount of budget outlays that would be required to provide the taxpayer the same after-tax income as would be received through the tax provision. The outlay-equivalent measure allows the cost of a tax expenditure to be compared with a direct Federal outlay on a more even footing. Outlay equivalents are reported in Table 6–5.

Table 6–5. OUTLAY EQUIVALENT ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX

(In millions of dollars)

		Outlay Equivalents							
		2001	2002	2003	2004	2005	2006	2007	2003–2007
	National Defense								
1	Exclusion of benefits and allowances to armed forces personnel	2,510	2,540	2,570	2,600	2,620	2,650	2,680	13,120
	International affairs:								
2	Exclusion of income earned abroad by U.S. citizens	3,270	3,380	3,540	3,570	3,670	3,720	4,210	18,710
3	Exclusion of certain allowances for Federal employees abroad	1,020	1,060	1,130	1,170	1,230	1,270	1,350	6,150
4	Extraterritorial income exclusion	6,910	7,410	7,930	8,470	9,060	9,680	10,350	45,490
5	Inventory property sales source rules exception	2,150	2,260	2,370	2,490	2,620	2,750	2,890	13,120
6	Deferral of income from controlled foreign corporations (normal tax method)	6,600	7,000	7,450	7,900	8,400	8,930	9,550	42,230
7	Deferred taxes for financial firms on certain income earned overseas	1,300	550	....	....	....	....	....	0
	General science, space, and technology:								
8	Expensing of research and experimentation expenditures (normal tax method)	2,020	1,780	2,380	2,880	3,400	3,910	4,160	16,730
9	Credit for increasing research activities	8,270	9,240	7,060	6,190	3,580	1,530	640	18,990
	Energy:								
10	Expensing of exploration and development costs, fuels	80	80	100	120	120	130	130	600
11	Excess of percentage over cost depletion, fuels	290	300	310	320	340	340	360	1,670
12	Alternative fuel production credit	1,210	1,130	540	170	170	170	170	1,220
13	Exception from passive loss limitation for working interests in oil and gas properties	20	20	20	20	20	20	20	100
14	Capital gains treatment of royalties on coal	130	140	150	150	160	170	180	810
15	Exclusion of interest on energy facility bonds	130	130	150	170	180	200	210	1,170
16	Enhanced oil recovery credit	370	440	530	640	770	920	1,110	3,970
17	New technology credit	90	130	150	150	150	150	150	750
18	Alcohol fuel credits [1]	30	30	30	30	30	30	30	150
19	Tax credit and deduction for clean-fuel burning vehicles	70	70	70	30	-20	-60	-60	-40
20	Exclusion from income of conservation subsidies provided by public utilities	90	90	90	90	90	90	90	450

Table 6–5. OUTLAY EQUIVALENT ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued

(In millions of dollars)

		Outlay Equivalents							
		2001	2002	2003	2004	2005	2006	2007	2003–2007
	Natural resources and environment:								
21	Expensing of exploration and development costs, nonfuel minerals	10	10	10	10	10	10	10	50
22	Excess of percentage over cost depletion, nonfuel minerals	340	360	370	380	380	400	410	1,940
23	Exclusion of interest on bonds for water, sewage, and hazardous waste facilities	570	600	630	690	760	840	910	3,830
24	Capital gains treatment of certain timber income	130	140	150	150	160	170	180	810
25	Expensing of multiperiod timber growing costs	460	470	480	500	510	520	540	2,550
26	Tax incentives for preservation of historic structures	190	200	210	220	230	240	250	1,150
	Agriculture:								
27	Expensing of certain capital outlays	210	210	210	210	210	210	210	1,050
28	Expensing of certain multiperiod production costs	150	160	160	150	150	140	140	740
29	Treatment of loans forgiven for solvent farmers	10	10	10	10	10	10	10	50
30	Capital gains treatment of certain income	1,320	1,380	1,460	1,550	1,630	1,720	1,810	8,170
31	Income averaging for farmers	80	90	90	90	90	100	100	470
32	Deferral of gain on sale of farm refiners	10	10	10	10	10	10	10	50
	Commerce and housing:								
	Financial institutions and insurance:								
33	Exemption of credit union income	1,330	1,430	1,530	1,640	1,770	1,890	2,030	8,860
34	Excess bad debt reserves of financial institutions	80	70	40	30	10	0	0	80
35	Exclusion of interest on life insurance savings	16,290	17,710	19,250	20,940	22,780	24,790	26,930	114,690
36	Special alternative tax on small property and casualty insurance companies	10	10	10	10	10	10	10	50
37	Tax exemption of certain insurance companies owned by tax-exempt organizations	300	310	340	350	380	390	410	1,870
38	Small life insurance company deduction	130	130	130	130	130	130	130	650
	Housing:								
39	Exclusion of interest on owner-occupied mortgage subsidy bonds	1,150	1,190	1,250	1,380	1,510	1,640	1,780	7,560
40	Exclusion of interest on rental housing bonds	230	250	260	290	320	350	370	1,590
41	Deductibility of mortgage interest on owner-occupied homes	64,510	64,190	66,110	68,070	70,870	73,560	76,870	355,480
42	Deductibility of State and local property tax on owner-occupied homes	22,410	22,680	23,580	23,210	20,330	16,300	14,410	97,830
43	Deferral of income from post 1987 installment sales	1,020	1,040	1,060	1,080	1,100	1,120	1,140	5,500
44	Capital gains exclusion on home sales	23,870	24,580	25,320	26,080	26,860	27,670	28,500	134,430
45	Exception from passive loss rules for $25,000 of rental loss	4,800	4,400	4,070	3,780	3,530	3,290	3,090	17,760
46	Credit for low-income housing investments	4,360	4,510	4,700	4,930	5,170	5,400	5,610	25,810
47	Accelerated depreciation on rental housing (normal tax method)	5,190	5,440	5,710	5,790	5,800	5,720	5,800	28,820
	Commerce:								
48	Cancellation of indebtedness	30	30	30	40	40	40	40	190
49	Exceptions from imputed interest rules	80	80	80	80	80	80	80	400
50	Capital gains (except agriculture, timber, iron ore, and coal) (normal tax method)	90,400	82,420	80,260	75,980	74,910	67,560	66,510	365,220
51	Capital gains exclusion of small corporation stock	90	130	170	220	270	340	400	1,400
52	Step-up basis of capital gains at death	35,390	36,810	38,280	39,810	41,400	43,060	44,780	207,330
53	Carryover basis of capital gains on gifts	530	600	680	760	900	1,080	1,130	4,550
54	Ordinary income treatment of loss from small business corporation stock sale	50	50	50	60	60	60	60	290
55	Accelerated depreciation of buildings other than rental housing (normal tax method)	4,540	4,560	4,240	3,960	3,800	4,160	4,880	21,040
56	Accelerated depreciation of machinery and equipment (normal tax method)	37,860	37,130	36,480	36,790	37,430	38,520	40,930	190,150
57	Expensing of certain small investments (normal tax method)	1,670	1,430	1,420	1,390	1,360	1,480	1,720	7,370
58	Amortization of start-up costs (normal tax method)	130	160	200	240	250	270	270	1,230
59	Graduated corporation income tax rate (normal tax method)	7,590	8,590	9,560	10,130	10,950	11,460	12,130	54,230
60	Exclusion of interest on small issue bonds	440	440	470	520	560	610	670	2,830
	Transportation:								
61	Deferral of tax on shipping companies	20	20	20	20	20	20	20	100
62	Exclusion of reimbursed employee parking expenses	2,560	2,690	2,830	2,970	3,130	3,280	3,450	15,660
63	Exclusion for employer-provided transit passes	310	390	500	570	660	750	840	3,320
	Community and regional development:								
64	Investment credit for rehabilitation of structures (other than historic)	20	30	30	30	30	30	30	150
65	Exclusion of interest for airport, dock, and similar bonds	900	920	980	1,080	1,180	1,280	1,400	5,920
66	Exemption of certain mutuals' and cooperatives' income	60	60	60	60	70	70	70	330
67	Empowerment zones and enterprise communities	380	730	1,120	1,170	1,280	1,410	1,580	6,560
68	New markets tax credit	20	90	190	300	420	610	830	2,350
69	Expensing of environmental remediation costs	110	120	130	40	-20	-20	-20	110
	Education, training, employment, and social services:								
	Education:								
70	Exclusion of scholarship and fellowship income (normal tax method)	1,330	1,320	1,330	1,360	1,460	1,520	1,530	7,200
71	HOPE tax credit	5,300	5,270	4,510	3,690	3,760	3,500	3,720	19,180
72	Lifetime Learning tax credit	3,030	2,940	3,030	4,020	3,830	3,520	3,800	18,200
73	Education Individual Retirement Accounts	40	60	90	150	260	390	550	1,440
74	Deductibility of student-loan interest	460	540	760	790	810	840	850	4,050
75	Deduction for higher education expenses	0	560	2,940	3,790	4,760	3,860	0	15,350
76	State prepaid tuition plans	250	340	430	510	590	680	760	2,970
77	Exclusion of interest on student-loan bonds	330	330	340	370	410	440	510	2,070
78	Exclusion of interest on bonds for private nonprofit educational facilities	770	780	830	920	1,010	1,090	1,190	5,040

Table 6–5. OUTLAY EQUIVALENT ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued

(In millions of dollars)

		Outlay Equivalents							
		2001	2002	2003	2004	2005	2006	2007	2003–2007
79	Credit for holders of zone academy bonds	40	70	100	120	120	120	120	580
80	Exclusion of interest on savings bonds redeemed to finance educational expenses	10	20	20	20	20	20	20	100
81	Parental personal exemption for students age 19 or over	1,120	1,180	1,250	1,300	1,360	1,420	1,480	6,810
82	Deductibility of charitable contributions (education)	5,420	5,610	5,910	6,260	6,460	6,800	7,070	32,500
83	Exclusion of employer-provided educational assistance	320	510	620	660	690	730	770	3,470
	Training, employment, and social services:								
84	Work opportunity tax credit	300	230	140	60	30	10	0	240
85	Welfare-to-work tax credit	90	70	40	20	10	0	0	70
86	Exclusion of employer provided child care	950	990	1,020	1,080	1,240	1,360	1,450	6,150
87	Employer-provided child care	0	60	120	170	190	210	220	790
88	Assistance for adopted foster children	220	250	280	290	300	310	320	1,500
89	Adoption credit and exclusion	160	180	280	570	640	690	710	2,890
90	Exclusion of employee meals and lodging (other than military)	870	910	950	990	1,030	1,080	1,130	5,180
91	Child credit [2]	26,460	26,350	26,240	26,070	27,400	28,700	28,320	136,730
92	Credit for child and dependent care expenses	3,560	3,480	3,560	3,950	3,600	2,860	2,550	16,520
93	Credit for disabled access expenditures	60	70	70	70	80	80	80	380
94	Deductibility of charitable contributions, other than education and health	42,130	42,750	44,450	46,820	48,580	50,980	52,760	243,590
95	Exclusion of certain foster care payments	580	590	600	610	630	660	700	3,200
96	Exclusion of parsonage allowances	400	420	460	480	510	540	560	2,550
	Health:								
97	Exclusion of employer contributions for medical insurance premiums and medical care	106,750	117,750	128,760	138,400	149,240	160,370	173,450	750,220
98	Self-employed medical insurance premiums	1,900	2,140	3,000	4,420	4,790	5,160	5,470	22,840
99	Workers' compensation insurance premiums	5,900	6,070	6,330	6,510	6,730	6,920	7,190	33,680
100	Medical Savings Accounts	20	20	30	30	30	30	20	140
101	Deductibility of medical expenses	4,990	5,260	5,530	5,840	6,280	6,600	7,100	31,350
102	Exclusion of interest on hospital construction bonds	1,580	1,620	1,700	1,880	2,070	2,250	2,440	10,340
103	Deductibility of charitable contributions (health)	5,710	5,920	6,250	6,630	6,830	7,210	7,490	34,410
104	Tax credit for orphan drug research	200	230	260	290	320	360	400	1,630
105	Special Blue Cross/Blue Shield deduction	340	380	430	390	380	340	380	1,920
	Income security:								
106	Exclusion of railroad retirement system benefits	380	390	400	400	400	400	400	2,000
107	Exclusion of workers' compensation benefits	5,560	5,810	6,070	6,320	6,600	6,900	7,200	33,090
108	Exclusion of public assistance benefits (normal tax method)	370	380	400	410	430	450	470	2,160
109	Exclusion of special benefits for disabled coal miners	70	70	60	60	60	50	50	280
110	Exclusion of military disability pensions	110	120	120	120	130	130	140	640
	Net exclusion of pension contributions and earnings:								
111	Employer plans	52,590	59,350	65,130	66,460	67,840	71,930	77,220	348,580
112	401(k) plans	55,100	65,380	73,020	76,550	79,620	84,430	89,410	403,030
113	Individual Retirement Accounts	23,980	24,250	25,280	25,590	25,630	25,890	25,450	127,840
114	Low and moderate income savers credit	0	660	2,330	2,290	2,240	2,120	1,500	10,480
115	Keogh plans	7,880	8,330	8,620	8,930	9,150	9,410	9,680	45,790
	Exclusion of other employee benefits:								
116	Premiums on group term life insurance	2,330	2,370	2,400	2,440	2,480	2,520	2,560	12,400
117	Premiums on accident and disability insurance	280	290	310	320	330	350	360	1,670
118	Small business retirement plan credit	0	30	70	120	160	180	200	730
119	Income of trusts to finance supplementary unemployment benefits	20	20	30	30	30	30	30	150
120	Special ESOP rules	1,710	1,780	1,880	1,980	2,080	2,180	2,300	10,420
121	Additional deduction for the blind	50	50	50	50	50	50	50	250
122	Additional deduction for the elderly	2,390	2,280	2,360	2,490	2,550	2,600	2,480	12,480
123	Tax credit for the elderly and disabled	40	40	40	40	40	40	40	200
124	Deductibility of casualty losses	230	280	340	390	450	500	490	2,170
125	Earned income tax credit [3]	5,480	4,850	5,330	5,480	5,670	5,750	5,990	28,220
	Social Security:								
	Exclusion of social security benefits:								
126	Social Security benefits for retired workers	17,830	18,000	18,180	18,560	18,850	19,720	20,890	96,200
127	Social Security benefits for disabled	2,690	2,930	3,240	3,630	4,020	4,470	5,020	20,380
128	Social Security benefits for dependents and survivors	3,720	3,870	4,060	4,320	4,560	4,820	5,170	22,930
	Veterans benefits and services:								
129	Exclusion of veterans death benefits and disability compensation	3,150	3,190	3,300	3,490	3,680	3,870	4,080	18,420
130	Exclusion of veterans pensions	70	80	80	80	90	90	100	440
131	Exclusion of GI bill benefits	90	90	90	100	100	110	110	510
132	Exclusion of interest on veterans housing bonds	50	50	50	50	70	70	80	320
	General purpose fiscal assistance:								
133	Exclusion of interest on public purpose State and local bonds	33,100	33,930	34,780	35,660	36,540	37,460	38,410	182,850
134	Deductibility of nonbusiness state and local taxes other than on owner-occupied homes	45,520	46,160	48,150	47,730	43,270	34,820	30,890	204,860
135	Tax credit for corporations receiving income from doing business in U.S. possessions	3,130	3,190	3,190	3,190	3,140	1,860	0	11,380
	Interest:								
136	Deferral of interest on U.S. savings bonds	290	300	310	330	330	350	360	1,680

Table 6–5. OUTLAY EQUIVALENT ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued
(In millions of dollars)

	Outlay Equivalents							
	2001	2002	2003	2004	2005	2006	2007	2003–2007
Addendum: Aid to State and local governments:								
Deductibility of:								
Property taxes on owner-occupied homes	22,410	22,680	23,580	23,210	20,330	16,300	14,410	97,830
Nonbusiness State and local taxes other than on owner-occupied homes	45,520	46,160	48,150	47,730	43,270	34,820	30,890	204,860
Exclusion of interest on State and local bonds for:								
Public purposes	33,100	33,930	34,780	35,660	36,540	37,460	38,410	182,850
Energy facilities	130	130	150	170	180	200	210	1,170
Water, sewage, and hazardous waste disposal facilities	570	600	630	690	760	840	910	3,830
Small-issues	440	440	470	520	560	610	670	2,830
Owner-occupied mortgage subsidies	1,150	1,190	1,250	1,380	1,510	1,640	1,780	7,560
Rental housing	230	250	260	290	320	350	370	1,590
Airports, docks, and similar facilities	900	920	980	1,080	1,180	1,280	1,400	5,920
Student loans	330	330	340	370	410	440	510	2,070
Private nonprofit educational facilities	770	780	830	920	1,010	1,090	1,190	5,040
Hospital construction	1,580	1,620	1,700	1,880	2,070	2,250	2,440	10,340
Veterans' housing	50	50	50	50	70	70	80	320
Credit for holders of zone academy bonds	40	70	100	120	120	120	120	580

[1] In addition, the partial exemption from the excise tax for alcohol fuels results in a reduction in excise tax receipts (in millions of dollars) as follows: 2001 $990; 2002 $1,020; 2003 $1,050; 2004 $1,080; 2005 $1,080; 2006 $1,100; and 2007 $1,120.

[2] The figures in the table indicate the effect of the child tax credit on receipts. The effect of the credit on outlays (in millions of dollars) is as follows: 2001 $980; 2002 $7,390; 2003 $7,390; 2004 $7,210; 2005 $6,950; 2006 $9,380; and 2007 $9,200.

[3] The figures in the table indicate the effect of the earned income tax credit on receipts. The effect of the credit on outlays (in millions of dollars) is as follows: 2001 $26,120; 2002 $28,280; 2003 $30,630; 2004 $31,080; 2005 $31,720; 2006 $33,130 and 2007 $34,090.

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 $10 million. Provisions with estimates that rounded to zero in each year are not included in the table.

Tax Expenditure Baselines

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

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

The reference tax law baseline is also patterned on a comprehensive income tax, but it is closer to existing law. Tax expenditures under the reference law baseline are generally tax expenditures under the normal tax baseline, but 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 only when it is 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).

Although 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

The Government Performance and Results Act of 1993 (GPRA) directs Federal agencies to develop annual and strategic plans for their programs and activities. These plans set out performance objectives to be achieved over a specific time period. Most of these objectives will be achieved through direct expenditure programs. Tax expenditures, however, may also contribute to achieving these goals. The report of the Senate Governmental Affairs Committee on GPRA[4] calls on the Executive branch to undertake a series of analyses to assess the effect of specific tax expenditures on the achievement of agencies' performance objectives.

The Executive Branch is continuing to focus on the availability of data needed to assess the effects of the tax expenditures designed to increase savings. Treasury's Office of Tax Analysis and Statistics of Income Division (IRS) have developed a new sample of individual income tax filers as one part of this effort. This new "panel" sample will follow the same taxpayers over a period of at least ten years. The first year of this panel sample was drawn from tax returns filed in 2000 for tax year 1999. The sample will capture the changing demographic and economic circumstances of individuals and the effects of changes in tax law over an extended period of time. Data from the sample will therefore permit more extensive, and better, analyses of many tax provisions than can be performed using only annual ("cross-section") data. In particular, data from this panel sample will enhance our ability to analyze the effect of tax expenditures designed to increase savings. Other efforts by OMB, Treasury, and other agencies to improve data available for the analysis of savings tax expenditures will continue over the next several years.

Comparison of tax expenditure, spending, and regulatory policies. Tax expenditures by definition work through the tax system and, particularly, the income tax. Thus, they may be relatively advantageous policy approaches when the benefit or incentive is related to income and is intended to be widely available. Because there is an existing public administrative and private compliance structure for the tax system, the

[2] Gross income does, however, include transfer paymnents associated with past employment, such as Social Security benefits.

[3] In the case of individuals who hold "passive" equity interests in businesses, however, the pro-rata shares of sales and expense deductions reportable in a year are limited. A passive business activity is defined to be one in which the holder of the interest, usually a partnership interst, 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. In addition, costs of earning income may be limited under the alternative minimum tax.

[4] Committee on Government Affairs, United States Senate, "Government Performance and Results Act of 1993" (Report 103–58, 1993).

incremental administrative and compliance costs for a tax expenditure may be low in many cases. In addition, some tax expenditures actually simplify the tax system, (for example, the exclusion for up to $500,000 of capital gains on home sales). Tax expenditures also implicitly subsidize certain activities. Spending, regulatory or tax-disincentive policies can also modify behavior, but may have different economic effects. Finally, a variety of tax expenditure tools can be used—e.g., deductions; credits; exemptions; deferrals; floors; ceilings; phase-ins; phase-outs; dependent on income, expenses, or demographic characteristics (age, number of family members, etc.). This wide range means that tax expenditures can be flexible and can have very different economic effects.

Tax expenditures also have limitations. In many cases they add to the complexity of the tax system, which raises both administrative and compliance costs. For example, targeting personal exemptions and credits can complicate filing and decisionmaking. The income tax system may have little or no contact with persons who have no or very low incomes, and does not require information on certain characteristics of individuals used in some spending programs, such as wealth. These features may reduce the effectiveness of tax expenditures for addressing certain income-transfer objectives. Tax expenditures also generally do not enable the same degree of agency discretion as an outlay program. For example, grant or direct Federal service delivery programs can prioritize activities to be addressed with specific resources in a way that is difficult to emulate with tax expenditures. Finally, tax expenditures may not receive the same level of scrutiny afforded to other programs.

Outlay programs have advantages where direct government service provision is particularly warranted—such as equipping and providing the armed forces or administering the system of justice. Outlay programs may also be specifically designed to meet the needs of low-income families who would not otherwise be subject to income taxes or need to file a tax return. Outlay programs may also receive more year-to-year oversight and fine tuning, through the legislative and executive budget process. In addition, many different types of spending programs—including direct government provision; credit programs; and payments to State and local governments, the private sector, or individuals in the form of grants or contracts—provide flexibility for policy design. On the other hand, certain outlay programs—such as direct government service provision—may rely less directly on economic incentives and private-market provision than tax incentives, which may reduce the relative efficiency of spending programs for some goals. Spending programs also require resources to be raised via taxes, user charges, or government borrowing, which can impose further costs by diverting resources from their most efficient uses. Finally, spending programs, particularly on the discretionary side, may respond less readily to changing activity levels and economic conditions than tax expenditures.

Regulations have more direct and immediate effects than outlay and tax-expenditure programs because regulations apply directly and immediately to the regulated party (i.e., the intended actor)—generally in the private sector. Regulations can also be fine-tuned more quickly than tax expenditures, because they can generally be changed by the executive branch without legislation. Like tax expenditures, regulations often rely largely upon voluntary compliance, rather than detailed inspections and policing. As such, the public administrative costs tend to be modest, relative to the private resource costs associated with modifying activities. Historically, regulations have tended to rely on proscriptive measures, as opposed to economic incentives. This reliance can diminish their economic efficiency, although this feature can also promote full compliance where (as in certain safety-related cases) policymakers believe that trade-offs with economic considerations are not of paramount importance. Also, regulations generally do not directly affect Federal outlays or receipts. Thus, like tax expenditures, they may escape the type of scrutiny that outlay programs receive. However, most regulations are subjected to a formal benefit-cost analysis that goes well beyond the analysis required for outlays and tax-expenditures. To some extent, the GPRA requirement for performance evaluation will address this lack of formal analysis.

Some policy objectives are achieved using multiple approaches. For example, minimum wage legislation, the earned income tax credit, and the food stamp program are regulatory, tax expenditure, and direct outlay programs, respectively, all having the objective of improving the economic welfare of low-wage workers.

Tax expenditures, like spending and regulatory programs, have a variety of objectives and effects. These include: encouraging certain types of activities (e.g., saving for retirement or investing in certain sectors); increasing certain types of after-tax income (e.g., favorable tax treatment of Social Security income); reducing private compliance costs and government administrative costs (e.g., the exclusion for up to $500,000 of capital gains on home sales); and promoting tax neutrality (e.g., accelerated depreciation in the presence of inflation). Some of these objectives are well suited to quantitative measurement, while others are less well suited. Also, many tax expenditures, including those cited above, may have more than one objective. For example, accelerated depreciation may encourage investment. In addition, the economic effects of particular provisions can extend beyond their intended objectives (e.g., a provision intended to promote an activity or raise certain incomes may have positive or negative effects on tax neutrality).

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

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

An overview of evaluation issues by budget function. The discussion below considers the types of measures that might be useful for some major programmatic groups of tax expenditures. The discussion is intended to be illustrative and not all encompassing. However, it is premised on the assumption that the data needed to perform the analysis are available or can be developed. In practice, data availability is likely to be a major challenge, and data constraints may limit the assessment of the effectiveness of many provisions. In addition, such assessments can raise significant challenges in economic modeling.

National defense.—Some tax expenditures are intended to assist governmental activities. For example, tax preferences for military benefits reflect, among other things, the view that benefits such as housing, subsistence, and moving expenses are intrinsic aspects of military service, and are provided, in part, for the benefit of the employer, the U.S. Government. Tax benefits for combat service are intended to reduce tax burdens on military personnel undertaking hazardous service for the Nation. A portion of the tax expenditure associated with foreign earnings is targeted to benefit U.S. Government civilian personnel working abroad by offsetting the living costs that can be higher than those in the United States. These tax expenditures should be considered together with direct agency budget costs in making programmatic decisions.

International affairs.—Tax expenditures are also aimed at goals such as tax neutrality. These include the exclusion for income earned abroad by nongovernmental employees and exclusions for income of U.S.-controlled foreign corporations. Measuring the effectiveness of these provisions raises challenging issues.

General science, space and technology; energy; natural resources and the environment; agriculture; and commerce and housing.—A series of tax expenditures reduces the cost of investment, both in specific activities—such as research and experimentation, extractive industries, and certain financial activities—and more generally, through accelerated depreciation for plant and equipment. These provisions can be evaluated along a number of dimensions. For example, it could be useful to consider the strength of the incentives by measuring their effects on the cost of capital (the interest rate which investments must yield to cover their costs) and effective tax rates. The impact of these provisions on the amounts of corresponding forms of investment (e.g., research spending, exploration activity, equipment) might also be estimated. In some cases, such as research, there is evidence that the investment can provide significant positive externalities—that is, economic benefits that are not reflected in the market transactions between private parties. It could be useful to quantify these externalities and compare them with the size of tax expenditures. Measures could also indicate the effects on production from these investments—such as numbers or values of patents, energy production and reserves, and industrial production. Issues to be considered include the extent to which the preferences increase production (as opposed to benefitting existing output) and their cost-effectiveness relative to other policies. Analysis could also consider objectives that are more difficult to measure but still are ultimate goals, such as promoting the Nation's technological base, energy security, environmental quality, or economic growth. Such an assessment is likely to involve tax analysis as well as consideration of non-tax matters such as market structure, scientific, and other information (such as the effects of increased domestic fuel production on imports from various regions, or the effects of various energy sources on the environment).

Housing investment also benefits from tax expenditures. The mortgage interest deduction on personal residences is a tax expenditure because the value of owner-occupied housing services is not included in a taxpayer's taxable income. Taxpayers also may exclude up to $500,000 of the capital gains from the sale of personal residences. Measures of the effectiveness of these provisions could include their effects on increasing the extent of home ownership and the quality of housing. In addition, the mortgage interest deduction offsets the taxable nature of investment income received by homeowners, so the relationship between the deduction and such earnings is also relevant to evaluation of this provision. Similarly, analysis of the extent of accumulated inflationary gains is likely to be relevant to evaluation of the capital gains for home sales. Deductibility of State and local property taxes assists with making housing more affordable as well as easing the cost of providing community services through these taxes. Provisions intended to promote investment in rental housing could be evaluated for their effects on making such housing more available and affordable. These provisions should then be compared with alternative programs that address housing supply and demand.

Transportation.—Employer-provided parking is a fringe benefit that, for the most part, is excluded from taxation. The tax expenditure estimates reflect the cost of parking that is leased by employers for employees; an estimate is not currently available for the value of parking owned by employers and provided to their employees. The exclusion for employer-provided transit passes is intended to promote use of this mode of transportation, which has environmental and congestion benefits. The tax treatments of these different benefits could be compared with alternative transportation policies.

Community and regional development.—A series of tax expenditures is intended to promote community and regional development by reducing the costs of financing specialized infrastructure, such as airports, docks, and stadiums. Empowerment zone and enterprise community provisions are designed to promote activity in disadvantaged areas. These provisions can be compared with grants and other policies designed to spur economic development.

Education, training, employment, and social services.—Major provisions in this function are intended to promote post-secondary education, to offset costs of raising children, and to promote a variety of charitable activities. The education incentives can be compared with loans, grants, and other programs designed to promote higher education and training. The child credits are intended to adjust the tax system for the costs of raising children; as such, they could be compared to other Federal tax and spending policies, including related features of the tax system, such as personal exemptions (which are not defined as a tax expenditure). Evaluation of charitable activities requires consideration of the beneficiaries of these activities, who are generally not the parties receiving the tax reduction.

Health.—Individuals also benefit from favorable treatment of employer-provided health insurance. Measures of these benefits could include increased coverage and pooling of risks. The effects of insurance coverage on final outcome measures of actual health (e.g., infant mortality, days of work lost due to illness, or life expectancy) or intermediate outcomes (e.g., use of preventive health care or health care costs) could also be investigated.

Income security, Social Security, and veterans benefits and services.—Major tax expenditures in the income security function benefit retirement savings, through employer-provided pensions, individual retirement accounts, and Keogh plans. These provisions might be evaluated in terms of their effects on boosting retirement incomes, private savings, and national savings (which would include the effect on private savings as well as public savings or deficits). Interactions with other programs, including Social Security, also may merit analysis. As in the case of employer-provided health insurance, analysis of employer-provided pension programs requires imputing the value of benefits funded at the firm level to individuals.

Other provisions principally affect the incomes of members of certain groups, rather than affecting incentives. For example, tax-favored treatment of Social Security benefits, certain veterans benefits, and deductions for the blind and elderly provide increased incomes to eligible parties. The earned-income tax credit, in contrast, should be evaluated for its effects on labor force participation as well as the income it provides lower-income workers.

General purpose fiscal assistance and interest.—The tax-exemption for public purpose State and local bonds reduces the costs of borrowing for a variety of purposes (borrowing for non-public purposes is reflected under other budget functions). The deductibility of certain State and local taxes reflected under this function primarily relates to personal income taxes (property tax deductibility is reflected under the commerce and housing function). Tax preferences for Puerto Rico and other U.S. possessions are also included here. These provisions can be compared with other tax and spending policies as means of benefitting fiscal and economic conditions in the States, localities, and possessions. Finally, the tax deferral for interest on U.S. savings bonds benefits savers who invest in these instruments. The extent of these benefits and any effects on Federal borrowing costs could be evaluated.

The above illustrative discussion, although broad, is nevertheless incomplete, omitting important details both for the provisions mentioned and the many that are not explicitly cited. Developing a framework that is sufficiently comprehensive, accurate, and flexible to reflect the objectives and effects of the wide range of tax expenditures will be a significant challenge. OMB, Treasury, and other agencies will work together, as appropriate, to address this challenge. As indicated above, over the next few years the Executive Branch's focus will be on the availability of the data needed to assess the effects of the tax expenditures designed to increase savings.

Descriptions of Income Tax Provisions

Descriptions of the individual and corporate income tax expenditures reported upon in this chapter follow. These descriptions relate to current law as of December 31, 2001, and do not reflect proposals made elsewhere in the Budget.

National Defense

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

International Affairs

2. ***Income earned abroad.***—U.S. citizens who lived abroad, worked in the private sector, and satisfied a foreign residency requirement in 2001 may exclude up to $78,000 in foreign earned income from U.S. taxes.

The exclusion increases to $80,000 in 2002 (and thereafter). In addition, if these taxpayers receive a specific allowance for foreign housing from their employers, they may also exclude the value of that allowance. If they do not receive a specific allowance for housing expenses, they may deduct against their U.S. taxes that portion of such expenses that exceeds one-sixth the salary of a civil servant at grade GS–14, step 1 ($67,765 in 2001).

3. ***Exclusion of certain allowances for Federal employees abroad.***—U.S. Federal civilian employees and Peace Corps members who work outside the continental United States are allowed to exclude from U.S. taxable income certain special allowances they receive to compensate them for the relatively high costs associated with living overseas. The allowances supplement wage income and cover expenses like rent, education, and the cost of travel to and from the United States.

4. ***Extraterritorial income exclusion***[5]***.***—For purposes of calculating U.S. tax liability, a taxpayer may exclude from gross income the qualifying foreign trade income attributable to foreign trading gross receipts. The exclusion generally applies to income from the sale or lease of qualifying foreign trade property and certain types of services income. The FSC Repeal and Extraterritorial Income Exclusion Act of 2000 created the extraterritorial income exclusion to replace the foreign sales corporation provisions, which the Act repealed. The exclusion is generally available for transactions entered into after September 30, 2000.

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

6. ***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 considered to be subject to U.S. taxation, whether or not distributed. Thus, the normal tax method considers the amount of controlled foreign corporation income not distributed to a U.S. shareholder as tax-deferred income.

7. ***Exceptions under subpart F for active financing income.***—Financial firms can defer taxes on income earned overseas in an active business. Taxes on income earned through December 31, 2001 can be deferred.

[5] The determination of whether a provision is a tax expenditure is made on the basis of a broad concept of "income" that is larger in scope than is "income" as defined under general U.S. income tax principles. For that reason, the tax expenditure extimates include, for example, estimtes related to the exclusion of extraterritorial income, as well as other exclusions, notwithstanding that such exclusions define income under the general rule of U.S. income taxation.

General Science, Space, and Technology

8. ***Expensing R&E expenditures.***—Research and experimentation (R&E) projects can be viewed as investments because, if successful, their benefits accrue for several years. It is often difficult, however, to identify whether a specific R&E project is successful and, if successful, what its expected life will be. Under the normal tax method, the expensing of R&E expenditures is viewed as a tax expenditure. The baseline assumed for the normal tax method is that all R&E expenditures are successful and have an expected life of five years.

9. ***R&E credit.***—The research and experimentation (R&E) 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" by the average amount of the company's gross receipts for the prior four years. The taxpayer's fixed base percentage generally is the ratio of its research expenses to gross receipts for 1984 through 1988. Taxpayers may also elect an alternative credit regime. Under the alternative credit regime the taxpayer is assigned a three-tiered fixed-base percentage that is lower than the fixed-base percentage that would otherwise apply, and the credit rate is reduced (the rates range from 2.65 percent to 3.75 percent). A 20-percent credit with a separate threshold is provided for a taxpayer's payments to universities for basic research. The credit applies to research conducted before July 1, 2004 and extends to research conducted in Puerto Rico and the U.S. possessions.

Energy

10. ***Exploration and development costs.***—For successful investments in domestic oil and gas wells, intangible drilling costs (e.g., wages, the costs of using machinery for grading and drilling, the cost of unsalvageable materials used in constructing wells) may be expensed rather than amortized over the productive life of the property. Integrated oil companies may deduct only 70 percent of such costs and must amortize the remaining 30 percent over five years. The same rule applies to the exploration and development costs of surface stripping and the construction of shafts and tunnels for other fuel minerals.

11. ***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.

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

13. ***Oil and gas exception to passive loss limitation.***—Owners of working interests in oil and gas properties are exempt from the "passive income" limitations. As a result, the working interest-holder, who manages on behalf of himself and all other owners the development of wells and incurs all the costs of their operation, may aggregate negative taxable income from such interests with his income from all other sources.

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

15. ***Energy facility bonds.***—Interest earned on State and local bonds used to finance construction of certain energy facilities is tax-exempt. These bonds are generally subject to the State private-activity bond annual volume cap.

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

17. ***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, biomass, and poultry waste facilities. The renewable resources credit applies only to electricity produced by a facility placed in service on or before December 31, 2001.

18. ***Alcohol fuel credits.***—An income tax credit is provided for ethanol that is derived from renewable sources and used as fuel. The credit equals 53 cents per gallon in 2001 and 2002; 52 cents per gallon in 2003 and 2004; and 51 cents per gallon in 2005, 2006, and 2007. To the extent that ethanol is mixed with taxable motor fuel to create gasohol, taxpayers may claim an exemption of the Federal excise tax rather than the income tax credit. In addition, small ethanol producers are eligible for a separate 10 cents per gallon credit.

19. ***Credit and deduction for clean-fuel vehicles and property.***—A tax credit of 10 percent (not to exceed $4,000) is provided for purchasers of electric vehicles. Purchasers of other clean-fuel burning vehicles and owners of clean-fuel refueling property may deduct part of their expenditures. The credit and deduction are phased out from 2002 through 2005.

20. ***Exclusion of utility conservation subsidies.***—Non-business customers can exclude from gross income subsidies received from public utilities for expenditures on energy conservation measures.

Natural Resources and Environment

21. ***Exploration and development costs.***—Certain capital outlays associated with exploration and development of nonfuel minerals may be expensed rather than depreciated over the life of the asset.

22. ***Percentage depletion.***—Most nonfuel mineral extractors may use percentage depletion rather than cost depletion, with percentage depletion rates ranging from 22 percent for sulfur to 5 percent for sand and gravel.

23. ***Sewage, water, solid and hazardous waste facility bonds.***—Interest earned on State and local bonds used to finance the construction of sewage, water, or hazardous waste facilities is tax-exempt. These bonds are generally subject to the State private-activity bond annual volume cap.

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

25. ***Expensing multiperiod timber growing costs.***—Most of the production costs of growing timber may be expensed rather than capitalized and deducted when the timber is sold. In most other industries, these costs are capitalized under the uniform capitalization rules.

26. ***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

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

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

29. ***Loans forgiven solvent farmers.***—Farmers are forgiven the tax liability on certain forgiven debt. Normally, a debtor must include the amount of loan forgiveness as income or reduce his recoverable basis in

the property to which the loan relates. If the debtor elects to reduce basis and the amount of forgiveness exceeds his basis in the property, the excess forgiveness is taxable. For insolvent (bankrupt) debtors, however, the amount of loan forgiveness reduces carryover losses, then unused credits, and then basis; any remainder of the forgiven debt is excluded from tax. Farmers with forgiven debt are considered insolvent for tax purposes, and thus qualify for income tax forgiveness.

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

31. ***Income averaging for farmers.***—Taxpayers can lower their tax liability by averaging, over the prior three-year period, their taxable income from farming.

32. ***Deferral of gain on sales of farm refiners.***—A taxpayer who sells stock in a farm refiner to a farmers' cooperative can defer recognition of gain if the taxpayer reinvests the proceeds in qualified replacement property.

Commerce and Housing

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

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

34. ***Bad debt reserves.***—Small (less than $500 million in assets) commercial banks, mutual savings banks, and savings and loan associations may deduct additions to bad debt reserves in excess of actually experienced losses.

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

36. ***Small property and casualty insurance companies.***—Insurance companies that have annual net premium incomes of less than $350,000 are exempt from tax; those with $350,000 to $2.1 million of net premium incomes may elect to pay tax only on the income earned by their investment portfolio.

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

38. ***Small life insurance company deduction.***—Small life insurance companies (gross assets of less than $500 million) can deduct 60 percent of the first $3 million of otherwise taxable income. The deduction phases out for otherwise taxable income between $3 million and $15 million.

39. ***Mortgage housing bonds.***—Interest earned on State and local bonds used to finance homes purchased by first-time, low-to-moderate-income buyers is tax-exempt. The amount of State and local tax-exempt bonds that can be issued to finance these and other private activity is limited. The combined volume cap for private activity bonds, including mortgage housing bonds, rental housing bonds, student loan bonds, and industrial development bonds is $62.50 per capita ($187.5 million minimum) per State in 2001, and $75 per capita ($225 million minimum) in 2002. The Community Renewal Tax Relief Act of 2000 accelerated the scheduled increase in the state volume cap and indexed the cap for inflation, beginning in 2003. States may issue mortgage credit certificates (MCCs) in lieu of mortgage revenue bonds. MCCs entitle home buyers to income tax credits for a specified percentage of interest on qualified mortgages. The total amount of MCCs issued by a State cannot exceed 25 percent of its annual ceiling for mortgage-revenue bonds.

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

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

42. ***Taxes on owner-occupied homes.***—Owner-occupants of homes may deduct property taxes on their primary and secondary residences even though they are

not required to report the value of owner-occupied housing services as gross income.

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

44. ***Capital gains exclusion on home sales.***—A homeowner can exclude from tax up to $500,000 ($250,000 for singles) of the capital gains from the sale of a principal residence. The exclusion may not be used more than once every two years.

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

46. ***Low-income housing credit.***—Taxpayers who invest in certain low-income housing are eligible for a tax credit. The credit rate is set so that the present value of the credit is equal to 70 percent for new construction and 30 percent for (1) housing receiving other Federal benefits (such as tax-exempt bond financing), or (2) substantially rehabilitated existing housing. The credit is allowed in equal amounts over 10 years. State agencies determine who receives the credit; States are limited in the amount of credit they may authorize annually. The Community Renewal Tax Relief Act of 2000 increased the per-resident limit to $1.50 in 2001 and to $1.75 in 2002 and indexed the limit for inflation, beginning in 2003. The Act also created a $2 million minimum annual cap for small States beginning in 2002; the cap is indexed for inflation, beginning in 2003.

47. ***Accelerated depreciation of rental property.***—The tax depreciation allowance provisions are part of the reference law rules, and thus do not give rise to tax expenditures under the reference method. Under the normal tax method, however, a 40-year tax life for depreciable real property is the norm. Thus, a statutory depreciation period for rental property of 27.5 years is a tax expenditure. In addition, tax expenditures arise from pre-1987 tax allowances for rental property.

48. ***Cancellation of indebtedness.***—Individuals are not required to report the cancellation of certain indebtedness as current income. If the canceled debt is not reported as current income, however, the basis of the underlying property must be reduced by the amount canceled.

49. ***Imputed interest rules.***—Holders (issuers) of debt instruments are generally required to report interest earned (paid) in the period it accrues, not when paid. In addition, the amount of interest accrued is determined by the actual price paid, not by the stated principal and interest stipulated in the instrument. In general, any debt associated with the sale of property worth less than $250,000 is excepted from the general interest accounting rules. This general $250,000 exception is not a tax expenditure under reference law but is under normal law. Exceptions above $250,000 are a tax expenditure under reference law; these exceptions include the following: (1) sales of personal residences worth more than $250,000, and (2) sales of farms and small businesses worth between $250,000 and $1 million.

50. ***Capital gains (other than agriculture, timber, iron ore, and coal).***—Capital gains on assets held for more than 1 year are taxed at a lower rate than ordinary income. The lower rate on capital gains is considered a tax expenditure under the normal tax method but not under the reference law method.

For most assets held for more than 1 year, the top capital gains tax rate is 20 percent. For assets acquired after December 31, 2000, the top capital gains tax rate for assets held for more than 5 years is 18 percent. On January 1, 2001, taxpayers may mark-to-market existing assets to start the 5-year holding period. Losses from the mark-to-market are not recognized.

For assets held for more than 1 year by taxpayers in the 15-percent ordinary tax bracket, the top capital gains tax rate is 10 percent. After December 31, 2000, the top capital gains tax rate for assets held by these taxpayers for more than 5 years is 8 percent.

51. ***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.

52. ***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. After repeal of the estate tax under EGTRRA for 2010, the basis for property acquired from a decedent will be the lesser of fair market value or the decedent's basis. Certain types of additions to basis will be allowed so that assets in most estates that are not currently subject to estate tax will not be subject to capital gains tax in the hands of the heirs.

53. ***Carryover basis of capital gains on gifts.***—When a gift is made, the donor's basis in the transferred property (the cost that was incurred when the transferred property was first acquired) carries-over to the donee. The carryover of the donor's basis allows a continued deferral of unrealized capital gains. Even though the estate tax is repealed for 2010 under EGTRRA, the gift tax is retained with a lifetime exemption of $1 million.

54. ***Ordinary income treatment of losses from sale of small business corporate stock shares.***—Up to $100,000 in losses from the sale of small business corporate stock (capitalization less than $1 million) may be treated as ordinary losses. Such losses would, thus, not be subject to the $3,000 annual capital loss write-off limit.

55. ***Accelerated depreciation of non-rental-housing buildings.***—The tax depreciation allowance provisions are part of the reference law rules, and thus do not give rise to tax expenditures under reference law. Under normal law, however, a 40-year life for non-rental-housing buildings is the norm. Thus, the 39-year depreciation period for property placed in service after February 25, 1993, the 31.5-year depreciation period for property placed in service from 1987 to February 25, 1993, and the pre-1987 depreciation periods create a tax expenditure.

56. ***Accelerated depreciation of machinery and equipment.***—The tax depreciation allowance provisions are part of the reference law rules, and thus do not give rise to tax expenditures under reference law. Under the normal tax baseline, this tax depreciation allowance is measured relative to straight-line depreciation using Asset Depreciation Range (ADR) lives. Statutory depreciation of machinery and equipment is accelerated relative to this baseline, thereby creating a tax expenditure under the normal tax rules.

57. ***Expensing of certain small investments.***—In 2001, qualifying investments in tangible property up to $24,000 can be expensed rather than depreciated over time. The expensing limit increases to $25,000 in 2003. To the extent that qualifying investment during the year exceeds $200,000, the amount eligible for expensing is decreased. In 2001, the amount expensed is completely phased out when qualifying investments exceed $224,000.

58. ***Business start-up costs.***—When taxpayers enter into a new business, certain start-up expenses, such as the cost of legal services, are normally incurred. Taxpayers may elect to amortize these outlays over 60 months even though they are similar to other payments made for nondepreciable intangible assets that are not recoverable until the business is sold. The normal tax method treats this amortization as a tax expenditure; the reference tax method does not.

59. ***Graduated corporation income tax rate schedule.***—The corporate income tax schedule is graduated, with rates of 15 percent on the first $50,000 of taxable income, 25 percent on the next $25,000, and 34 percent on the next $9.925 million. Compared with a flat 34-percent rate, the lower rates provide an $11,750 reduction in tax liability for corporations with taxable income of $75,000. This benefit is recaptured for corporations with taxable incomes exceeding $100,000 by a 5-percent additional tax on corporate incomes in excess of $100,000 but less than $335,000.

The corporate tax rate is 35 percent on income over $10 million. Compared with a flat 35-percent tax rate, the 34-percent rate provides a $100,000 reduction in tax liability for corporations with taxable incomes of $10 million. This benefit is recaptured for corporations with taxable incomes exceeding $15 million by a 3-percent additional tax on income over $15 million but less than $18.33 million. Because the corporate rate schedule is part of reference tax law, it is not considered a tax expenditure under the reference method. A flat corporation income tax rate is taken as the baseline under the normal tax method; therefore the lower rates is considered a tax expenditure under this concept.

60. ***Small issue industrial development bonds.***—Interest earned on small issue industrial development bonds (IDBs) issued by State and local governments to finance manufacturing facilities is tax-exempt. Depreciable property financed with small issue IDBs must be depreciated, however, using the straight-line method. The annual volume of small issue IDBs is subject to the unified volume cap discussed in the mortgage housing bond section above.

Transportation

61. ***Deferral of tax on U.S. shipping companies.***—Certain companies that operate U.S. flag vessels can defer income taxes on that portion of their income used for shipping purposes, primarily construction, modernization and major repairs to ships, and repayment of loans to finance these investments. Once indefinite, the deferral has been limited to 25 years since January 1, 1987.

62. ***Exclusion of employee parking expenses.***—Employee parking expenses that are paid for by the employer or that are received in lieu of wages are excludable from the income of the employee. In 2001, the maximum amount of the parking exclusion is $180 (indexed) per month. The tax expenditure estimate does not include parking at facilities owned by the employer.

63. ***Exclusion of employee transit pass expenses.***—Transit passes, tokens, fare cards, and vanpool expenses paid for by an employer or provided in lieu of wages to defray an employee's commuting costs are excludable from the employee's income. In 2001, the maximum amount of the exclusion is $65 (indexed) per month. In 2002, the maximum amount of the exclusion increases to $100 (indexed) per month.

Community and Regional Development

64. ***Rehabilitation of structures.***—A 10-percent investment tax credit is available for the rehabilitation of buildings that are used for business or productive activities and that were erected before 1936 for other than residential purposes. The taxpayer's recoverable basis must be reduced by the amount of the credit.

65. ***Airport, dock, and similar facility bonds.***—Interest earned on State and local bonds issued to finance high-speed rail facilities and government-owned airports, docks, wharves, and sport and convention facilities is tax-exempt. These bonds are not subject to a volume cap.

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

67. ***Empowerment zones, enterprise communities, and renewal communities.***—Qualifying businesses in designated economically depressed areas can receive tax benefits such as an employer wage credit, increased expensing of investment in equipment, special tax-exempt financing, accelerated depreciation, and certain capital gains incentives. In addition, certain first-time buyers of a principal residence in the District of Columbia can receive a tax credit on homes purchased on or before December 31, 2003, and investors in certain D.C. property can receive a capital gains break. The Community Renewal Tax Relief Act of 2000 created the renewal communities tax benefits, which begin on January 1, 2002 and expire on December 31, 2009. The Act also created additional empowerment zones, increased the tax benefits for empowerment zones, and extended the expiration date of (1) empowerment zones from December 31, 2004 to December 31, 2009, and (2) the D.C. home-buyer credit from December 31, 2001 to December 31, 2003.

68. ***New markets tax credit.***—Taxpayers who invest in a community development entity (CDE) after December 31, 2000 are eligible for a tax credit. The total equity investment available for the credit across all CDEs is $1.0 billion in 2001, $1.5 billion in 2002 and 2003, $2.0 billion in 2004 and 2005, and $3.5 billion in 2006 and 2007. The amount of the credit equals (1) 5 percent in the year of purchase and the following 2 years, and (2) 6 percent in the following 4 years. A CDE is any domestic firm whose primary mission is to serve or provide investment capital for low-income communities/individuals; a CDE must be accountable to residents of low-income communities. The Community Renewal Tax Relief Act of 2000 created the new markets tax credit.

69. ***Expensing of environmental remediation costs.***—Taxpayers who clean up certain hazardous substances at a qualified site may expense the clean-up costs, rather than capitalize the costs, even though the expenses will generally increase the value of the property significantly or appreciably prolong the life of the property. The expensing only applies to clean-up costs incurred on or before December 31, 2003. The Community Renewal Tax Relief Act of 2000 extended the expiration date from December 31, 2001 to December 31, 2003. The Act also expanded the number of qualified sites.

Education, Training, Employment, and Social Services

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

71. ***HOPE tax credit.***—The non-refundable HOPE tax credit allows a credit for 100 percent of an eligible student's first $1,000 of tuition and fees and 50 percent of the next $1,000 of tuition and fees. The credit only covers tuition and fees paid during the first two years of a student's post-secondary education. The credit is phased out ratably for taxpayers with modified AGI between $80,000 and $100,000 ($40,000 and $50,000 for singles) (indexed beginning in 2002).

72. ***Lifetime learning tax credit.***—The non-refundable Lifetime Learning tax credit allows a credit for 20 percent of an eligible student's tuition and fees. For tuition and fees paid before January 1, 2003, the maximum credit per return is $1,000. For tuition and fees paid after December 31, 2002, the maximum credit per return is $2,000. The credit is phased out ratably for taxpayers with modified AGI between $80,000 and $100,000 ($40,000 and $50,000 for singles) (indexed beginning in 2002). The credit applies to both undergraduate and graduate students.

73. ***Deduction for higher education expenses.***—EGTRRA provides a new above-the-line deduction for qualified higher education expenses. The maximum annual deduction is $3,000 beginning in 2002 for taxpayers with adjusted gross income up to $130,000 on a joint return ($65,000 for singles). The maximum deduction increases to $4,000 in 2004. Taxpayers with adjusted gross income up to $160,000 on a joint return ($80,000 for singles) may deduct up to $2,000 beginning in 2004. No deduction is allowed for expenses paid after December 31, 2005.

74. ***Education Individual Retirement Accounts.***—Contributions to an education IRA are not tax-deductible. Investment income earned by education IRAs is not taxed when earned, and investment income from an education IRA is tax-exempt when withdrawn to pay for a student's tuition and fees. The maximum contribution to an education IRA in 2001 is $500 per beneficiary. In 2001, the maximum contribution is phased down ratably for taxpayers with modified AGI between $150,000 and $160,000 ($95,000 and $110,000 for singles). EGTRRA increases the maximum contribution to $2,000 and the phase-out range for joint filers to $190,000 through $220,000 of modified AGI, double the range of singles. EGTRRA also allows elementary and secondary school expenses to be paid tax-free from such accounts.

75. ***Student-loan interest.***—Taxpayers may claim an above-the-line deduction of up to $2,500 on interest paid on an education loan. Interest may only be deducted for the first five years in which interest payments are required. In 2001, the maximum deduction is phased down ratably for taxpayers with modified AGI between $60,000 and $75,000 ($40,000 and $55,000 for singles). EGTRRA increased the income thresholds for the phase down to $100,000 and $130,000 ($50,000 and $65,000 for singles) (indexed) and repealed the five year rule for interest payments made after December 21, 2001.

76. ***State prepaid tuition plans.***—Some States have adopted prepaid tuition plans and prepaid room and board plans, which allow persons to pay in advance for college expenses for designated beneficiaries. In 2001 taxes on the earnings from these plans are paid by the beneficiaries and are deferred until tuition is actually paid. Beginning in 2002, investment income is not taxed when earned, and is tax-exempt when withdrawn to pay for qualified expenses. These changes were the result of EGTRRA.

77. ***Student-loan bonds.***—Interest earned on State and local bonds issued to finance student loans is tax-exempt. The volume of all such private activity bonds that each State may issue annually is limited.

78. ***Bonds for private nonprofit educational institutions.***—Interest earned on State and local government bonds issued to finance the construction of facilities used by private nonprofit educational institutions is not taxed.

79. ***Credit for holders of zone academy bonds.***—Financial institutions that own zone academy bonds receive a non-refundable tax credit (at a rate set by the Treasury Department) rather than interest. The credit is included in gross income. Proceeds from zone academy bonds may only be used to renovate, but not construct, qualifying schools and for certain other school purposes. The total amount of zone academy bonds that may be issued is limited to $1.6 billion—$400 million in each year from 1998 to 2001.

80. ***U.S. savings bonds for education.***—Interest earned on U.S. savings bonds issued after December 31, 1989 is tax-exempt if the bonds are transferred to an educational institution to pay for educational expenses. The tax exemption is phased out for taxpayers with AGI between $83,650 and $113,650 ($55,750 and $70,750 for singles) in 2001.

81. ***Dependent students age 19 or older.***—Taxpayers may claim personal exemptions for dependent children age 19 or over who (1) receive parental support payments of $1,000 or more per year, (2) are full-time students, and (3) do not claim a personal exemption on their own tax returns.

82. ***Charitable contributions to educational institutions.***—Taxpayers may deduct contributions to nonprofit educational institutions. Taxpayers who donate capital assets to educational institutions can deduct the assets' current value without being taxed on any appreciation in value. An individual's total charitable contribution generally may not exceed 50 percent of adjusted gross income; a corporation's total charitable contributions generally may not exceed 10 percent of pre-tax income.

83. ***Employer-provided educational assistance.***—Employer-provided educational assistance is excluded from an employee's gross income even though the employer's costs for this assistance are a deductible business expense. EGTRRA permanently extended this exclusion and extended the exclusion to also include graduate education (beginning in 2002).

84. ***Work opportunity tax credit.***—Employers can claim a tax credit for qualified wages paid to individuals who begin work on or before December 31, 2001 and who are certified as members of various targeted groups. The amount of the credit that can be claimed is 25 percent for employment of less than 400 hours and 40 percent for employment of 400 hours or more. The maximum credit per employee is $2,400 and can only be claimed on the first year of wages an individual earns from an employer. Employers must reduce their deduction for wages paid by the amount of the credit claimed.

85. ***Welfare-to-work tax credit.***—An employer is eligible for a tax credit on the first $20,000 of eligible wages paid to qualified long-term family assistance recipients during the first two years of employment. The credit is 35 percent of the first $10,000 of wages in the first year of employment and 50 percent of the first $10,000 of wages in the second year of employment. The maximum credit is $8,500 per employee. The credit applies to wages paid to employees who are hired on or before December 31, 2001.

86. ***Employer-provided child care exclusion.***—Employer-provided child care is excluded from an employee's gross income even though the employer's costs for the child care are a deductible business expense.

87. ***Employer-provided child care credit.***—Employers can deduct expenses for supporting child care or child care resource and referral services. EGTRRA provides a tax credit to employers for qualified expenses beginning in 2002. The credit is equal to 25 percent of qualified expenses for employee child care and 10 percent of qualified expenses for child care resource and referral services. Employer deductions for such expenses are reduced by the amount of the credit. The maximum total credit is limited to $150,000 per taxable year.

88. ***Assistance for adopted foster children.***—Taxpayers who adopt eligible children from the public foster care system can receive monthly payments for the children's significant and varied needs and a reimbursement of up to $2,000 for nonrecurring adoption expenses. These payments are excluded from gross income.

89. ***Adoption credit and exclusion.***—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) for 2001. The credit is phased-out ratably for taxpayers with modified AGI

between $75,000 and $115,000 in 2001. EGTRRA increased the maximum credit for non-special needs children to $10,000, set a flat credit amount of $10,000 for special needs children, and increased the start point of the phase-out to $150,000 beginning in 2002. The credit amounts and the phase-out thresholds are indexed for inflation beginning in 2003. Unused credits may be carried forward and used during the five subsequent years. Taxpayers may also exclude qualified adoption expenses from income, subject to the same maximum amounts and phase-out as the credit. The same expenses cannot qualify for tax benefits under both programs; however, a taxpayer may use the benefits of the exclusion and the tax credit for different expenses. Stepchild adoptions are not eligible for either benefit. Both the credit and the exclusion were made permanent by EGTRRA.

90. ***Employer-provided meals and lodging.***—Employer-provided meals and lodging are excluded from an employee's gross income even though the employer's costs for these items are a deductible business expense.

91. ***Child credit.***—Taxpayers with children under age 17 can qualify for a $600 refundable per child credit. The maximum credit is increased to $700 in 2005, $800 in 2009, and $1,000 in 2010. The credit is phased out for taxpayers at the rate of $50 per $1,000 of modified AGI above $110,000 ($75,000 for singles).

92. ***Child and dependent care expenses.***—Married couples with child and dependent care expenses may claim a tax credit when one spouse works full time and the other works at least part time or goes to school. The credit may also be claimed by single parents and by divorced or separated parents who have custody of children. Expenditures up to a maximum $2,400 for one dependent and $4,800 for two or more dependents are eligible for the credit. EGTRRA increased the maximum expenditure limit to $3,000 for one dependent and $6,000 for two or more dependents beginning in 2003. The credit is equal to 30 percent of qualified expenditures (35 percent beginning in 2003) for taxpayers with incomes of $10,000 or less ($15,000 or less beginning in 2003). The credit is reduced to a minimum of 20 percent by one percentage point for each $2,000 of income in excess of $10,000 ($15,000 beginning in 2003).

93. ***Disabled access expenditure credit.***—Small businesses (less than $1 million in gross receipts or fewer than 31 full-time employees) can claim a 50-percent credit for expenditures in excess of $250 to remove access barriers for disabled persons. The credit is limited to $5,000.

94. ***Charitable contributions, other than education and health.***—Taxpayers may deduct contributions to charitable, religious, and certain other nonprofit organizations. Taxpayers who donate capital assets to charitable organizations can deduct the assets' current value without being taxed on any appreciation in value. An individual's total charitable contribution generally may not exceed 50 percent of adjusted gross income; a corporation's total charitable contributions generally may not exceed 10 percent of pre-tax income.

95. ***Foster care payments.***—Foster parents provide a home and care for children who are wards of the State, under contract with the State. Compensation received for this service is excluded from the gross incomes of foster parents; the expenses they incur are nondeductible.

96. ***Parsonage allowances.***—The value of a minister's housing allowance and the rental value of parsonages are not included in a minister's taxable income.

Health

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

98. ***Self-employed medical insurance premiums.***—Self-employed taxpayers may deduct a percentage of their family health insurance premiums. Taxpayers without self-employment income are not eligible for the special percentage deduction. The deductible percentage is 60 percent in 2001, 70 percent in 2002, and 100 percent in 2003 and thereafter.

99. ***Workers compensation insurance premiums.***—Workers compensation insurance premiums are paid by employers and deducted as a business expense, but the premiums are not included in employee gross income.

100. ***Medical savings accounts.***—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, 2002. The Community Renewal Tax Relief Act of 2000 extended the expiration date from December 31, 2000 to December 31, 2002.

101. ***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.

102. ***Hospital construction bonds.***—Interest earned on State and local government debt issued to finance

hospital construction is excluded from income subject to tax.

103. ***Charitable contributions to health institutions.***—Individuals and corporations may deduct contributions to nonprofit health institutions. Tax expenditures resulting from the deductibility of contributions to other charitable institutions are listed under the education, training, employment, and social services function.

104. ***Orphan drugs.***—Drug firms can claim a tax credit of 50 percent of the costs for clinical testing required by the Food and Drug Administration for drugs that treat rare physical conditions or rare diseases.

105. ***Blue Cross and Blue Shield.***—Blue Cross and Blue Shield health insurance providers in existence on August 16, 1986 and certain other nonprofit health insurers are provided exceptions from otherwise applicable insurance company income tax accounting rules that substantially reduce (or even eliminate) their tax liabilities.

Income Security

106. ***Railroad retirement benefits.***—Railroad retirement benefits are not generally subject to the income tax unless the recipient's gross income reaches a certain threshold. The threshold is discussed more fully under the Social Security function.

107. ***Workers' compensation benefits.***—Workers compensation provides payments to disabled workers. These benefits, although income to the recipients, are not subject to the income tax.

108. ***Public assistance benefits.***—Public assistance benefits are excluded from tax. The normal tax method considers cash transfers from the government as taxable and, thus, treats the exclusion for public assistance benefits as a tax expenditure.

109. ***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.

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

111. ***Employer-provided pension contributions and earnings***.—Certain employer contributions to pension plans are excluded from an employee's gross income even though the employer can deduct the contributions. In addition, the tax on the investment income earned by the pension plans is deferred until the money is withdrawn.

112. ***401(k) plans.***—Individual taxpayers can make tax-preferred contributions to certain types of employer-provided 401(k) plans (and 401(k)-type plans like 403(b) plans and the Federal government's Thrift Savings Plan). In 2001, an employee could exclude up to $10,500 (indexed) of wages from AGI under a qualified arrangement with an employer's 401(k) plan. EGTRRA increases the exclusion amount to $11,000 in 2002, $12,000 in 2003, $13,000 in 2004, $14,000 in 2005 and $15,000 in 2006 (indexed thereafter). The tax on the investment income earned by 401(k)-type plans is deferred until withdrawn.

EGTRRA also allows employees to make after-tax contributions to 401(k) and 401(k)-type plans beginning in 2002. These contributions are not excluded from AGI, but the investment income of such after-tax contributions is not taxed when earned or withdrawn.

113. ***Individual Retirement Accounts.***—Individual taxpayers can take advantage of several different Individual Retirement Accounts (IRAs): deductible IRAs, non-deductible IRAs, and Roth IRAs. In 2001, employees can make annual contributions to an IRA up to $2,000 (or 100 percent of compensation, if less). The annual contributions limit applies to the total of a taxpayer's deductible, non-deductible, and Roth IRAs contributions. EGTRRA increases the IRA contribution limit to $3,000 in 2002, $4,000 in 2005, and $5,000 in 2008 (indexed thereafter) and allows taxpayers over age 50 to make additional "catch-up" contributions of $1,000 (by 2006).

Taxpayers whose AGI is below $53,000 ($33,000 for non-joint filers) in 2001 can claim a deduction for IRA contributions. In 2001, the IRA deduction is phased out for taxpayers with AGI between $53,000 and $63,000 ($33,000 and $43,000 for non-joint). The phase-out range increases annually until it reaches $80,000 to $100,000 in 2007 ($50,000 to $60,000 in 2005 for non-joint filers). Taxpayers whose AGI is above the phase-out range can also claim a deduction for their IRA contributions depending on whether they (or their spouse) are an active participant in an employer-provided retirement plan. The tax on the investment income earned by 401(k) plans, non-deductible IRAs, and deductible IRAs is deferred until the money is withdrawn.

Taxpayers with incomes below $150,000 ($90,000 for nonjoint filers) can make contributions to Roth IRAs. The maximum contribution to a Roth IRA is phased out for taxpayers with AGI between $150,000 and $160,000 ($95,000 and $110,000 for singles). Investment income of a Roth IRA is not taxed when earned nor when withdrawn. Withdrawals from a Roth IRA are penalty free if: (1) the Roth IRA was opened at least 5 years before the withdrawal, and (2) the taxpayer either (a) is at least 59–1/2, (b) dies, (c) is disabled, or (d) purchases a first-time house.

Taxpayers can contribute to a non-deductible IRA regardless of their income and whether they are an active participant in an employer-provided retirement plan. The tax on investment income earned by non-deductible IRAs is deferred until the money is withdrawn.

114. ***Low and moderate income savers' credit.***—EGTRRA provides an additional incentive for lower-income taxpayers to save through a nonrefundable credit of up to 50 percent on IRA contributions. This credit is in addition to any deduction or exclusion. The credit is completely phased out by $50,000 for joint filers and $25,000 for single filers. This temporary credit is in effect from 2002 through 2006.

115. ***Keogh plans.***—Self-employed individuals can make deductible contributions to their own retirement (Keogh) plans equal to 25 percent of their income, up to a maximum of $35,000 in 2001. Total plan contributions are limited to 15 percent of a firm's total wages. EGTRRA increases the percent of pay limit to 100 percent of the income of the self-employed by 2005 and increases the dollar limit on contributions to $40,000 beginning in 2002. EGTRRA also increased the plan limit to 25 percent of a firm's total wages and excluded employee contributions from this limit beginning in 2002. The tax on the investment income earned by Keogh plans is deferred until withdrawn.

116. ***Employer-provided life insurance benefits.***—Employer-provided life insurance benefits are excluded from an employee's gross income even though the employer's costs for the insurance are a deductible business expense.

117. ***Small business retirement plan credit.***—EGTRRA provides businesses with 100 or fewer employees a credit for 50 percent of the qualified startup costs associated with a new qualified retirement plan. The credit is limited to $500 annually and may only be claimed for expenses incurred during the first three years from the start of the qualified plan. Qualified startup expenses include expenses related to the establishment and administration of the plan, and the retirement-related education of employees. The credit applies to costs incurred beginning in 2002.

118. ***Employer-provided accident and disability benefits.***—Employer-provided accident and disability benefits are excluded from an employee's gross income even though the employer's costs for the benefits are a deductible business expense.

119. ***Employer-provided supplementary unemployment benefits.***—Employers may establish trusts to pay supplemental unemployment benefits to employees separated from employment. Interest payments to such trusts are exempt from taxation.

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

121. ***Additional deduction for the blind.***—Taxpayers who are blind may take an additional $1,100 standard deduction if single, or $900 if married.

122. ***Additional deduction for the elderly.***—Taxpayers who are 65 years or older may take an additional $1,100 standard deduction if single, or $900 if married.

123. ***Tax credit for the elderly and disabled.***—Individuals who are 65 years of age or older, or who are permanently disabled, can take a tax credit equal to 15 percent of the sum of their earned and retirement income. Income is limited to no more than $5,000 for single individuals or married couples filing a joint return where only one spouse is 65 years of age or older, and up to $7,500 for joint returns where both spouses are 65 years of age or older. These limits are reduced by one-half of the taxpayer's adjusted gross income over $7,500 for single individuals and $10,000 for married couples filing a joint return.

124. ***Casualty losses.***—Neither the purchase of property nor insurance premiums to protect its value are deductible as costs of earning income; therefore, reimbursement for insured loss of such property is not reportable as a part of gross income. Taxpayers, however, may deduct uninsured casualty and theft losses of more than $100 each, but only to the extent that total losses during the year exceed 10 percent of AGI.

125. ***Earned income tax credit (EITC).***—The EITC may be claimed by low income workers. For a family with one qualifying child, the credit is 34 percent of the first $7,140 of earned income in 2001. The credit is 40 percent of the first $10,020 of income for a family with two or more qualifying children. The credit is phased out beginning when the taxpayer's income exceeds $13,090 at the rate of 15.98 percent (21.06 percent if two or more qualifying children are present). It is completely phased out when the taxpayer's modified adjusted gross income reaches $28,281 ($32,121 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 2001, the credit is 7.65 percent of the first $4,760 of earned income. When the taxpayer's income exceeds $5,950, the credit is phased out at the rate of 7.65 percent. It is completely phased out at $10,710 of modified adjusted gross income.

For workers with or without children, the income levels at which the credit begins to phase-out and the maximum amounts of income on which the credit can be taken are adjusted for inflation. For married taxpayers filing a joint return, EGTRRA increases the base amount for the phase-out by $1,000 in 2002 through 2004, $2,000 in 2005 through 2007, and $3,000 in 2008 (indexed thereafter). Earned income tax credits in excess of tax liabilities owed through the individual income tax system are refundable to individuals. This portion of the credit is shown as an outlay, while the amount that offsets tax liabilities is shown as a tax expenditure.

Social Security

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

127. ***Social Security benefits for the disabled.***—Benefit payments from the Social Security Trust Fund, for disability and for dependents and survivors, are excluded from a beneficiary's gross incomes.

128. ***Social Security benefits for dependents and survivors.***—Benefit payments from the Social Security Trust Fund for dependents and survivors are excluded from a beneficiary's gross income.

Veterans Benefits and Services

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

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

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

132. ***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

133. ***Public purpose State and local bonds.***—Interest earned on State and local government bonds issued to finance public-purpose construction (e.g., schools, roads, sewers), equipment acquisition, and other public purposes is tax-exempt. Interest on bonds issued by Indian tribal governments for essential governmental purposes is also tax-exempt.

134. ***Deductibility of certain nonbusiness State and local taxes.***—Taxpayers may deduct State and local income taxes and property taxes even though these taxes primarily pay for services that, if purchased directly by taxpayers, would not be deductible.

135. ***Business income earned in U.S. possessions.***—U.S. corporations operating in a U.S. possession (e.g., Puerto Rico) can claim a credit against some or all of their U.S. tax liability on possession business income. The credit expires December 31, 2005.

Interest

136. ***U.S. savings bonds.***—Taxpayers may defer paying tax on interest earned on U.S. savings bonds until the bonds are redeemed.

SPECIAL ANALYSES AND PRESENTATIONS

7. 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. An Administration proposal for capital acquisition funds that is being developed is discussed in Chapter 1, "Budget and Performance Integration," in this volume.

In this chapter, investments are discussed in the following sections:

- a description of the size and composition of Federal investment spending;
- 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 fifty years, the Federal budget has included a chapter on Federal investment—defined as those outlays that yield long-term benefits—separately from outlays for current use. In recent years the discussion of the composition of investment includes estimates of budget authority as well as outlays and extends these estimates four years beyond the budget year, to 2007.

The classification of spending between investment and current outlays is a matter of judgment. The budget has historically employed a relatively broad classification, encompassing physical investment, research, development, education, and training. The budget further classifies investments into those that are grants to State and local governments, such as grants for highways or education, and all other investments, called "direct Federal programs," in this analysis. This "direct Federal" category consists primarily of spending for assets owned by the Federal Government, such as defense weapons systems and general purpose office buildings, but also includes grants to private organizations and individuals for investment, such as capital grants to Amtrak or higher education loans directly to individuals.

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 and education.
- Focusing on the role of investment in improving national productivity and enhancing economic growth would exclude items such as national defense assets, the direct benefits of which enhance national security rather than economic growth.
- Concern with the efficiency of Federal operations would confine the coverage to investments that 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 include 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 grants are classified as physical investment, although some may be spent for current purposes. General purpose fiscal assistance is classified as current spending, although some may be spent by recipient jurisdictions on physical investment.

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

When direct loans and loan guarantees are used to fund investment, the subsidy value is included as investment. The subsidies are classified according to their program purpose, such as construction or education and training. For more information about the treatment of Federal credit programs, refer to Chapter 25, "Budget System and Concepts and Glossary."

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

Composition of Federal Investment Outlays

Major Federal Investment

The composition of major Federal investment outlays is summarized in Table 7–1. 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 $292.6 billion in 2001. They are estimated to increase to $324.6 billion in 2002 and are projected to increase further to $342.6 billion in 2003. Major Federal investment outlays will comprise an estimated 16.1 percent of total Federal outlays in 2003 and 3.1 percent of the Nation's gross domestic product (GDP). Greater detail on Federal investment is available in Tables 7–2 and 7–3 at the end of this Part. 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 $159.6 billion in 2003. Physical investment outlays are for construction and rehabilitation, the purchase of major equipment, and the purchase or sale of land and structures. More than three-fifths of these outlays are for direct physical investment by the Federal Government, with the remainder 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 are estimated to increase from $69.1 billion in 2002 to $72.6 billion in 2003. Almost all of these outlays, or an estimated $63.7 billion in 2003, are for the procurement of weapons and other defense equipment, and the remainder is primarily for construction on military bases, family housing for military personnel, and Department of Energy defense facilities.

Outlays for direct physical investment for nondefense purposes are estimated to be $29.8 billion in 2003. These outlays include $17.7 billion for construction and rehabilitation. This amount includes funds for water, power, and natural resources projects of the Corps of Engineers, the Bureau of Reclamation within the Department of the Interior, the Tennessee Valley Authority, and the power administrations in the Department of Energy; construction and rehabilitation of veterans hospitals and Postal Service facilities; facilities for space and science programs, and Indian Health Service hospitals and clinics. Outlays for the acquisition of major equipment are estimated to be $11.7 billion in 2003. The largest amounts are for the air traffic control system. For the purchase or sale of land and structures, disbursements are estimated to exceed collections by $0.4 billion in 2003. These purchases are largely for buildings and land for parks and other recreation purposes.

Grants to State and local governments for physical investment are estimated to be $57.2 billion in 2003. Almost two-thirds of these outlays, or $37.4 billion, are to assist States and localities with transportation infrastructure, primarily highways. 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 devoted to increasing basic scientific knowledge and promoting research and development. They increase the Nation's security, improve the productivity of capital and labor for both public and private purposes, and enhance the quality of life. More than half of these outlays 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 largely for the space programs, the National Science Foundation, the National Institutes of Health, and research for nuclear and non-nuclear energy programs.

A more complete and detailed discussion of research and development funding appears in Chapter 8, "Research and Development Funding," in this volume.

Conduct of education and training.—Outlays for the conduct of education and training are estimated to be $76.1 billion in 2003. These outlays add to the stock

Table 7–1. COMPOSITION OF FEDERAL INVESTMENT OUTLAYS

(In billions of dollars)

	2001 Actual	Estimate	
		2002	2003
Federal Investment			
Major public physical capital investment:			
Direct Federal:			
National defense	63.7	69.1	72.6
Nondefense	27.8	31.5	29.8
Subtotal, direct major public physical capital investment	91.4	100.6	102.4
Grants to State and local governments	53.4	56.8	57.2
Subtotal, major public physical capital investment	144.8	157.4	159.6
Conduct of research and development:			
National defense	48.4	54.3	59.9
Nondefense	38.0	42.9	47.0
Subtotal, conduct of research and development	86.4	97.3	106.9
Conduct of education and training:			
Grants to State and local governments	34.8	40.2	45.5
Direct Federal	26.5	29.6	30.5
Subtotal, conduct of education and training	61.3	69.9	76.1
Total, major Federal investment outlays	**292.6**	**324.6**	**342.6**
MEMORANDUM			
Major Federal investment outlays:			
National defense	112.1	123.5	132.6
Nondefense	180.4	201.1	210.0
Total, major Federal investment outlays	292.6	324.6	342.6
Miscellaneous physical investments:			
Commodity inventories	1.5	0.4	*
Other physical investment (direct)	3.8	4.3	4.5
Total, miscellaneous physical investment	5.4	4.7	4.5
Total, Federal investment outlays, including miscellaneous physical investment	297.9	329.3	347.1

* Indicates $50 million or less.

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 $45.5 billion in 2003, almost three-fifths 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 Federal education and training outlays are estimated to be $30.5 billion in 2003. Programs in this category are primarily aid for higher education through student financial assistance, loan subsidies, the veterans GI bill, and health training programs.

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

Miscellaneous Physical Investment Outlays

In addition to the categories of major Federal investment, several miscellaneous categories of investment outlays are shown at the bottom of Table 7–1. 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. Purchases are estimated to exceed sales by $28 million in 2003.

Outlays for other miscellaneous physical investment are estimated to be $4.5 billion in 2003. This category includes primarily conservation programs. These are entirely direct Federal outlays.

Detailed Tables on Investment Spending

This section provides data on budget authority as well as outlays for major Federal investment. These estimates extend four years beyond the budget year to 2007. Table 7–2 displays budget authority (BA) and outlays (O) by major programs according to defense and nondefense categories. The greatest level of detail appears in Table 7–3, 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 7–2. FEDERAL INVESTMENT BUDGET AUTHORITY AND OUTLAYS: DEFENSE AND NONDEFENSE PROGRAMS

(in millions of dollars)

Description		2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
NATIONAL DEFENSE								
Major public physical investment:								
Construction and rehabilitation	BA	8,163	10,082	8,416	9,503	10,740	15,232	18,216
	O	7,452	8,218	8,947	8,815	8,592	9,558	11,939
Acquisition of major equipment	BA	63,789	63,103	70,414	76,277	80,747	88,476	100,533
	O	56,237	60,907	63,708	66,824	76,580	83,331	89,141
Purchase or sale of land and structures	BA	–14	–4	–14	–31	–31	–31	–31
	O	–21	–9	–12	–31	–31	–31	–31
Subtotal, major public physical investment	BA	71,938	73,181	78,816	85,749	91,456	103,677	118,718
	O	63,668	69,116	72,643	75,608	85,141	92,858	101,049
Conduct of research and development	BA	49,713	57,855	62,983	66,227	69,954	68,279	67,427
	O	48,444	54,346	59,939	61,467	65,453	66,931	66,825
Conduct of education and training (civilian)	BA	7	8	8	8	8	8	8
	O	7	8	8	8	8	8	8
Subtotal, national defense investment	BA	121,658	131,044	141,807	151,984	161,418	171,964	186,153
	O	112,119	123,470	132,590	137,083	150,602	159,797	167,882
NONDEFENSE								
Major public physical investment:								
Construction and rehabilitation:								
Highways	BA	34,564	35,136	30,716	26,336	31,775	32,365	32,966
	O	27,207	28,843	27,808	24,880	24,054	24,271	24,662
Mass transportation	BA	7,210	6,576	6,915	7,059	7,218	7,386	7,559
	O	6,760	6,222	6,330	6,425	6,457	6,408	7,106
Rail transportation	BA	53	21	21	21	22	22	23
	O	15	20	53	43	22	24	22
Air transportation	BA	2,611	3,193	3,432	3,490	3,553	3,620	3,689
	O	2,024	2,816	3,298	3,433	3,528	3,640	3,718
Community development block grants	BA	5,112	7,000	4,732	4,831	4,938	5,053	5,171
	O	4,939	5,235	5,878	6,526	5,472	4,950	5,014
Other community and regional development	BA	2,424	1,775	1,685	1,722	1,758	1,800	1,843
	O	1,684	1,909	1,933	1,790	1,783	1,729	1,787
Pollution control and abatement	BA	4,307	4,144	3,804	3,883	3,970	3,160	3,234
	O	4,214	3,902	4,130	4,255	4,244	4,222	4,142
Water resources	BA	5,084	4,415	3,902	3,970	4,338	4,201	4,293
	O	4,542	4,634	4,284	4,042	4,188	4,314	4,315
Housing assistance	BA	7,319	7,273	7,092	7,241	7,402	7,575	7,751
	O	7,220	7,644	7,706	8,093	8,124	8,614	7,672
Energy	BA	1,426	1,990	1,271	1,357	1,760	1,385	1,316
	O	1,436	1,981	1,272	1,359	1,762	1,386	1,318
Veterans hospitals and other health	BA	1,398	1,866	1,991	2,029	2,072	2,120	2,170
	O	1,297	1,684	1,686	1,802	1,876	1,922	1,969
Postal Service	BA	327	851	1,331	983	1,114	1,048	1,532
	O	1,039	612	1,039	1,080	1,070	1,103	1,267
GSA real property activities	BA	1,184	1,545	1,543	1,575	1,610	1,648	1,687
	O	959	1,325	1,298	1,336	1,388	1,420	1,449
Other programs	BA	10,355	8,164	6,032	6,069	6,210	6,352	6,493
	O	6,258	8,240	6,937	6,831	6,609	6,562	6,662
Subtotal, construction and rehabilitation	BA	83,374	83,949	74,467	70,566	77,740	77,735	79,727
	O	69,594	75,067	73,652	71,895	70,577	70,565	71,103
Acquisition of major equipment:								
Air transportation	BA	2,634	3,123	3,034	3,097	3,166	3,239	3,315
	O	2,327	2,516	2,766	2,895	2,961	3,156	3,229
Postal Service	BA	299	493	900	994	675	675	1,123
	O	675	694	612	787	796	736	839
Other	BA	6,683	7,997	8,323	8,443	8,610	8,801	9,002
	O	6,929	8,304	8,392	8,592	8,808	9,058	9,268
Subtotal, acquisition of major equipment	BA	9,616	11,613	12,257	12,534	12,451	12,715	13,440
	O	9,931	11,514	11,770	12,274	12,565	12,950	13,336
Purchase or sale of land and structures	BA	747	589	219	532	220	555	571
	O	704	614	377	627	290	612	621

Table 7–2. FEDERAL INVESTMENT BUDGET AUTHORITY AND OUTLAYS: DEFENSE AND NONDEFENSE PROGRAMS—Continued

(in millions of dollars)

Description		2001 Actual	Estimate					
			2002	2003	2004	2005	2006	2007
Other physical assets (grants)	BA	**1,332**	**1,321**	**1,257**	**1,330**	**1,388**	**1,422**	**1,470**
	O	939	1,087	1,114	1,182	1,260	1,346	1,396
Subtotal, major public physical investment	BA	**95,069**	**97,472**	**88,200**	**84,962**	**91,799**	**92,427**	**95,208**
	O	81,168	88,282	86,913	85,978	84,692	85,473	86,456
Conduct of research and development:								
General science, space and technology	BA	**11,898**	**12,046**	**13,155**	**13,966**	**14,275**	**14,608**	**14,954**
	O	10,913	11,453	12,418	13,276	13,924	14,231	14,589
Energy	BA	**1,445**	**1,685**	**1,533**	**1,674**	**1,724**	**1,790**	**1,827**
	O	1,336	1,635	1,596	1,637	1,682	1,747	1,777
Transportation	BA	**1,679**	**1,706**	**1,456**	**1,401**	**1,474**	**1,507**	**1,541**
	O	1,420	1,208	1,603	1,531	1,511	1,539	1,570
Health	BA	**22,114**	**25,104**	**28,625**	**29,139**	**29,789**	**30,480**	**31,155**
	O	18,852	22,488	25,207	27,976	29,342	29,994	30,716
Natural resources and environment	BA	**2,122**	**2,183**	**2,087**	**2,129**	**2,174**	**2,225**	**2,278**
	O	1,749	1,897	1,888	1,860	1,887	1,933	1,960
All other research and development	BA	**4,061**	**4,243**	**4,029**	**4,103**	**4,175**	**4,264**	**4,355**
	O	3,683	4,253	4,297	4,458	4,512	4,639	4,748
Subtotal, conduct of research and development	BA	**43,319**	**46,967**	**50,885**	**52,412**	**53,611**	**54,874**	**56,110**
	O	37,953	42,934	47,009	50,738	52,858	54,083	55,360
Conduct of education and training:								
Education, training, employment and social services:								
Elementary, secondary, and vocational education	BA	**24,981**	**32,986**	**34,387**	**35,104**	**35,888**	**36,725**	**37,588**
	O	22,993	26,644	31,786	34,065	35,019	35,778	36,607
Higher education	BA	**18,040**	**20,621**	**19,187**	**18,743**	**19,254**	**19,775**	**20,301**
	O	17,202	18,295	19,080	18,264	18,563	19,042	19,560
Research and general education aids	BA	**2,857**	**2,587**	**2,552**	**2,605**	**2,643**	**2,698**	**2,753**
	O	2,572	2,995	2,680	2,598	2,608	2,664	2,713
Training and employment	BA	**5,555**	**5,338**	**4,800**	**4,907**	**5,018**	**5,136**	**5,257**
	O	5,129	5,953	5,804	5,425	4,973	4,989	5,107
Social services	BA	**9,339**	**9,946**	**10,057**	**10,271**	**10,501**	**10,746**	**10,999**
	O	8,265	9,347	9,866	10,133	10,395	10,618	10,859
Subtotal, education, training, and social services	BA	**60,772**	**71,478**	**70,983**	**71,630**	**73,304**	**75,080**	**76,898**
	O	56,161	63,234	69,216	70,485	71,558	73,091	74,846
Veterans education, training, and rehabilitation	BA	**2,635**	**2,804**	**2,939**	**3,427**	**3,592**	**3,764**	**3,923**
	O	2,221	2,893	3,255	3,443	3,627	3,759	3,898
Health	BA	**1,408**	**1,563**	**1,257**	**1,280**	**1,309**	**1,339**	**1,370**
	O	1,161	1,399	1,340	1,309	1,358	1,394	1,418
Other education and training	BA	**2,180**	**2,312**	**2,246**	**2,221**	**2,285**	**2,348**	**2,412**
	O	1,773	2,340	2,250	2,311	2,372	2,412	2,470
Subtotal, conduct of education and training	BA	**66,995**	**78,157**	**77,425**	**78,558**	**80,490**	**82,531**	**84,603**
	O	61,316	69,866	76,061	77,548	78,915	80,656	82,632
Subtotal, nondefense investment	BA	**205,383**	**222,596**	**216,510**	**215,932**	**225,900**	**229,832**	**235,921**
	O	180,437	201,082	209,983	214,264	216,465	220,212	224,448
Total, Federal investment	BA	**327,041**	**353,640**	**358,317**	**367,916**	**387,318**	**401,796**	**422,074**
	O	292,556	324,552	342,573	351,347	367,067	380,009	392,330

Table 7–3. FEDERAL INVESTMENT BUDGET AUTHORITY AND OUTLAYS: GRANT AND DIRECT FEDERAL PROGRAMS

(in millions of dollars)

Description		2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
GRANTS TO STATE AND LOCAL GOVERNMENTS								
Major public physical investments:								
Construction and rehabilitation:								
Transportation:								
Highways	BA	**34,564**	**35,136**	**30,716**	**26,336**	**31,775**	**32,365**	**32,966**
	O	27,206	28,841	27,804	24,879	24,054	24,271	24,662
Mass transportation	BA	**7,210**	**6,576**	**6,915**	**7,059**	**7,218**	**7,386**	**7,559**
	O	6,760	6,222	6,330	6,425	6,457	6,408	7,106
Rail transportation	BA	....	....	....	....	....	....	....
	O	7	2	....	....	....	....	....
Air transportation	BA	**2,597**	**3,176**	**3,404**	**3,462**	**3,524**	**3,591**	**3,659**
	O	2,020	2,801	3,273	3,407	3,502	3,613	3,689
Subtotal, transportation	BA	**44,371**	**44,888**	**41,035**	**36,857**	**42,517**	**43,342**	**44,184**
	O	35,993	37,866	37,407	34,711	34,013	34,292	35,457
Other construction and rehabilitation:								
Pollution control and abatement	BA	**2,851**	**2,898**	**2,581**	**2,635**	**2,694**	**1,853**	**1,897**
	O	2,720	2,651	2,891	2,922	2,919	2,875	2,742
Other natural resources and environment	BA	**82**	**36**	**41**	**42**	**43**	**44**	**45**
	O	67	66	75	59	58	48	49
Community development block grants	BA	**5,112**	**7,000**	**4,732**	**4,831**	**4,938**	**5,053**	**5,171**
	O	4,939	5,235	5,878	6,526	5,472	4,950	5,014
Other community and regional development	BA	**1,921**	**1,304**	**1,227**	**1,254**	**1,280**	**1,311**	**1,342**
	O	1,320	1,530	1,499	1,405	1,316	1,262	1,303
Housing assistance	BA	**7,285**	**7,238**	**7,057**	**7,205**	**7,365**	**7,538**	**7,713**
	O	7,198	7,618	7,673	8,060	8,091	8,580	7,637
Department of Education	BA	**1,213**	**48**	**45**	**46**	**47**	**48**	**49**
	O	11	506	329	342	343	347	355
Other construction	BA	**913**	**204**	**203**	**207**	**210**	**215**	**219**
	O	165	185	201	213	216	220	226
Subtotal, other construction and rehabilitation	BA	**19,377**	**18,728**	**15,886**	**16,220**	**16,577**	**16,062**	**16,436**
	O	16,420	17,791	18,546	19,527	18,415	18,282	17,326
Subtotal, construction and rehabilitation	BA	**63,748**	**63,616**	**56,921**	**53,077**	**59,094**	**59,404**	**60,620**
	O	52,413	55,657	55,953	54,238	52,428	52,574	52,783
Other physical assets	BA	**1,417**	**1,417**	**1,318**	**1,393**	**1,451**	**1,487**	**1,537**
	O	990	1,158	1,209	1,237	1,316	1,407	1,453
Subtotal, major public physical investments	BA	**65,165**	**65,033**	**58,239**	**54,470**	**60,545**	**60,891**	**62,157**
	O	53,403	56,815	57,162	55,475	53,744	53,981	54,236
Conduct of research and development:								
Agriculture	BA	**269**	**268**	**258**	**263**	**270**	**275**	**282**
	O	238	259	265	298	281	297	304
Other	BA	**264**	**249**	**250**	**237**	**266**	**269**	**231**
	O	144	191	304	288	283	292	293
Subtotal, conduct of research and development	BA	**533**	**517**	**508**	**500**	**536**	**544**	**513**
	O	382	450	569	586	564	589	597
Conduct of education and training:								
Elementary, secondary, and vocational education	BA	**22,511**	**31,180**	**33,172**	**33,864**	**34,621**	**35,429**	**36,261**
	O	21,326	24,671	29,750	32,260	33,261	33,991	34,778
Higher education	BA	**449**	**449**	**382**	**390**	**399**	**408**	**418**
	O	360	523	445	445	449	455	467
Research and general education aids	BA	**775**	**635**	**633**	**655**	**659**	**675**	**690**
	O	670	896	734	680	660	675	690
Training and employment	BA	**4,090**	**3,827**	**3,261**	**3,376**	**3,452**	**3,533**	**3,616**
	O	3,791	4,516	4,317	4,030	3,646	3,664	3,755
Social services	BA	**8,967**	**9,569**	**9,701**	**9,908**	**10,129**	**10,365**	**10,609**
	O	7,960	8,739	9,526	9,784	10,038	10,254	10,485
Agriculture	BA	**461**	**465**	**448**	**457**	**468**	**478**	**490**
	O	458	505	463	470	487	504	515
Other	BA	**268**	**451**	**328**	**338**	**359**	**379**	**399**

Table 7–3. FEDERAL INVESTMENT BUDGET AUTHORITY AND OUTLAYS: GRANT AND DIRECT FEDERAL PROGRAMS—Continued

(in millions of dollars)

Description		2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
	O	244	394	301	285	298	313	326
Subtotal, conduct of education and training	BA	**37,521**	**46,576**	**47,925**	**48,988**	**50,087**	**51,267**	**52,483**
	O	34,809	40,244	45,536	47,954	48,839	49,856	51,016
Subtotal, grants for investment	BA	**103,219**	**112,126**	**106,672**	**103,958**	**111,168**	**112,702**	**115,153**
	O	88,594	97,509	103,267	104,015	103,147	104,426	105,849
DIRECT FEDERAL PROGRAMS								
Major public physical investment:								
Construction and rehabilitation:								
National defense:								
Military construction and family housing	BA	**7,672**	**9,330**	**7,753**	**8,827**	**10,050**	**14,528**	**17,497**
	O	6,875	7,525	8,292	8,136	7,900	8,852	11,217
Atomic energy defense activities and other	BA	**491**	**752**	**663**	**676**	**690**	**704**	**719**
	O	577	693	655	679	692	706	722
Subtotal, national defense	BA	**8,163**	**10,082**	**8,416**	**9,503**	**10,740**	**15,232**	**18,216**
	O	7,452	8,218	8,947	8,815	8,592	9,558	11,939
Nondefense:								
International affairs	BA	**758**	**1,343**	**1,440**	**1,470**	**1,504**	**1,539**	**1,574**
	O	392	932	1,058	1,242	1,352	1,401	1,434
General science, space, and technology	BA	**3,026**	**2,394**	**2,065**	**2,033**	**2,078**	**2,126**	**2,177**
	O	3,034	2,675	2,254	2,149	2,150	2,193	2,245
Water resources projects	BA	**5,002**	**4,379**	**3,861**	**3,928**	**4,295**	**4,157**	**4,248**
	O	4,476	4,569	4,209	3,983	4,130	4,266	4,266
Other natural resources and environment	BA	**2,192**	**1,902**	**1,795**	**1,833**	**1,874**	**1,919**	**1,963**
	O	1,970	1,893	1,910	1,999	1,961	1,960	2,001
Energy	BA	**1,426**	**1,990**	**1,271**	**1,357**	**1,760**	**1,385**	**1,316**
	O	1,436	1,981	1,272	1,359	1,762	1,386	1,318
Postal Service	BA	**327**	**851**	**1,331**	**983**	**1,114**	**1,048**	**1,532**
	O	1,039	612	1,039	1,080	1,070	1,103	1,267
Transportation	BA	**332**	**317**	**370**	**376**	**386**	**393**	**402**
	O	383	359	412	383	376	390	401
Housing assistance	BA	**34**	**35**	**35**	**36**	**37**	**37**	**38**
	O	22	26	33	33	33	34	35
Veterans hospitals and other health facilities	BA	**1,298**	**1,766**	**1,891**	**1,927**	**1,968**	**2,013**	**2,061**
	O	1,237	1,593	1,591	1,702	1,776	1,821	1,865
Federal Prison System	BA	**732**	**680**	**244**	**249**	**255**	**261**	**267**
	O	504	411	625	454	339	329	336
GSA real property activities	BA	**1,184**	**1,545**	**1,543**	**1,575**	**1,610**	**1,648**	**1,687**
	O	959	1,325	1,298	1,336	1,388	1,420	1,449
Other construction	BA	**3,315**	**3,131**	**1,700**	**1,722**	**1,765**	**1,805**	**1,842**
	O	1,729	3,034	1,998	1,937	1,812	1,688	1,703
Subtotal, nondefense	BA	**19,626**	**20,333**	**17,546**	**17,489**	**18,646**	**18,331**	**19,107**
	O	17,181	19,410	17,699	17,657	18,149	17,991	18,320
Subtotal, construction and rehabilitation	BA	**27,789**	**30,415**	**25,962**	**26,992**	**29,386**	**33,563**	**37,323**
	O	24,633	27,628	26,646	26,472	26,741	27,549	30,259
Acquisition of major equipment:								
National defense:								
Department of Defense	BA	**63,679**	**62,994**	**70,305**	**76,166**	**80,634**	**88,360**	**100,415**
	O	56,131	60,802	63,600	66,708	76,460	83,208	89,016
Atomic energy defense activities	BA	**110**	**109**	**109**	**111**	**113**	**116**	**118**
	O	106	105	108	116	120	123	125
Subtotal, national defense	BA	**63,789**	**63,103**	**70,414**	**76,277**	**80,747**	**88,476**	**100,533**
	O	56,237	60,907	63,708	66,824	76,580	83,331	89,141
Nondefense:								
General science and basic research	BA	**504**	**476**	**471**	**475**	**485**	**496**	**507**
	O	388	495	489	456	468	484	495
Space flight, research, and supporting activities	BA	**990**	**702**	**632**	**655**	**670**	**686**	**702**
	O	1,042	671	620	638	659	676	692
Energy	BA	**118**	**116**	**116**	**116**	**105**	**102**	**103**

Table 7–3. FEDERAL INVESTMENT BUDGET AUTHORITY AND OUTLAYS: GRANT AND DIRECT FEDERAL PROGRAMS—Continued

(in millions of dollars)

Description		2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
	O	118	116	116	116	105	102	103
Postal Service	BA	**299**	**493**	**900**	**994**	**675**	**675**	**1,123**
	O	675	694	612	787	796	736	839
Air transportation	BA	**2,634**	**3,123**	**3,034**	**3,097**	**3,166**	**3,239**	**3,315**
	O	2,327	2,516	2,766	2,895	2,961	3,156	3,229
Water transportation (Coast Guard)	BA	**271**	**482**	**547**	**558**	**571**	**584**	**598**
	O	441	472	460	487	526	556	578
Other transportation (railroads)	BA	**520**	**621**	**521**	**532**	**544**	**556**	**570**
	O	553	854	571	562	544	556	570
Social security	BA	....	....	....	....	....	....	....
	O	80	64	47	49	52	56	59
Hospital and medical care for veterans	BA	**653**	**606**	**610**	**623**	**637**	**653**	**668**
	O	960	782	915	937	955	979	1,002
Department of Justice	BA	**502**	**1,020**	**1,255**	**1,280**	**1,306**	**1,333**	**1,362**
	O	409	917	1,098	1,183	1,211	1,233	1,259
Department of the Treasury	BA	**1,340**	**1,859**	**1,904**	**1,933**	**1,976**	**2,024**	**2,072**
	O	1,197	2,021	1,827	1,859	1,943	2,000	2,046
GSA general supply fund	BA	**410**	**562**	**656**	**668**	**679**	**691**	**704**
	O	552	562	656	668	679	691	704
Other	BA	**1,290**	**1,457**	**1,550**	**1,540**	**1,574**	**1,611**	**1,649**
	O	1,138	1,279	1,498	1,582	1,610	1,664	1,703
Subtotal, nondefense	BA	**9,531**	**11,517**	**12,196**	**12,471**	**12,388**	**12,650**	**13,373**
	O	9,880	11,443	11,675	12,219	12,509	12,889	13,279
Subtotal, acquisition of major equipment	BA	**73,320**	**74,620**	**82,610**	**88,748**	**93,135**	**101,126**	**113,906**
	O	66,117	72,350	75,383	79,043	89,089	96,220	102,420
Purchase or sale of land and structures:								
National defense	BA	**–14**	**–4**	**–14**	**–31**	**–31**	**–31**	**–31**
	O	–21	–9	–12	–31	–31	–31	–31
International affairs	BA	**27**	**1**	**3**	**3**	**3**	**3**	**3**
	O	88	1	1	1	1	1	1
Privatization of Elk Hills	BA	....	....	....	....	**–323**	....	....
	O	....	....	....	....	–323	....	....
Other	BA	**720**	**588**	**216**	**529**	**540**	**552**	**568**
	O	616	613	376	626	612	611	620
Subtotal, purchase or sale of land and structures	BA	**733**	**585**	**205**	**501**	**189**	**524**	**540**
	O	683	605	365	596	259	581	590
Subtotal, major public physical investment	BA	**101,842**	**105,620**	**108,777**	**116,241**	**122,710**	**135,213**	**151,769**
	O	91,433	100,583	102,394	106,111	116,089	124,350	133,269
Conduct of research and development:								
National defense								
Defense military	BA	**46,702**	**53,721**	**59,354**	**62,533**	**66,191**	**64,442**	**63,516**
	O	45,454	50,213	56,311	57,744	61,657	63,065	62,884
Atomic energy and other	BA	**3,011**	**4,134**	**3,629**	**3,694**	**3,763**	**3,837**	**3,911**
	O	2,990	4,133	3,628	3,723	3,796	3,866	3,941
Subtotal, national defense	BA	**49,713**	**57,855**	**62,983**	**66,227**	**69,954**	**68,279**	**67,427**
	O	48,444	54,346	59,939	61,467	65,453	66,931	66,825
Nondefense:								
International affairs	BA	**252**	**268**	**182**	**186**	**190**	**195**	**199**
	O	215	214	186	246	269	284	296
General science, space and technology:								
NASA	BA	**6,432**	**6,339**	**7,228**	**7,953**	**8,130**	**8,320**	**8,517**
	O	6,060	6,085	6,847	7,546	7,966	8,193	8,406
National Science Foundation	BA	**3,075**	**3,285**	**3,441**	**3,475**	**3,550**	**3,633**	**3,719**
	O	2,566	2,943	3,085	3,200	3,375	3,396	3,479
Department of Energy	BA	**2,391**	**2,422**	**2,486**	**2,538**	**2,595**	**2,655**	**2,718**
	O	2,287	2,425	2,486	2,530	2,583	2,642	2,704
Subtotal, general science, space and technology	BA	**12,150**	**12,314**	**13,337**	**14,152**	**14,465**	**14,803**	**15,153**
	O	11,128	11,667	12,604	13,522	14,193	14,515	14,885

Table 7–3. FEDERAL INVESTMENT BUDGET AUTHORITY AND OUTLAYS: GRANT AND DIRECT FEDERAL PROGRAMS—Continued

(in millions of dollars)

Description		2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Energy	BA	**1,445**	**1,685**	**1,533**	**1,674**	**1,724**	**1,790**	**1,827**
	O	1,336	1,635	1,596	1,637	1,682	1,747	1,777
Transportation:								
Department of Transportation	BA	**558**	**648**	**488**	**478**	**507**	**518**	**531**
	O	410	593	589	550	507	518	529
NASA	BA	**973**	**918**	**817**	**793**	**811**	**830**	**849**
	O	906	498	791	780	808	822	838
Subtotal, transportation	BA	**2,976**	**3,251**	**2,838**	**2,945**	**3,042**	**3,138**	**3,207**
	O	2,652	2,726	2,976	2,967	2,997	3,087	3,144
Health:								
National Institutes of Health	BA	**20,993**	**23,860**	**27,504**	**27,992**	**28,613**	**29,279**	**29,964**
	O	17,905	21,257	24,051	26,809	28,246	28,870	29,570
All other health	BA	**1,043**	**1,159**	**1,033**	**1,053**	**1,078**	**1,101**	**1,130**
	O	929	1,195	1,110	1,102	1,022	1,042	1,068
Subtotal, health	BA	**22,036**	**25,019**	**28,537**	**29,045**	**29,691**	**30,380**	**31,094**
	O	18,834	22,452	25,161	27,911	29,268	29,912	30,638
Agriculture	BA	**1,389**	**1,437**	**1,445**	**1,472**	**1,489**	**1,524**	**1,558**
	O	1,281	1,384	1,393	1,470	1,501	1,562	1,600
Natural resources and environment	BA	**2,122**	**2,183**	**2,087**	**2,129**	**2,174**	**2,225**	**2,278**
	O	1,749	1,897	1,888	1,860	1,887	1,933	1,960
National Institute of Standards and Technology	BA	**374**	**421**	**366**	**374**	**382**	**392**	**401**
	O	408	416	443	400	380	381	385
Hospital and medical care for veterans	BA	**746**	**794**	**844**	**862**	**880**	**901**	**923**
	O	857	943	994	1,018	1,042	1,067	1,093
All other research and development	BA	**993**	**1,031**	**923**	**933**	**952**	**967**	**983**
	O	662	999	981	1,004	1,026	1,037	1,058
Subtotal, nondefense	BA	**42,786**	**46,450**	**50,377**	**51,912**	**53,075**	**54,330**	**55,597**
	O	37,571	42,484	46,440	50,152	52,294	53,494	54,763
Subtotal, conduct of research and development	BA	**92,499**	**104,305**	**113,360**	**118,139**	**123,029**	**122,609**	**123,024**
	O	86,015	96,830	106,379	111,619	117,747	120,425	121,588
Conduct of education and training:								
Elementary, secondary, and vocational education	BA	**2,470**	**1,806**	**1,215**	**1,240**	**1,267**	**1,296**	**1,327**
	O	1,667	1,973	2,036	1,805	1,758	1,787	1,829
Higher education	BA	**17,591**	**20,172**	**18,805**	**18,353**	**18,855**	**19,367**	**19,883**
	O	16,842	17,772	18,635	17,819	18,114	18,587	19,093
Research and general education aids	BA	**2,082**	**1,952**	**1,919**	**1,950**	**1,984**	**2,023**	**2,063**
	O	1,902	2,099	1,946	1,918	1,948	1,989	2,023
Training and employment	BA	**1,465**	**1,511**	**1,539**	**1,531**	**1,566**	**1,603**	**1,641**
	O	1,338	1,437	1,487	1,395	1,327	1,325	1,352
Health	BA	**1,390**	**1,549**	**1,243**	**1,266**	**1,294**	**1,324**	**1,355**
	O	1,143	1,385	1,326	1,295	1,344	1,380	1,404
Veterans education, training, and rehabilitation	BA	**2,635**	**2,804**	**2,939**	**3,427**	**3,592**	**3,764**	**3,923**
	O	2,221	2,893	3,255	3,443	3,627	3,759	3,898
General science and basic research	BA	**802**	**928**	**952**	**892**	**912**	**933**	**955**
	O	575	905	927	943	928	926	943
National defense	BA	**7**	**8**	**8**	**8**	**8**	**8**	**8**
	O	7	8	8	8	8	8	8
International affairs	BA	**369**	**248**	**258**	**263**	**269**	**276**	**282**
	O	311	285	291	284	290	274	280
Other	BA	**670**	**611**	**630**	**648**	**664**	**678**	**691**
	O	508	873	622	692	740	773	794
Subtotal, conduct of education and training	BA	**29,481**	**31,589**	**29,508**	**29,578**	**30,411**	**31,272**	**32,128**
	O	26,514	29,630	30,533	29,602	30,084	30,808	31,624
Subtotal, direct Federal investment	BA	**223,822**	**241,514**	**251,645**	**263,958**	**276,150**	**289,094**	**306,921**
	O	203,962	227,043	239,306	247,332	263,920	275,583	286,481
Total, Federal investment	BA	**327,041**	**353,640**	**358,317**	**367,916**	**387,318**	**401,796**	**422,074**
	O	292,556	324,552	342,573	351,347	367,067	380,009	392,330

Part II: FEDERALLY FINANCED CAPITAL STOCKS

Federal investment spending creates a "stock" of capital that is available in the future for productive use. Each year, Federal investment outlays add to the stock of capital. At the same time, however, wear and tear and obsolescence reduce it. This section presents very rough measures over time of three different kinds of capital stocks financed by the Federal Government: public physical capital, research and development (R&D), and education.

Federal spending for physical assets adds to the Nation's capital stock of tangible assets, such as roads, buildings, and aircraft carriers. These assets deliver a flow of services over their lifetime. The capital depreciates as the asset ages, wears out, is accidentally damaged, or becomes obsolete.

Federal spending for the conduct of research, development, and education adds to an "intangible" asset, the Nation's stock of knowledge. Although financed by the Federal Government, the research and development or education can be performed by Federal or State government laboratories, universities and other nonprofit organizations, or private industry. Research and development covers a wide range of activities, from the investigation of subatomic particles to the exploration of outer space; it can be "basic" research without particular applications in mind, or it can have a highly specific practical use. Similarly, education includes a wide variety of programs, assisting people of all ages beginning with pre-school education and extending through graduate studies and adult education. Like physical assets, the capital stocks of R&D and education provide services over a number of years and depreciate as they become outdated.

For this analysis, physical and R&D capital stocks are estimated using the perpetual inventory method. In this method, the estimates are based on the sum of net investment in prior years. Each year's Federal outlays are treated as gross investment, adding to the capital stock; depreciation reduces the capital stock. Gross investment less depreciation is net investment. A limitation of the perpetual inventory method is that investment spending may not accurately measure the value of the asset created. However, alternative methods for measuring asset value, such as direct surveys of current market worth or indirect estimation based on an expected rate of return, are especially difficult to apply to assets that do not have a private market, such as highways or weapons systems.

In contrast to physical and R&D stocks, the estimate of the education stock is based on the replacement cost method. Data on the total years of education of the U.S. population are combined with data on the cost of education and the Federal share of education spending to yield the cost of replacing the Federal share of the Nation's stock of education.

Additional detail about the methods used to estimate capital stocks appears in a methodological note at the end of this section. It should be stressed that these estimates are rough approximations, and provide a basis only for making broad generalizations. Errors may arise from uncertainty about the useful lives and depreciation rates of different types of assets, incomplete data for historical outlays, and imprecision in the deflators used to express costs in constant dollars.

The Stock of Physical Capital

This section presents data on stocks of physical capital assets and estimates of the depreciation on these assets.

Trends.—Table 7–4 shows the value of the net federally financed physical capital stock since 1960, in constant fiscal year 1996 dollars. The total stock grew at a 2.2 percent average annual rate from 1960 to 2001, with periods of faster growth during the late 1960s and the 1980s. The stock amounted to $1,965 billion in 2001 and is estimated to increase to $2,066 billion by 2003. In 2001, the national defense capital stock accounted for $635 billion, or 32 percent of the total, and nondefense stocks for $1,331 billion, or 68 percent of the total.

Table 7–4. NET STOCK OF FEDERALLY FINANCED PHYSICAL CAPITAL

(In billions of 1996 dollars)

Fiscal Year	Total	National Defense	Nondefense								
			Total Non-defense	Direct Federal Capital			Capital Financed by Federal Grants				
				Total	Water and Power	Other	Total	Trans-portation	Commu-nity and Regional	Natural Resources	Other
Five year intervals:											
1960	806	572	234	98	61	36	136	82	25	20	9
1965	892	554	338	128	78	51	209	146	30	21	12
1970	1,044	589	455	155	94	61	301	213	44	25	19
1975	1,091	521	570	176	109	67	394	261	71	39	23
1980	1,216	484	732	206	130	76	526	317	112	73	25
1985	1,422	569	853	234	143	90	619	368	135	92	24
1990	1,696	721	975	269	154	114	706	429	147	105	26
Annual data:											
1995	1,832	712	1,119	311	164	146	809	496	156	115	43
1996	1,845	691	1,153	319	165	154	834	511	159	116	48
1997	1,858	672	1,186	327	165	162	859	526	162	118	53
1998	1,869	657	1,212	330	165	165	883	540	165	119	59
1999	1,890	644	1,246	338	166	173	908	556	168	120	65
2000	1,922	635	1,286	351	167	183	936	574	170	121	70
2001	1,965	635	1,331	364	170	194	967	595	173	123	76
2002 est.	2,017	639	1,378	379	173	206	999	617	176	124	82
2003 est.	2,066	645	1,421	392	175	217	1,029	637	179	126	87

Real stocks of defense and nondefense capital show very different trends. Nondefense stocks have grown consistently since 1970, increasing from $455 billion in 1970 to $1,331 billion in 2001. With the investments proposed in the budget, nondefense stocks are estimated to grow to $1,421 billion in 2003. During the 1970s, the nondefense capital stock grew at an average annual rate of 4.9 percent. In the 1980s, however, the growth rate slowed to 2.9 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, a large defense buildup began to increase the stock of defense capital. By 1986, the defense stock had exceeded its earlier Vietnam-era peak. In recent years, depreciation on the increased stocks, together with a slower pace of defense physical capital investment allowed by the collapse of the Soviet Union and the closure or realignment of unneeded military bases, reduced the stock from its previous levels. The increased defense investment in this budget would reverse this decline.

Another trend in the Federal physical capital stocks is the shift from direct Federal assets to grant-financed assets. In 1960, 42 percent of federally financed nondefense capital was owned by the Federal Government, and 58 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 slower growth in direct Federal investment for water resources, for example, shifted the composition of the stock substantially. In 2001, 27 percent of the nondefense stock was owned by the Federal Government and 73 percent by State and local governments.

The growth in the stock of physical capital financed by grants has come in several areas. The growth in the stock for transportation is largely grants for highways, including the Interstate Highway System. The growth in community and regional development stocks occurred largely with the enactment of the community development block grant in the early 1970s. The value of this capital stock has grown only slowly in the past few years. The growth in the natural resources area occurred primarily because of construction grants for sewage treatment facilities. The value of this federally financed stock has increased about 30 percent since the mid-1980s.

Table 7–5 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. For some categories in the table, such as water and power programs, however, 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 7–4.

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 7–6, the R&D capital stock financed by Federal outlays is estimated to be $933 billion in 2001 in constant 1996 dollars. Roughly

Table 7–5. COMPOSITION OF GROSS AND NET FEDERAL AND FEDERALLY FINANCED NONDEFENSE PUBLIC PHYSICAL INVESTMENT

(In billions of 1996 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	22.7	4.7	18.1	7.0	2.2	4.7	2.5	2.3	15.7	2.4	13.3	12.6	0.1	0.1	0.5
1965	32.5	6.9	25.6	10.1	3.0	7.1	3.3	3.8	22.3	3.8	18.5	15.5	2.1	0.4	0.5
1970	32.1	9.4	22.6	6.9	3.8	3.1	2.3	0.8	25.1	5.6	19.5	11.9	5.1	0.9	1.6
1975	32.9	11.6	21.3	9.0	4.3	4.8	3.6	1.2	23.8	7.4	16.5	7.0	4.3	4.5	0.7
1980	46.9	14.6	32.4	11.0	4.9	6.0	3.9	2.2	36.0	9.6	26.4	12.3	7.5	6.8	–0.2
1985	45.4	17.8	27.7	13.7	6.4	7.4	2.6	4.8	31.7	11.4	20.3	13.0	4.1	3.2	–0.1
1990	46.3	22.3	24.0	16.2	9.2	7.0	2.4	4.5	30.1	13.1	17.1	11.9	1.7	2.1	1.4
Annual data:															
1995	59.9	26.3	33.5	19.5	11.4	8.2	1.8	6.3	40.3	15.0	25.4	15.2	2.8	2.0	5.4
1996	61.1	27.3	33.8	20.7	11.8	8.9	0.9	8.0	40.3	15.4	24.9	14.9	3.0	1.6	5.5
1997	60.9	28.2	32.7	20.0	12.3	7.7	–0.1	7.8	40.9	15.9	25.0	15.2	2.9	1.5	5.3
1998	55.5	29.0	26.6	15.5	12.6	2.9	–*	2.9	40.0	16.4	23.7	14.1	2.7	1.1	5.8
1999	63.5	29.8	33.7	21.3	12.9	8.4	0.7	7.8	42.2	16.8	25.3	16.1	2.7	1.2	5.3
2000	71.1	30.9	40.2	25.7	13.5	12.2	1.6	10.6	45.4	17.4	28.1	18.1	2.7	1.6	5.7
2001	76.3	32.2	44.1	27.7	14.3	13.3	2.7	10.7	48.6	17.9	30.7	21.0	2.8	1.5	5.4
2002 est.	81.3	33.8	47.5	30.7	15.2	15.4	3.1	12.3	50.6	18.5	32.1	21.5	3.1	1.5	6.0
2003 est.	78.2	35.3	42.9	28.5	16.1	12.3	1.9	10.4	49.7	19.1	30.6	19.9	3.4	1.6	5.6

* $50 million or less.

half is the stock of basic research knowledge; the remainder is the stock of applied research and development.

The nondefense stock accounted for about three-fifths of the total federally financed R&D stock in 2001. Although investment in defense R&D has exceeded that of nondefense R&D in every year since 1981, 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. Increased defense R&D spending from 1980 through 1990 led to a more rapid growth of the R&D stock. Subsequently, real defense R&D outlays tapered off, depreciation grew, and, as a result, the real net defense R&D stock stabilized at around $400 billion.

The growth of the nondefense R&D stock slowed from the 1970s to the 1980s, from an annual rate of 3.8 percent in the 1970s to a rate of 2.1 percent in the 1980s. Gross investment in real terms fell during much of the 1980s, and about three-fourths of new outlays went to replacing depreciated R&D. Since 1988, however, nondefense R&D outlays have been on an upward trend while depreciation has edged down. As a result, the net nondefense R&D capital stock has grown more rapidly.

The Stock of Education Capital

This section presents estimates of the stock of education capital financed by the Federal government.

As shown in Table 7–7, the federally financed education stock is estimated at $1,057 billion in 2001 in constant 1996 dollars, rising to $1,157 billion in 2003. 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.[1] 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 5.3 percent from 1970 to 2001, and the expansion of the education stock is projected to continue under this budget.

Note on Estimating Methods

This note provides further technical detail about the estimation of the capital stock series presented in Tables 7–4 through 7–7.

As stated previously, the capital stock estimates are very rough approximations. Sources of possible error include:

Methodological issues.—The stocks of physical capital and research and development are estimated with the perpetual inventory method. A fundamental assumption of this method is that each dollar of investment spending adds a dollar to the value of the capital stock in the period in which the spending takes place. In reality,

[1] For estimates of the total education stock, see table 3–4 in Chapter 3, "Stewardship: Toward a Federal Balance Sheet."

Table 7–6. NET STOCK OF FEDERALLY FINANCED RESEARCH AND DEVELOPMENT [1]

(In billions of 1996 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	247	15	233	204	63	140	451	78	373
1975	262	19	242	249	92	157	511	112	399
1980	265	24	242	295	125	170	560	148	412
1985	304	29	276	321	165	156	626	194	432
1990	381	34	347	362	217	146	744	251	493
Annual data:									
1995	399	40	359	436	278	158	835	318	517
1996	401	42	360	448	290	158	850	332	518
1997	403	43	360	463	303	160	866	346	520
1998	403	44	360	478	317	162	882	360	522
1999	402	45	358	495	331	164	897	376	521
2000	398	46	353	512	347	164	910	393	517
2001	400	47	353	533	366	167	933	413	520
2002 est.	405	48	357	558	386	172	963	434	529
2003 est.	413	49	364	585	408	177	999	458	541

[1] Excludes stock of physical capital for research and development, which is included in Table 7–4.

Table 7–7. NET STOCK OF FEDERALLY FINANCED EDUCATION CAPITAL

(In billions of 1996 dollars)

Fiscal Year	Total Education Stock	Elementary and Secondary Education	Higher Education
Five year intervals:			
1960	67	48	19
1965	93	67	26
1970	213	167	46
1975	307	247	60
1980	434	338	96
1985	535	399	137
1990	703	519	184
Annual data:			
1995	792	575	218
1996	822	597	226
1997	856	621	235
1998	909	661	248
1999	968	707	261
2000	1,013	742	271
2001	1,057	769	288
2002 est.	1,094	793	301
2003 est.	1,157	839	318

the value of the asset created could be more or less than the investment spending. As an extreme example, in cases where a project is canceled before completion, the spending on the project does not result in the creation of any asset. Even where asset value is equal to investment spending, there might be timing differences in spending and the creation of a capital asset. For example, payments for constructing an aircraft carrier might be made over a period of years, with the capital asset only created at the end of the period.

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 1996 prices were made through the application of price measures from the National Income and Product Accounts (NIPAs), but these should be considered only approximations of the costs of these assets in 1996 prices.

Depreciation.—The useful lives of physical, R&D, and education capital, as well as the pattern by which they depreciate, are very uncertain. This is compounded by using depreciation rates for broad classes of assets, which do not apply uniformly to all the components of each group. As a result, the depreciation estimates should also be considered approximations. This limitation is especially important in capital financed by grants, where the specific asset financed with the grant is often subject to the discretion of the recipient jurisdiction.

Research continues on the best methods to estimate these capital stocks. The estimates presented in the text could change as better information becomes available on the underlying investment data and as improved methods are developed for estimating the stocks based on those data.

Physical Capital Stocks

For many years, current and constant-cost data on the stock of most forms of public and private physical capital—e.g., roads, factories, and housing—have been estimated annually by the Bureau of Economic Analysis (BEA) in the Department of Commerce. With two recent comprehensive revisions of the NIPAs in January 1996 and October 1999, government investment has taken increased prominence. Government investment in physical capital is now reported separately from government consumption expenditures, and government consumption expenditures include depreciation as a measure of the services provided by the existing capital stock. In addition, as part of the most recent revisions, a new NIPA table explicitly links investment and capital stocks by reporting the net stock of Government physical capital and decomposing the annual change in the stock into investment, depreciation, extraordinary changes such as disasters, and revaluation.[2]

The BEA data are not directly linked to the Federal budget, do not extend to the years covered by the budget, and do not separately identify the capital financed but not owned by the Federal Government. For these reasons, OMB prepares separate estimates for budgetary purposes, using techniques that roughly follow the BEA methods.

Method of estimation.—The estimates were developed from the OMB historical data base for physical capital outlays and grants to State and local governments for physical capital. These are the same major public physical capital outlays presented in Part I. This data base extends back to 1940 and was supplemented by rough estimates for 1915–1939.

The deflators used to convert historical outlays to constant 1996 dollars were based on chained NIPA price indexes for Federal, State, and local consumption of durables and gross investment. For 1915 through 1929, deflators were estimated from Census Bureau historical statistics on constant price public capital formation.

The resulting capital stocks were aggregated into nine categories and depreciated using geometric rates roughly following those of BEA, which estimates depreciation using much more detailed categories.[3] The geometric rates were 1.9 percent for water and power projects; 2.4 percent for other direct nondefense construction and rehabilitation; 20.3 percent for nondefense equipment; 14.0 percent for defense equipment; 2.1 percent for defense structures; 2.0 percent for transportation grants; 1.7 percent for community and regional development grants; 1.5 percent for natural resources and environment grants; and 1.8 percent for other nondefense grants.

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 1996 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.[4] More recent experimental work at BEA, extending estimates of tangible capital stocks to R&D, used slightly different assumptions. This work assumed straight-line depreciation for all R&D over a useful life of 18 years, which is roughly equivalent to a geometric depreciation rate of 11 percent. The slightly higher depreciation rate and its ex-

[2] BEA most recently presented its capital stocks in "Fixed Assets and Consumer Durable Goods for 1925–2000," *Survey of Current Business,* September 2001, pp. 27–38.

[3] BEA presented its depreciation methods and rates in "Improved Estimates of Fixed Reproducible Tangible Wealth, 1929–95," *Survey of Current Business,* May 1997, pp. 69–76. Changes in depreciation methods introduced with BEA's October 1999 comprehensive revisions were detailed in "Fixed Assets and Consumer Durable Goods," *Survey of Current Business,* April 2000, pp. 17–30.

[4] See U.S. Department of Labor, Bureau of Labor Statistics, *The Impact of Research and Development on Productivity Growth,* Bulletin 2331, September 1989.

tension to basic research would result in smaller stocks than the method used here.[5]

Education Capital Stocks

Method of estimation.—The estimates of the federally financed education capital stock in Table 7–7 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, including opportunity costs. 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 3, "Stewardship: Toward a Federal Balance Sheet."

The stock of capital estimated in Table 7–7 is based only on spending for education. Stocks created by other human capital investment outlays included in Table 7–1, 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.

Part III: 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, and a capital budget process may take many different forms. This section is intended to show the implications of budgeting for capital separately or changing the basis for measuring capital investment in the budget. An Administration proposal being developed for capital acquisition funds is discussed in chapter 1 of this volume, "Budget and Performance Integration." It would neither budget for capital separately nor change the basis for measuring capital investment in the budget.

The Federal budget mainly finances investment for two quite different types of reasons. It invests in capital—such as office buildings, computers, and weapons systems—that primarily contributes to its ability to provide governmental services to the public; some of these services, in turn, are designed to increase economic growth. And it invests in capital—such as highways, education, and research—that contributes more directly to the economic growth of the Nation. Most of the capital in the second category, unlike the first, is not owned or controlled by the Federal Government. In the discussion that follows, the first is called "Federal capital" and the second is called "national capital." Table 7–8 compares total Federal investment as defined in Part I of this chapter with investment in Federal capital and in national capital. Some Federal investment is not classified as either Federal or national capital, and a relatively small part is included in both categories.

Capital budgets and other changes in Federal budgeting have been suggested from time to time for the Government's investment in both Federal and national capital. The proposals differ widely in coverage, depending on the rationale for the suggestion. Some would include all the investment shown in Table 7–1, or more, whereas others would be narrower in various ways. These proposals also differ in other respects, such as whether the basis for measuring capital investment in the budget is altered, 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 process for capital assets, which is a different subject, is discussed in a separate publication, the *Capital Programming Guide.*[6]

Investment in Federal Capital

The goal of investment in Federal capital is to deliver the right amount of Government services as efficiently and effectively as possible. The Congress allocates resources to Federal agencies to accomplish a wide variety of programmatic goals. Because these goals are diverse and most are not measured in dollars, they are difficult to compare with each other. Policy judgments must be made as to their relative importance.

Once amounts have been allocated for one of these goals, however, analysis may be able to assist in choosing the most efficient and effective means of delivering service. This is the context in which decisions are made on the amount of investment in Federal capital. For example, budget proposals for the Department of Justice must consider whether to increase the number of FBI agents, the amount of justice assistance grants to State and local governments, or the number of Federal prisons in order to accomplish the department's objectives. The optimal amount of investment in Federal capital to meet a goal derives from these decisions; the optimal amount of total investment to meet all of the Government's goals derives from these decisions and from the policy decisions about how much to allocate for each goal. There is no efficient target for total investment in Federal capital as such either for a single agency or for the Government as a whole.

[5] See "A Satellite Account for Research and Development," *Survey of Current Business,* November 1994, pp. 37–71.

[6] Office of Management and Budget, *Capital Programming Guide* (July 1997).

Table 7–8. ALTERNATIVE DEFINITIONS OF INVESTMENT OUTLAYS, 2003

(In millions of dollars)

	Investment Outlays		
	All types of capital [1]	Federal capital	National capital
Construction and rehabilitation:			
Grants:			
Transportation	37,407	....	37,407
Natural resources and environment	2,966	....	2,966
Community and regional development	7,377	....	1,238
Housing assistance	7,673	....	....
Other grants	530	....	425
Direct Federal:			
National defense	8,947	8,947	....
General science, space, and technology	2,254	2,239	2,254
Natural resources and environment	6,119	4,933	5,583
Energy	1,272	1,272	1,272
Transportation	412	359	412
Veterans and other health facilities	1,591	1,591	1,591
Postal Service	1,039	1,039	1,039
GSA real property activities	1,298	1,298	....
Other construction	3,714	3,360	1,300
Total construction and rehabilitation	82,599	25,038	55,487
Acquisition of major equipment (direct):			
National defense	63,708	63,708	....
Postal Service	612	612	612
Air transportation	2,766	2,766	2,766
Other	8,297	7,466	4,198
Total major equipment	75,383	74,552	7,576
Purchase or sale of land and structures	365	365	....
Other physical assets (grants)	1,209	....	95
Total physical investment	159,556	99,955	63,158
Research and development:			
Defense	59,939	....	1,277
Nondefense	47,009	....	46,668
Total research and development	106,948	....	47,945
Education and training	76,069	....	75,436
Total investment outlays	342,573	99,955	186,539

[1] Total outlays for "all types of capital" are equal to the total for "major Federal investment outlays" in Table 7–1. Some capital is not classified as either Federal or national capital, and a relatively small part is included in both categories.

The universe of Federal capital encompasses all 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 2003 is estimated to be $100.0 billion, or 29 percent of the total Federal investment outlays shown in Table 7–1. Of the investment in Federal capital, 73 percent is for defense and 27 percent for nondefense purposes.

A Capital Budget for Capital Assets

Discussion of a capital budget has often centered on Federal capital—buildings, other construction, equipment, and software 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.

Some capital budget proposals would partition the unified budget into a capital budget, an operating budget, and a total budget. Table 7–9 illustrates such a capital budget for capital assets as defined above. It is accompanied by an operating budget and a total budget. The operating budget consists of all expenditures except those included in the capital budget, plus depreciation on the stock of assets of the type purchased through the capital budget. The capital budget consists of expenditures for capital assets and, on the income side of the account, depreciation. The total budget is the present unified budget, largely based on cash for its measure of transactions, which records all outlays and receipts of the Federal Government. It consolidates the operating and capital budgets by adding them together and netting out depreciation as an intragovernmental transaction. The operating budget has a smaller deficit than the unified budget by a modest amount, by $17 billion, because capital expenditures are larger than depreciation by $18 billion. (The difference between these two amounts is due to rounding.) This reflects both the small Federal investment in new capital assets relative to the budget as a whole ($100 billion) and the largely offsetting effect of depreciation on the existing stock ($82 billion). The figures in Table 7–9 and the subsequent tables of this section are rough estimates, intended only to be illustrative and to provide a basis for broad generalizations.

Table 7–9. CAPITAL, OPERATING, AND UNIFIED BUDGETS: FEDERAL CAPITAL, 2003 [1] [2]

(In billions of dollars)

Operating Budget	
Receipts	2,048
Expenses:	
Depreciation	82
Other	2,028
Subtotal, expenses	2,111
Surplus or deficit (–)	–63
Capital Budget	
Income: depreciation	82
Capital expenditures	100
Surplus or deficit (–)	–18
Unified Budget	
Receipts	2,048
Outlays	2,128
Surplus or deficit (–)	–80

[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 categor

[2] The details of this table do not add to the totals in every case due to rounding.

Some proposals for a capital budget would exclude defense capital (other than military family housing). These exclusions—weapons systems, military bases, and so forth—would comprise three-fourths of the expenditures shown in the capital budget of Table 7–9. For 2003, this exclusion would make little difference to the operating budget surplus. If defense capital was excluded, the operating budget would have a deficit that was $12 billion less than the unified budget surplus instead of $17 billion less as shown above for the complete coverage of Federal capital. Capital expenditures for defense in 2003 are estimated to be $6 billion more than depreciation, whereas capital expenditures for nondefense purposes (plus military family housing) are estimated to be $12 billion more.

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 an agency 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.[7] If the asset was constructed or built to order, 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, in which case the budget would record no expense at all in the budget year or several years thereafter.

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 is not permanent, it is 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 noted above, it could even be zero if the asset was made to order. 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 in setting priorities.

[7] The amount of depreciation that typically would be recorded as an expense in the budget year for an already existing asset is overstated by this illustration. Most assets are purchased after the beginning of the year, in which case less than a full year's depreciation would normally be recorded.

The present budget does this for investment. It records investment on a cash basis, and it requires Congress to vote budget authority before an agency can obligate the Government to make an outlay. By these means, 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).[8]

This comparison is also consistent with common business practice, in which most capital budgeting decisions 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.[9] 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.[10]

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 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.[11] This supports the business's goal of deciding upon and controlling the use of its resources to earn income.

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 objective 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 costs of capital assets over their estimated useful lives. With similar objectives in mind, the Federal Accounting Standards Advisory Board has 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.[12]

Businesses finance investment from net income, cash on hand, and other sources 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;

[8] A 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.

[9] For a full textbook analysis of capital budgeting techniques in business, see Harold Bierman, Jr., and Seymour Smidt, *The Capital Budgeting Decision* (8th ed.; Saddle River, N.J.: Prentice-Hall, 1993). Shorter analyses from the standpoints of corporate finance and cost accounting may be found, for example, in Richard A. Brealey and Stewart C. Myers, *Principles of Corporate Finance* (5th ed.; New York: McGraw-Hill, 1996), chap. 2, 5, and 6; Charles T. Horngren *et al.*, *Cost Accounting* (9th ed.; Upper Saddle River, N.J.: Prentice-Hall, 1997), chap. 22 and 23; Jerold L. Zimmerman, *Accounting for Decision Making and Control* (Chicago: Irwin, 1995), chap. 3; and Surendra S. Singhvi, "Capital-Investment Budgeting Process" and "Capital-Expenditure Evaluation Methods," chap. 19 and 20 in Robert Rachlin, ed., *Handbook of Budgeting* (4th ed.; New York: Wiley, 1999).

[10] Two surveys of business practice conducted a few years ago found that such techniques are predominant. See Thomas Klammer *et al.*, "Capital Budgeting Practices—A Survey of Corporate Use," *Journal of Management and Accounting Research,* vol. 3 (Fall 1991), pp. 113–30; and Glenn H. Petry and James Sprow, "The Theory and Practice of Finance in the 1990s," *The Quarterly Review of Economics and Finance,* vol. 33 (Winter 1993), pp. 359–82. Petry and Sprow also found that discounted cash flow techniques are recommended by the most widely used textbooks in managerial finance.

[11] 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.

[12] Statement of Federal Financial Accounting Standards No. 6, *Accounting for Property, Plant, and Equipment,* pp. 5–14 and 34–35. (The Federal Accounting Standards Advisory Board was established by the Office of Management and Budget, Department of Treasury, and General Accounting Office to develop accounting standards and concepts for the Federal government. The American Institute of Certified Public Accountants has designated it as the body to establish generally accepted accounting principles (GAAP) for Federal government entities.) Depreciation is not used as a measure of expense for heritage assets, or for weapons systems and other national defense property, plant, and equipment. Depreciation also is not used as a measure of expense for physical property financed by the Federal Government but owned by State and local governments, or for investment that the Federal Government finances in human capital and research and development.

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. The only constraint is policy decisions about the budget.

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 as expenditures in the operating budget. For the portion of investment purchased in the capital budget but financed by Federal grants or State taxes, which may be substantial, State operating budgets do not record any amount. No State operating budget is charged for depreciation.[13]

States did not traditionally record depreciation expense in the financial accounting statements for governmental funds. They recorded depreciation expense only in their proprietary (commercial-type) funds and in those trust funds where net income, expense, or capital maintenance was measured.[14] Under new financial accounting standards, however, depreciation on most capital assets will be recognized as an expense in government-wide financial statements. This requirement is now being phased-in and is effective for larger governments for fiscal years beginning after June 2001.[15]

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, which is reflected in the credit ratings of its bonds. Rating agencies place significant weight on the amount of debt outstanding compared to the economic output generated by the State. Furthermore, borrowing 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. The French budget, for example, has traditionally been divided into separate titles of which some are for current expenditures and others for capital expenditures. A study of European countries several years ago found only four at that time which had a real difference between a current budget and a capital budget (Greece, Ireland, Luxembourg, and Portugal).[16]

In addition, three developed countries have recently adopted accrual budgets that include the use of depreciation in place of capital expenditures. These countries, however, require appropriations for the full cost or current cash disbursements as an additional control under some or all circumstances. New Zealand, the first country to shift to an accrual budget, requires the equivalent of appropriations for the full cost up front before a department can make net additions to its capital assets or before the government can acquire certain capital assets such as state highways. It also requires Cabinet approval for purchases above a threshold amount. Australia, which adopted an accrual budget as of its 1999–2000 budget, requires an appropriation for departments that do not have adequate reserves to purchase assets. The United Kingdom budgeted on an accrual basis starting with its 2001–02 fiscal year. However, Parliamentary approval is needed for both the "resource budget," which includes depreciation, and the departmental cash requirement, which includes the cash payments made for capital assets.

Canada publishes its budget on a modified accrual basis and intends to shift to full accruals, including the depreciation of capital assets. However, it distinguishes between its budget and its "estimates." The budget sets forth the overall fiscal framework, while the "estimates" comprise the detailed departmental appropriations. The estimates are on a modified cash basis, different from the budget, that does not make use of depreciation. This would be an additional control in the context of a full accrual budget.

A country with an accrual budget may calculate its measure of fiscal position on other bases as well. The Australian budget has several measures of fiscal position. The primary fiscal measure, the fiscal balance, is close to a cash basis and includes the purchase of property, plant, and equipment rather than depreciation.[17]

On the other hand, some countries—including Sweden, Denmark, Finland, and the Netherlands—formerly had separate capital budgets but abandoned them a number of years ago.[18] The Netherlands and Sweden, though, are either planning to adopt accruals for their

[13] The characteristics of State capital budgets were examined in a survey of State budget officers for all 50 States in 1986. See Lawrence W. Hush and Kathleen Peroff, "The Variety of State Capital Budgets: A Survey," *Public Budgeting and Finance* (Summer 1988), pp. 67–79. More detailed results are available in an unpublished OMB document, "State Capital Budgets" (July 7, 1987). Two GAO reports examined State capital budgets and reached similar conclusions on the issues in question. See Budget Issues: *Capital Budgeting Practices in the States,* GAO/AFMD-86–63FS (July 1986), and *Budget Issues: State Practices for Financing Capital Projects,* GAO/AFMD-89–64 (July 1989). For further information about state capital budgeting, see National Association of State Budget Officers, *Capital Budgeting in the States* (November 1999).

[14] Governmental Accounting Standards Board (GASB), *Codification of Governmental Accounting and Financial Reporting Standards* as of June 30, 2000, sections 1100.107 and 1400.114–1400.118.

[15] Governmental Accounting Standards Board, Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* (June 1999), paragraphs 18–29 and 44–45. For discussion of the basis for conclusions of these new standards, see paragraphs 330–43.

[16] M. Peter van der Hoek, "Fund Accounting and Capital Budgeting: European Experience," *Public Budgeting and Financial Management,* vol. 8 (Spring 1996), pp. 39–40.

[17] The practices and plans of New Zealand, Australia, United Kingdom, and Canada are discussed in GAO, *Accrual Budgeting: Experiences of Other Nations and Implications for the United States,* GAO/AIMD-00–57 (February 2000).

[18] Denmark had accrual budgets generally, not just for capital assets, but abandoned that practice a number of years ago. The budgets in Sweden, Great Britain, Germany, and France as of the middle 1980s are described in GAO, *Budget Issues: Budgeting Practices in West Germany, France, Sweden, and Great Britain,* GAO/AFMD-87–8FS (November 1986). Sweden had separate capital and operating budgets from 1937 to 1981, together with a total consolidated budget from 1956 onwards. The reasons for abandoning the capital budget are discussed briefly in the GAO report and more extensively by a government commission established to recommend changes in the Swedish budget system. One reason was that borrowing was no longer based on the distinction between current and capital budgets. See Sweden, Ministry of Finance, *Proposal for a Reform of the Swedish Budget System: A Summary of the Report of the Budget Commission Published by the Ministry of Finance* (Stockholm, 1974), chapter 10.

budget generally or are actively considering whether to do so.

Many ***developing countries*** operate a dual budget system comprising a regular or recurrent budget and a capital or development budget. The World Bank staff has concluded that:

> "The dual budget may well be the single most important culprit in the failure to link planning, policy and budgeting, and poor budgetary outcomes. The dual budget is misconceived because it is based on a false premise that capital expenditure by government is more productive than current expenditure. Separating development and recurrent budgets usually leads to the development budget having a lower hurdle for entry. The result is that everyone seeks to redefine their expenditure as capital so it can be included in the development budget. Budget realities are left to the recurrent budget to deal with, and there is no pretension that expenditure proposals relate to policy priorities."[19]

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." In 1996 GAO expressly 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.*
- *The effect of Federal taxation, borrowing, and other policies on private investment.*

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.[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 7–10. UNIFIED BUDGET WITH NATIONAL INVESTMENT COMPONENT, 2003

(In billions of dollars)

Receipts	2,048
Outlays:	
National investment	187
Other	1,942
Subtotal, outlays	2,128
Surplus or deficit (–)	–80

Table 7–10 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 $187 billion in 2003. It includes infrastructure outlays financed by Federal grants to State and local governments, such as highways and

[19] The World Bank, *Public Expenditure Management Handbook* (Washington, D.C.: The World Bank, 1998), Box 3.11, page 53.

[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 Federal Investments,* pp. 2 and 19–20.

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 11 percent of national investment consists of assets to be owned by the Federal Government. Military investment and some other capital assets as defined previously are excluded, because that investment does not primarily enhance economic growth.

A Capital Budget for National Investment

Table 7–11 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]

In addition to these basic limitations, the definition of investment is more malleable for national capital than Federal capital. Many programs promise long-term intangible benefits to the Nation, and depreciation rates are much more difficult to determine for intangible investment such as research and education than they are for physical investment such as highways and office buildings. These and other definitional questions are hard to resolve. The answers could significantly affect 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]

[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 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).

Table 7–11. CAPITAL, OPERATING, AND UNIFIED BUDGETS: NATIONAL CAPITAL, 2003[1] [2]

(In billions of dollars)

Operating Budget	
Receipts	2,016
Expenses:	
Depreciation [3]	81
Other	1,942
Subtotal, expenses	2,023
Surplus or deficit (–)	–6
Capital Budget	
Income:	
Depreciation [3]	81
Earmarked tax receipts [4]	32
Subtotal, income	113
Capital expenditures	187
Surplus or deficit (–)	–74
Unified Budget	
Receipts	2,048
Outlays	2,128
Surplus or deficit (–)	–80

[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 3. All depreciation estimtes are subject to the limitations explained in Part II of this chapter. Depreciation is measured in terms of current cost, not historical cost.
[2] The details of this table do not add to the totals in every case due to rounding.
[3] Excludes depreciation on capital financed by earmarked tax receipts allocated to the capital budget.
[4] Consists of tax receipts of the highway and airport and airways trust funds, less trust fund outlays for operating expenditures. These are user charges earmarked for financing capital expenditures.

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 II 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 fulfilled by the Federal sector of the national income and product accounts (NIPA) for Government purchases of structures, equipment, and software. The NIPA Federal sector measures the impact of Federal current receipts, current expenditures, and the current surplus or deficit on the national economy. It is part of an integrated set of measures of aggregate U.S. economic activity that is prepared by the Bureau of Economic Analysis in the Department of Commerce in order to measure gross domestic product (GDP), the income generated in its production, and many other variables used in macroeconomic analysis. The NIPA Federal sector for recent periods is published monthly in the *Survey of Current Business* with separate releases for historical data. Estimates for the President's proposed budget through the budget year are normally published in the budget documents. The NIPA translation of the budget, rather than the budget itself, is ordinarily used by economists to analyze the effect of Government fiscal policy on the aggregate economy.[30]

The NIPA Federal sector distinguishes between government purchases of goods and services for consumption and investment.[31] It is a current account or an operating account for the Federal Government and accordingly shows current receipts and current expenditures. It excludes expenditures for structures, equipment, and software owned by the Federal Government; it includes depreciation on the federally owned stock of structures, equipment, and software as a proxy for the services of capital assets consumed in production and thus as part of the Federal Government's current expenditures. It applies this treatment to a comprehensive definition of federally owned structures, equipment, and software, both defense and nondefense, similar to the definition of Federal capital 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 2001 Federal Government current account surplus was reduced $1.3 billion by including depreciation rather than gross investment, because depreciation of federally owned structures, equipment, and software was more than gross investment. The 2003 Federal current account surplus is estimated to be increased $2.5 billion.[33] A capital budget is not needed to capture this effect.

Borrowing to Finance a Capital Budget

A further issue traditionally 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.

As this argument has traditionally been framed, it might appear as though it did not always apply. The Government has had a large surplus for several years, which was mostly used to repay Federal debt held by the public; and although a deficit is estimated in 2002 and 2003, largely due to the recession and the response to the terrorist attacks, the budget estimates a return to surplus in 2005. When the Government has a surplus, additional expenditure is generally financed by repaying less debt rather than borrowing more. However, the argument about borrowing for investment is fundamentally about the proper target for Federal debt and whether that target should be higher if the Government has net investment. If the Government has deficits financed by selling debt, should it *borrow more than otherwise* because of its net investment? Or if the Government has surpluses used to repay debt, should it *repay less than otherwise* because of its net investment? This section follows the traditional way of discussing the issue by referring to "borrowing to finance net investment." However, for the present analysis, "borrowing more" is equivalent to "repaying less debt."

This argument about financing capital expenditures 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 the current replacement cost, not the historical cost. Current cost depreciation is needed in order to measure all activities in the budget on a consistent basis, since other outlays and receipts are automatically measured in the prices of the current year. Current cost depreciation is also needed to obtain a valid measure of net investment. This requires that the addition to the capital stock from new purchases and the subtraction from depreciation on existing assets both be measured in the prices of the same year. When prices change, historical cost depreciation does not measure the extent to which the capital stock is used up each year.

As a broad generalization, Tables 7–9 and 7–11 suggest that this rationale would currently justify some change in borrowing (or debt repayment) under the two capital budgets roughly illustrated in this chapter, but for Federal capital the change would not be much. For Federal capital, Table 7–9 indicates that current cost depreciation is less than gross investment for Federal capital—the capital budget deficit is $18 billion. The rationale of borrowing to finance net investment would

[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 actuals and estimates for 2001-03, and for a discussion of the NIPA Federal sector and its relationship to the budget.

[31] This distinction is also made in the national accounts of most other countries and in the System of National Accounts (SNA), which is guidance prepared by the United Nations and other international organizations. Definitions of investment vary. For example, the SNA does not include the purchase of military equipment as investment.

[32] The treatment of investment (except for the recent recognition of software) in the NIPA Federal sector is explained in *Survey of Current Business,* "Preview of the Comprehensive Revision of the National Income and Product Accounts: Recognition of Government Investment and Incorporation of a New Methodology for Calculating Depreciation" (September 1995), pp. 33–39. As is the case of private sector investment, government investment does not include expenditures on research and development or on education and training. Government purchases of structures, equipment, and software remain a part of gross domestic product (GDP) as a separate component. The NIPA State and local government account is defined in the same way and includes depreciation on structures, equipment, and software owned by State and local governments that were financed by Federal grants as well as by their own resources. Depreciation is not displayed as a separate line item in the summary tables of the government account: depreciation on general government capital assets is included as part of government "consumption expenditures"; and depreciation on the capital assets of government enterprises is subtracted in calculating the "current surplus of government enterprises."

[33] See actuals and estimates for 2001–03 in Table 17–2 of chapter 17 of this volume, "National Income and Product Accounts."

justify the Federal Government borrowing this amount ($18 billion) and no more to finance its investment in Federal capital. For national capital, Table 7–11 indicates that current cost depreciation (plus the excise taxes earmarked to finance capital expenditures for highways and airports and airways [34]) is less than gross investment—the capital budget deficit is $74 billion. The rationale of borrowing to finance net investment would justify the Federal Government borrowing this amount ($74 billion) and no more to finance its investment in national capital.[35]

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 encourage private investment as well as its own national investment. A high level of net national saving is needed to meet the demographic and other challenges expected in the decades ahead.

To the extent that the Government finances its own investment in a way that results in lower private investment, the net increase of total investment in the economy is less than the increase from the additional Federal capital outlays alone. The net increase in total investment is significantly less if the Federal investment is financed by borrowing than if it is financed by taxation, because borrowing primarily draws upon the saving available for private (and State and local government) investment whereas much of taxation instead comes out of private consumption. Therefore, the net effect of Federal investment on economic growth would be reduced if it were financed by borrowing. This would be the result even if the rate of return on Federal investment was higher than the rate of return on private investment. For example, if a Federal investment that yielded a 15 percent rate of return crowded out private investment that yielded 10 percent, the net social return would still be positive but it would only be 5 percent.[36]

The present budget estimates a deficit this year largely due to the recession and the response to the terrorist attacks, but it also estimates a return to surplus in 2005. This will prevent the Government from crowding out private investment once the economy is stronger. A capital budget is not a justification to relax the budget discipline that will contribute to this goal.

Part IV: SUPPLEMENTAL PHYSICAL CAPITAL INFORMATION

The Federal Capital Investment Program Information Act of 1984 (Title II of Public Law 98–501; hereafter referred to as the Act) requires that the budget include projections of Federal physical capital spending and information regarding recent assessments of public civilian physical capital needs. This section is submitted to fulfill that requirement.

This part is organized in two major sections. The first section projects Federal outlays for public physical capital and the second section presents information regarding public civilian physical capital needs.

Projections of Federal Outlays For Public Physical Capital

Federal public physical capital spending is defined here to be the same as the "major public physical capital investment" category in Part I of this chapter. It covers spending for construction and rehabilitation, acquisition of major equipment, and other physical assets. This section excludes outlays for human capital, such as the conduct of education and training, and outlays for the conduct of research and development.

The projections are done generally on a current services basis, which means they are based on 2002 enacted appropriations and adjusted for inflation in later years. The current services concept is discussed in Chapter 15, "Current Services Estimates."

Federal public physical capital spending was $144.8 billion in 2001 and is projected to increase to $190.0 billion by 2011 on a current services basis. The largest components are for national defense and for roadways and bridges, which together accounted for more than three-fifths of Federal public physical capital spending in 2001.

Table 7–12 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 $38.9 billion in 2001, and current services outlays are estimated to increase to $53.2 billion by 2011. Outlays for nondefense housing and buildings were $13.5 billion in 2001 and are estimated to be $18.4 billion in 2011. Physical capital outlays for other nondefense categories were $28.7 billion in 2001 and are projected to be $38.5 billion by 2011. For national defense, this spending was $63.7 billion in 2001 and is estimated on a current services basis to be $79.9 billion in 2011.

Table 7–13 shows current services projections on a constant dollar basis, using fiscal year 1996 as the base year.

[34] The capital budget deficit would be about $17 billion larger if current cost depreciation were used instead of earmarked excise taxes for investment in highways and airports and airways.

[35] This discussion abstracts from non-budgetary transactions that affect Federal borrowing requirements, such as changes in the Treasury operating cash balance and the net financing disbursements of the direct loan and guaranteed loan financing accounts. See chapter 13 of this volume, "Federal Borrowing and Debt," and the explanation of Table 13–2.

[36] GAO considered deficit financing of investment but did not recommend it. See *Incorporating an Investment Component in the Federal Budget,* pp. 12–13.

Table 7–12. CURRENT SERVICES OUTLAY PROJECTIONS FOR FEDERAL PHYSICAL CAPITAL SPENDING

(In billions of dollars)

	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Nondefense:											
Transportation-related categories:											
Roadways and bridges	27.2	28.9	30.9	32.1	33.0	33.8	34.6	35.3	36.0	36.7	37.4
Airports and airway facilities	4.4	5.3	6.0	6.4	6.7	7.0	7.1	7.2	7.4	7.5	7.7
Mass transportation systems	6.8	6.2	6.4	6.4	6.4	6.2	6.9	7.1	7.2	7.3	7.5
Railroads	0.6	0.9	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.8	0.8
Subtotal, transportation	38.9	41.3	44.0	45.7	46.7	47.8	49.3	50.3	51.3	52.3	53.2
Housing and buildings categories:.											
Federally assisted housing	7.9	9.1	8.2	8.7	8.8	9.3	8.4	8.4	8.6	8.8	9.0
Hospitals	1.8	1.9	2.0	2.1	2.2	2.3	2.3	2.4	2.4	2.5	2.6
Public buildings [1]	3.8	5.6	5.8	6.4	6.1	6.2	6.3	6.4	6.5	6.7	6.8
Subtotal, housing and buildings	13.5	16.5	15.9	17.1	17.1	17.8	17.0	17.2	17.6	18.0	18.4
Other nondefense categories:											
Wastewater treatment and related facilities	3.3	3.1	3.3	3.3	3.4	3.4	3.6	3.7	3.7	3.8	3.8
Water resources projects	4.8	4.9	4.7	4.7	4.9	5.1	5.1	5.2	5.3	5.5	5.6
Space and communications facilities	6.1	4.9	5.3	5.6	5.7	5.7	6.1	6.2	6.5	6.8	6.5
Energy programs	1.6	2.1	1.9	1.9	1.9	2.0	2.0	2.0	2.0	2.1	2.1
Community development programs	5.6	6.1	7.0	8.4	8.3	8.2	8.3	8.4	8.5	8.7	8.9
Other nondefense	7.3	9.3	9.2	9.8	9.8	10.4	10.6	10.9	11.1	11.4	11.7
Subtotal, other nondefense	28.7	30.5	31.5	33.8	34.0	34.7	35.6	36.4	37.3	38.2	38.5
Subtotal, nondefense	81.2	88.3	91.4	96.6	97.8	100.3	101.9	104.0	106.1	108.5	110.1
National defense	63.7	69.1	69.9	71.6	73.4	74.8	76.0	75.7	77.0	78.4	79.9
Total	144.8	157.4	161.3	168.2	171.1	175.1	177.9	179.6	183.2	186.9	190.0

[1] Excludes outlays for public buildings that are included in other categories in this table.

Table 7–13. CURRENT SERVICES OUTLAY PROJECTIONS FOR FEDERAL PHYSICAL CAPITAL SPENDING

(In billions of constant 1996 dollars)

	2001 Actual	Estimate				
		2002	2003	2004	2005	2006
Nondefense:						
Transportation-related categories:						
Roadways and bridges	24.8	25.8	26.9	27.3	27.3	27.3
Airports and airway facilities	4.2	5.0	5.4	5.7	5.8	6.0
Mass transportation systems	6.2	5.5	5.6	5.5	5.3	5.0
Railroads	0.6	0.9	0.7	0.7	0.6	0.6
Subtotal, transportation	35.7	37.1	38.6	39.1	39.0	39.0
Housing and buildings categories:						
Federally assisted housing	7.3	8.2	7.1	7.4	7.3	7.6
Hospitals	1.8	1.8	1.9	2.0	2.0	2.0
Public buildings [1]	3.7	5.4	5.5	5.9	5.7	5.6
Subtotal, housing and buildings	12.8	15.4	14.5	15.3	15.0	15.2
Other nondefense categories:						
Wastewater treatment and related facilities	3.0	2.8	2.8	2.8	2.8	2.8
Water resources projects	4.8	4.8	4.5	4.5	4.5	4.6
Space and communications facilities	6.1	4.8	5.0	5.3	5.2	5.2
Energy programs	1.5	2.0	1.9	1.8	1.8	1.8
Community development programs	5.1	5.5	6.1	7.2	6.9	6.6
Other nondefense	7.2	8.9	8.7	9.1	8.9	9.2
Subtotal, other nondefense	27.8	28.8	29.1	30.6	30.2	30.2
Subtotal, nondefense	76.3	81.3	82.2	85.0	84.2	84.4
National defense	65.2	69.2	68.8	69.2	69.7	69.8
Total	141.5	150.5	151.0	154.3	153.9	154.1

[1] Excludes outlays for public buildings that are included in other categories in this table.

Public Civilian Capital Needs Assessments

The Act requires information regarding the state of major Federal infrastructure programs, including highways and bridges, airports and airway facilities, mass transit, railroads, federally assisted housing, hospitals, water resources projects, and space and communications investments. Funding levels, long-term projections, policy issues, needs assessments, and critiques, are required for each category.

Capital needs assessments change little from year to year, in part due to the long-term nature of the facilities themselves, and in part due to the consistency of the analytical techniques used to develop the assessments and the comparatively steady but slow changes in underlying demographics. As a result, the practice has arisen in reports in previous years to refer to earlier discussions, where the relevant information had been carefully presented and changes had been minimal.

The needs assessment material in reports of earlier years is incorporated this year largely by reference to earlier editions and by reference to other needs assessments. The needs analyses, their major components, and their critical evaluations have been fully covered in past Supplements, such as the 1990 Supplement to Special Analysis D.

It should be noted that the needs assessment data referenced here have not been determined on the basis of cost-benefit analysis. Rather, the data reflect the level of investment necessary to meet a predefined standard (such as maintenance of existing highway conditions). The estimates do not address whether the benefits of each investment would actually be greater than its cost or whether there are more cost-effective alternatives to capital investment, such as initiatives to reduce demand or use existing assets more efficiently. Before investing in physical capital, it is necessary to compare the cost of each project with its estimated benefits, within the overall constraints on Federal spending.

Significant Factors Affecting Infrastructure Needs Assessments

Highways

1. Projected annual average growth in travel to the year 2017	2.16 percent
2. Annual cost to maintain 1997 physical conditions on highways	$50.8 billion (1997 dollars)
3. Annual cost to maintain 1997 physical conditions on bridges	$5.8 billion (1997 dollars)

Airports and Airway Facilities

1. Airports in the National Plan of Integrated Airport Systems with scheduled passenger traffic	528
2. Air traffic control towers	451
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	$7.7 billion (1997 dollars)
2. Yearly cost to replace and maintain the urban, rural, and special services bus fleet and facilities	$3.1 billion (1997 dollars)

Wastewater Treatment

1. Total remaining needs of sewage treatment facilities	$128 billion (1996 dollars)
2. Total Federal expenditures under the Clean Water Act of 1972 through 2001	$79 billion
3. The population served by centralized treatment facilities: percentage that benefits from at least secondary sewage treatment systems	99 percent
4. States and territories served by State Revolving Funds	51

Housing

1. Total unsubsidized very low income renter households with worst case needs (4.9 million*)	
A. In severely substandard units	0.5 million
B. With a rent burden greater than 50 percent	4.6 million

* The total is less than the sum because some renter families have both problems.

Indian Health Service (IHS) Health Care Facilities

1. IHS hospital occupancy rates (2000)	39.9 percent
2. Average length of stay, IHS hospitals (days) (2001)	4.1
3. Hospital admissions (2001)	63,560
4. Outpatient visits (2001)	7,772,926
5. Eligible population (2001)	1,540,129

Department of Veterans Affairs (VA) Hospitals (2002)

1. Medical Centers	172
2. Outpatient clinics	852
3. Domiciliaries	43
4. Vet centers	206
5. Nursing homes	137

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

General

U.S. Advisory Commission on Intergovernmental Relations (ACIR). *High Performance Public Works: A New Federal Infrastructure Investment Strategy for America,* Washington, D.C., 1993.

U.S. Advisory Commission on Intergovernmental Relations (ACIR). *Toward a Federal Infrastructure Strategy: Issues and Options,* A–120, Washington, D.C., 1992.

U.S. Army Corps of Engineers, *Living Within Constraints: An Emerging Vision for High Performance Public Works.* Concluding Report of the Federal Infrastructure Strategy Programs. Institute for Water Resources, Alexandria, VA, 1995

U.S. Army Corps of Engineers, *A Consolidated Performance Report on the Nation's Public Works: An Update.* Report of the Federal Infrastructure Strategy Program. Institute for Water Resources, Alexandria, VA, 1995.

Surface Transportation

Department of Transportation. *1999 Status of the Nation's Surface Transportation System: Conditions and*

Performance: Report to Congress. 2000. This report discusses roads, bridges, and mass transit.

Airports and Airways Facilities

Federal Aviation Administration. *National Airspace Systems Capital Investment Plan: 2003–2007,* February 2002.

Federally Assisted Housing

U.S. Department of Housing and Urban Development, Office of Policy Planning and Development, *Tabulations of 1993 American Housing Survey.*

Indian Health Care Facilities

Indian Health Service. *Priority System for Health Facility Construction* (Document Number 0820B or 2046T). September 19, 1981.

FY 2001 Indian Health Service and Tribal Hospital Inpatient Statistics.

Office of Audit, Office of Inspector General, U.S. Department of Health and Human Services. *Review of Health Facilities Construction Program. Indian Health Service Proposed Replacement Hospital at Shiprock, New Mexico* (CIN A–09–88–00008). June, 1989.

Office of Technology Assessment. *Indian Health Care* (OTA 09H 09290). April, 1986.

Wastewater Treatment

Environmental Protection Agency, Office of Water. *1996 Needs Survey Report to Congress.* (EPA 832–R–87–003).

Water Resources

National Council on Public Works Improvement. *The Nation's Public Works,* Washington, D.C., May, 1987. See "Defining the Issues—Needs Studies," Chapter II; Report on Water Resources, Shilling et al., and Report on Water Supply, Miller Associates.

Frederick, Kenneth D., *Balancing Water Demands with Supplies: The Role of Demand Management in a World of Increasing Scarcity,* Report for the International Bank of Reconstruction and Development, Washington, D.C. 1992.

8. RESEARCH AND DEVELOPMENT

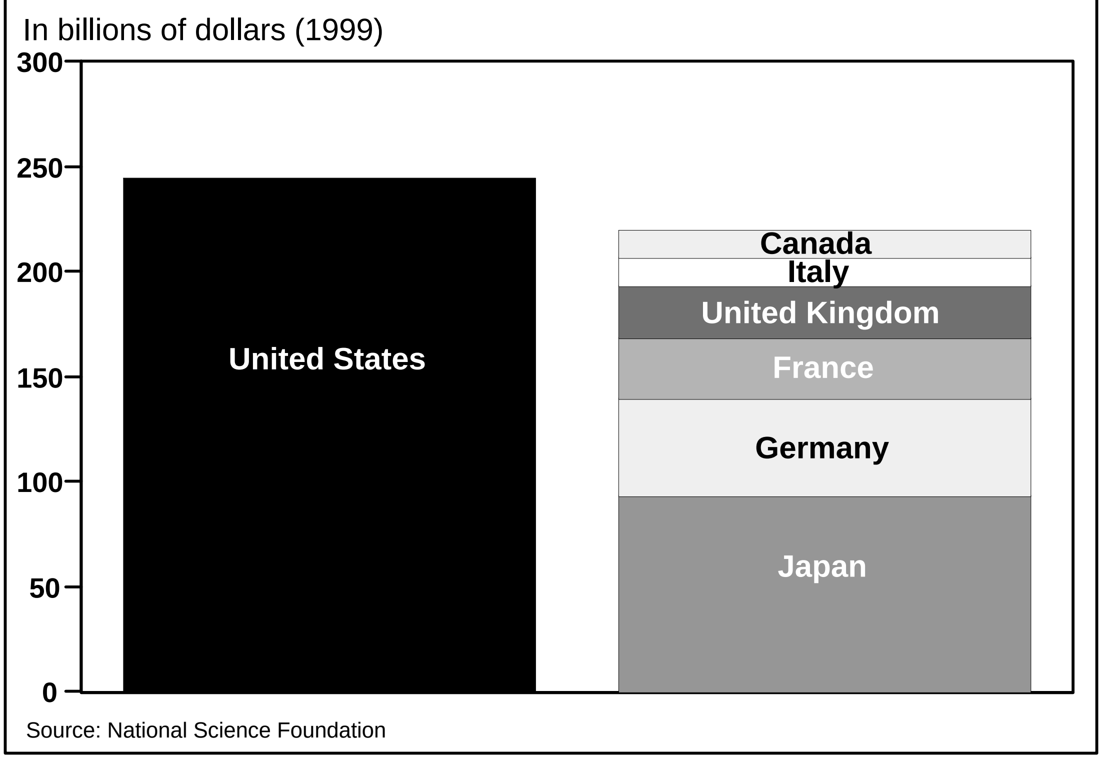
I. INTRODUCTION

Technological innovation and scientific discovery generated much of the Nation's economic growth over the last 50 years, creating millions of jobs, and improving the quality of life. For example, about two-thirds of the 80 percent gain in economic productivity since 1995 can be attributed to information technology. This innovation and discovery was possible because of both public and private investment in research and development (R&D).

The United States' investment in R&D is unparalleled. Our country's investment in R&D plays a major role in the state of the world's science and technology. Not only does the U.S. continue to lead the world in total R&D spending, but, as the most recent data indicate in the accompanying figure, U.S. R&D expenditures—combining private and public—exceed those of the rest of the G–7 countries combined.

The Nation's investments in innovation and discovery are also vital to strengthening our capabilities to combat terrorism and defend our country. The President's 2003 Budget focuses on winning the war against terrorism and securing the homeland, while moderating the growth in overall spending. These priorities have affected the way R&D is being funded and directed, as well as the way the results of R&D are being used. Within the federal government's research portfolio, agencies have been directing many of their programs to assist in the defense effort. For example, one focus of R&D at the Department of Defense (DOD) is to improve detection of biological and chemical threats; the National Institutes of Health (NIH) is financing and conducting research to discover new disease treatments; and the Department of Transportation (DOT) is performing R&D to improve aviation security technology. Investments today in R&D will translate into the new capabilities for tomorrow for detecting threats to our security, defending ourselves against them, and responding to emergencies should they arise.

Chart 8-1. U.S. R&D Expenditures Exceed Those of the Rest of the G-7 Nations Combined



If adopted, this budget will provide the highest level of funding for R&D in history, but the focus should not be on how much we are spending, but rather on what we are getting for our investment. Our current priorities also call for redoubling our efforts to meet the President's charge that we improve the management, performance, and results of the federal government. A dedicated effort to improve the overall quality of the total investment in R&D by strengthening effective programs and fixing lower performers through reforms or reallocations will increase the productivity of the federal R&D portfolio and transcend the all-too-common attention given to year-to-year marginal increases or decreases. Additionally, while it can be difficult to assess the outcomes of some research programs—many of which may not have a measurable effect for decades—it is important to establish meaningful goals for them and to measure annual progress toward them and performance in appropriate ways. Towards that end, the Administration is developing investment criteria for R&D programs across the government. Finally, the government must coordinate interrelated and complementary R&D efforts among agencies, combining programs where appropriate to improve effectiveness and eliminating redundant programs, to leverage these resources to the greatest effect.

The federal government has multiple roles in achieving these goals. The government should be strong in its support of basic research, as it is the source of tomorrow's discoveries and new capabilities, and it will fuel further gains in economic productivity, quality of life, and national security. The government should also support those areas of applied research and development critical to the missions of the federal agencies, particularly in priority areas that private sources are not motivated to support. If the private sector cannot profit from the development of a particular technology, federal funding may be appropriate if the technology in question addresses a National priority or otherwise provides societal benefits. Finally, the federal government should help stimulate private investment and provide the proper incentives for private sources to continue to fuel the discovery and innovation of tomorrow. The Administration plans to do this through the permanent extension of the Research and Experimentation tax credit.

To these ends, this chapter discusses how the Administration will improve the performance of R&D programs through new investment principles and other means that encourage and reinforce quality research. The chapter also highlights the priority areas proposed for R&D agencies and the coordinated efforts among them. The chapter concludes with details of R&D funding data across the federal government.

II. IMPROVING PERFORMANCE OF R&D PROGRAMS

R&D is critically important for keeping our Nation economically competitive. It will help solve the challenges we face in health, defense, energy, and the environment. As a result, and consistent with the Government Performance and Results Act, every federal R&D dollar must be invested as effectively as possible.

R&D Investment Principles

The Administration is improving the effectiveness of the federal government's investments in R&D by subjecting investment decisions to transparent investment criteria. R&D requires special consideration in the context of performance assessment, as many R&D outcomes—especially those of basic research—may not be obvious for years or decades. Nevertheless, the government must improve its basis for deciding among R&D investments, including applying specific criteria that projects must meet and clear milestones for measuring performance.

The Department of Energy (DOE) R&D Performance Pilot: As announced in the President's Management Agenda, the Administration developed investment criteria using DOE's applied energy R&D programs as a pilot. These are the Fossil Energy, Nuclear Science and Technology, and Energy Efficiency and Renewable Energy programs. The Administration is using the R&D criteria to recommend funding levels for the Department's applied R&D programs that support the President's National Energy Policy report.

In the first year of the pilot project, application of the criteria indicated that data on the expected performance of many R&D projects are not readily available. For instance, using one energy-based metric, some of 19 Fossil Energy R&D programs failed to report any performance data at all, and those that did tended to report goals rather than the current cost performance of technologies under development. The Department, in conjunction with the Office of Management and Budget, is working to improve these performance metrics and data. DOE will improve the grading method to distinguish among programs more effectively. In this first year, about 80 percent of the criteria graded by DOE achieved a maximum score.

Despite these initial problems, the criteria provided enough guidance to determine some opportunities for redirecting funds. In the fossil energy program, research to control greenhouse gases was increased, since there is little incentive for private investment in this area. Conversely, areas such as oil drilling technology, where the industry has the financing and incentive to do its own research, are funded at lower levels. Within DOE's renewable energy portfolio, wind power research will shift focus from technologies for high wind-speed areas to cost-effective technologies for low wind-speed areas, which are further from commercial viability and show great promise for greatly expanding the land area that can be used to capture this renewable energy resource. DOE will continue to work to integrate the R&D criteria more meaningfully into their budget formulation process in the coming year.

Based on lessons learned from the DOE pilot project and other inputs from experts and stakeholders, the Administration will develop R&D investment criteria to assist with budget allocation decisions at major R&D agencies starting in the 2004 budget process. While the specific criteria to be used in 2004 are still under development, several fundamental principles motivate and will guide them, including:

- Federal R&D priorities should be consistent with priorities identified by the President.
- Federal R&D programs should focus on activities that require a federal presence to attain national goals. To avoid public funds displacing private investment, federally funded R&D should focus primarily on areas where the private sector cannot capture the benefits of the R&D.
- Programs and proposals should have thorough plans for the research, with clear goals and planned end points or off-ramps, when appropriate.
- To maximize the quality of the research process and the efficiency of the public investment, research programs should use a competitive, merit-based process where appropriate. Exceptions must be well justified.
- Agencies and programs judged to be outstanding in conducting, awarding, and managing R&D should be identified and supported.
- Less successful programs should follow successful models to achieve improvements, or they should be reduced or moved to agencies where they can be managed more effectively.
- Resources for new R&D priorities will be increased by reducing or eliminating the funding for programs that have completed their mission or that are redundant or obsolete.

The Administration recognizes that researcher time is best spent on research and that added administrative burden for researchers is counterproductive. During the development and implementation of the investment criteria, the Administration will take the necessary steps to minimize their administrative burden and maximize their utility.

The Administration has been studying management strategies for R&D that some agencies use to promote particularly effective programs. OMB and the Office of Science and Technology Policy (OSTP) are developing a common analytical framework to assess the strengths and weaknesses of R&D programs across agencies, in order to identify and apply good R&D management practices across the government. For example, some agencies have more deliberate prioritization process, while other agencies have more experience estimating the returns of R&D and assessing the impact after the fact. The process of developing this framework will be iterative, involving the research agencies and the science and technology community.

Due to the distinct goals and methods of basic research versus applied research and development, separate criteria are being developed. The Office of Science and Technology Policy (OSTP), OMB, and the federal agencies will work with the science and technology community to define helpful criteria and implement them effectively in preparation of the 2004 budget.

Using some of the principles identified above, the President's Budget begins to improve the performance of research programs across the government.

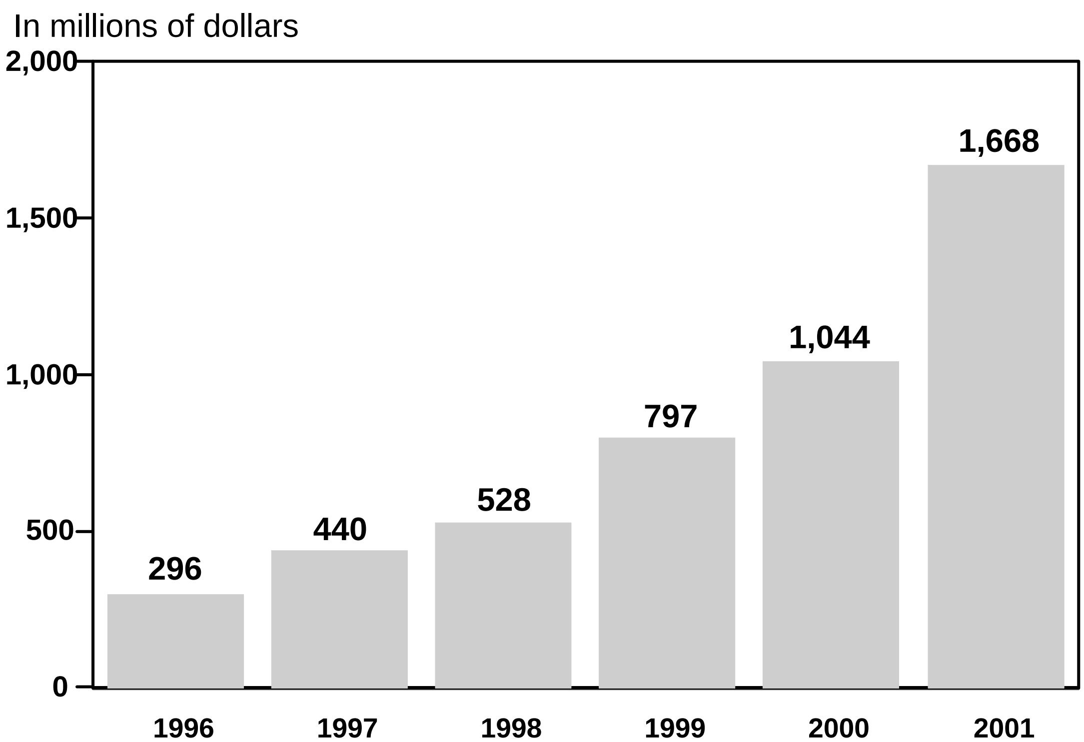
As an example of improving a program, the Administration is reforming the Department of Education's Office of Educational Research and Improvement (OERI) by implementing a more rigorous grant solicitation and peer review process. The Department is also developing a reauthorization proposal for OERI that should allow it to improve the quality, objectivity, coordination, and focus of the Department's research activities.

The budget transfers some R&D programs between agencies. For example, the transfer of the U.S. Geological Survey's Toxic Substances Hydrology program and the National Oceanic and Atmospheric Administration's Sea Grant program to NSF's more competitive, peer-review award process will improve the scientific rigor of the research. The peer review process allows the assessment of merit by other experts in the field, while competition ensures that the grants ultimately awarded have demonstrated their merit, over other competitive proposals.

Research Earmarks

The Administration supports awarding research funds based on merit review through a competitive process. Such a system ensures that the best research is supported. Research earmarks—in general the assignment of money during the appropriation process for use only by a specific organization or project—are counter to the competitive process of selection based on merit. The use of earmarks improperly signals to potential investigators that there is an alternative to creating quality research proposals for merit-based consideration, including the use of political influence or by appealing to parochial interests.

Chart 8-2. Funding for Academic Earmarks



Source: The Chronicle of Higher Education

Moreover, the practice of earmarking funds directly to colleges and universities for specific research projects has expanded dramatically in recent years. Despite broad-based support for merit review, earmarks for specific projects at colleges and universities have yet again broken prior records. According to *The Chronicle of Higher Education,* academic earmarks have steadily increased from a level of $296 million in 1996 to an estimated $1.67 billion in 2001. In 2001 alone, earmarked funds to colleges and universities increased nearly 60 percent (see figure). These funds represent an increasing share of the total federal funding to colleges and universities, which increasingly displaces competitive research, awarded by merit. For example, in 1996, academic earmarks accounted for 2.5 percent of all federal funding to colleges and universities. By 2001, the earmarked share of federal academic funding had increased to a high of 9.4 percent. While comparable figures for 2002 are not yet available, the assessment of research allocation in Table 8–5 at the end of this chapter suggests that this trend has continued to grow for non-defense agencies in 2002.

Some argue that earmarks help spread the research money to the states that would receive less research funding through other means. However, *The Chronicle of Higher Education* reports that this is not the main role they play. In 1999, for example, only a small share of academic earmark funding went to the states with the smallest shares of federal research funds. In fact, the 25 states with the largest shares of federal research dollars also received 74 percent of the earmark funding to colleges and universities. Meanwhile, earmarks help some rich institutions become richer. In 1999, 13 of the 25 institutions receiving the most earmarks were also members of the top 100 for total research funds. Table 8–7 provides a list of the 30 colleges and universities that received the most earmarked funding in 2001, according to *The Chronicle of Higher Education* (results for 2002 are not available at this time).

There is a tendency to confuse a high budget number appropriated for an agency with a good outcome for the agency, but this is often not the case. Often, earmarks drive these increases. Worse yet, the flood of earmarks within that level displaces important competitive programs that have to be deferred or terminated. For example, in 2002 appropriations, earmarked funding for constructing a low priority propulsion lab at the National Aeronautics and Space Administration (NASA) was paid for by cutting the very research that the lab is to support.

Earmarks for research facilities can come at the cost of operations or research at those facilities. For example, earmarks in DOE's Office of Science increased 60 percent from 2001 to 2002. As a result, DOE has only the resources to operate its scientific user facilities at approximately 75 percent of the optimally available hours. Had these funds been allocated to facility operations as needed, a broader segment of the research community could have benefited, and the return on the federal investment in these facilities would have been higher.

Some proponents of earmarking assert that earmarks provide a means of funding unique projects that would not be recognized by the conventional peer-review process. On the contrary, a number of agencies have procedures and programs to reward out-of-the-box thinking in the research they award. For example, DOD's Defense Advanced Research Projects Agency seeks out high risk, high payoff scientific proposals, and NSF program managers set aside a share of funding for higher-risk projects in which they see high potential.

Many earmarks have little to do with an agency's mission. For example, Congress earmarked DOD's 2002 budget to fund research on a wide range of diseases, including breast cancer, ovarian cancer, prostate cancer, diabetes, and osteoporosis. Funding at DOD for such research totals over $600 million in that year alone. While research on these diseases is very important, it is not unique to the U.S. military and can be carried out and coordinated better within civil medical research agencies, without disruption to the military mission.

The Administration is working with the scientific community to discourage the practice of research earmarks. Academic organizations, such as the Association of American Universities, and colleges and universities, including Massachusetts Institute of Technology and Washington University in St. Louis, have stated that they share the Administration's preference for merit review and recognize the problems with academic earmarks. The Administration will continue to work with such organizations and universities and the Congress to achieve our common objectives.

III. PRIORITIES FOR FEDERAL RESEARCH AND DEVELOPMENT

The 2003 budget requests record levels for federal R&D ($111.8 billion, an 8 percent increase, as shown in Table 8–2). The Administration recognizes that investments in research—especially in basic research—will lead to the discoveries and technologies of tomorrow. The 2003 budget includes an emphasis on basic research, increasing associated funding across the agencies by $2.0 billion (or 9 percent).

In a 1995 report from the National Academy of Sciences, the scientific community proposed a "Federal Science and Technology" (FS&T) budget. Such a compilation highlights activities central to the creation of new knowledge and technologies more consistently and accurately than the traditional R&D data collection reported in Table 8–2. As shown in Table 8–3, the 2003 budget requests $57.0 billion for FS&T (a 9 percent increase). The resulting FS&T budget is less than half of the total federal spending on R&D, though FS&T also includes some funding that is not R&D. Discussions of agency efforts in this section include the FS&T values from Table 8–3.

Some in the science community call for greater "balance" across research agencies and disciplines, at times suggesting that all agencies should receive increases similar to those that NIH and other agencies have received. However, "balance" by that definition makes prioritization impossible. Increases in our top-priority research areas should logically be greater than increases for other areas. Instead, the 2003 budget provides funding for top priority areas, while ensuring a good mix of basic, applied, and development in many fields of science and technology across the federal agencies. The Administration believes the focus should not be on how much we are spending, but rather on what we are getting for our investment and how well it is being managed.

Over the past year, OSTP and OMB have worked with the federal agencies and the science community to identify top priorities for federal R&D. Some are in areas critical to the Nation, such as information technologies. Some are in emerging fields, such as nanotechnology, that will provide new breakthroughs across many fields. Others, such as anti-terrorism R&D, address newly recognized needs. The discussion below identifies four multi-agency priority areas, followed by highlights of agency-specific R&D priorities.

Multi-Agency R&D Priorities

The 2003 budget targets investments in important research that benefits from improved coordination across multiple agencies. Two of these multi-agency initiatives—nanotechnology and information technology R&D—have separate coordination offices under the auspices of NSF to ensure coordinated strategic planning and implementation. Both initiatives will be producing integrated plans to describe detailed research proposals for 2003. The Administration is in the process of forming new organizations and strengthening interagency coordination for two priority areas—anti-terrorism and climate change R&D. The Administration will continue to consider other areas of critical need that could benefit in the future from improved focus and coordination among agencies.

Anti-terrorism R&D: Scientific and technological advances will be used to prevent and respond to possible future terrorist activities at home and abroad. Potential antiterrorism R&D applications span a wide range, including safeguarding the mail, developing new vaccines and air safety systems, and creating advanced materials and enhanced building designs. Most aspects of our national life are being assessed for vulnerabilities to terrorists. Often, the scientific and technological community will be asked to devise solutions in cost-effective ways that do not impinge on our way of life. Over the next six months, OMB, OSTP, and the Office of Homeland Security will be working through the National Science and Technology Council (NSTC) to develop a coordinated, interagency R&D plan for antiterrorism. This budget identifies many antiterrorism R&D priorities (such as rapid detection and verification of biological threats). The NSTC plan will chart a comprehensive and integrated course for these efforts as well as provide cross-agency budgetary information.

Networking and Information Technology R&D: The budget provides $1.9 billion (a 3 percent increase) for the multi-agency Networking and Information Technology Research and Development Program (NITRD). By coordinating key advanced information technology research efforts, the NITRD agencies leverage resources to make broader advances in computing and networking than a single agency could attain. For example, the NITRD agencies develop and deploy computing platforms and software that perform over a trillion computing operations per second, to support advanced federal research in the biomedical sciences, earth and space sciences, physics, materials science and engineering, and related scientific fields. Accomplishments include: development of end-to-end optical fiber networking, providing vast improvements in bandwidth and network security for research and commercial applications; new technologies enabling cluster, or “grid,” computing, providing for the first time access to high-performance computation for scientific researchers nationwide; technologies for network security protection such as intrusion detection and risk and vulnerability analyses; and technologies for archiving, managing, and using large-scale information repositories, or “digital libraries.” In 2003, research emphasizes include network “trust” (security, reliability, and privacy); high-assurance software and systems; micro- and embedded sensor technologies; revolutionary architectures to reduce the cost, size, and power requirements of high end computing platforms; and social and economic impacts of information technology.

Nanotechnology R&D: The budget provides $679 million for the multi-agency National Nanotechnology Initiative, a 17 percent increase over 2002. The initiative focuses on long-term research on the manipulation of matter down to the atomic and molecular levels, giving us unprecedented building blocks for new classes of devices as small as molecules and machines as small as human cells. This research could lead to continued improvement in electronics for information technology; higher-performance, lower-maintenance materials for defense, transportation, space, and environmental applications; and accelerated biotechnical applications in medicine, healthcare, and agriculture. In 2003, the initiative will focus on fundamental nanoscale research through investments in investigator-led activities, centers and networks of excellence, as well as the supporting infrastructure. Priority areas include: research to enable efficient nanoscale manufacturing; innovative nanotechnology solutions for detection of and protection from biological-chemical-radiological-explosive agents; the education and training of a new generation or workers for future industries; and partnerships and other policies to enhance industrial participation in the nanotechnology revolution. The convergence of nanotechnology with information technology, modern biology and social sciences will reinvigorate discoveries and innovation in many areas of the economy.

Climate Change R&D: In June 2001, the President announced that the Administration’s climate change policy will be science-based, and it will encourage research breakthroughs that lead to technological innovation. To advance and bring focus to climate change science and technology, the President created two new initiatives: the Climate Change Research Initiative (CCRI) and the National Climate Change Technology Initiative (NCCTI). The Administration committed to funding high-priority areas where investments can make a difference. These new initiatives will complement ongoing research funded under the U.S. Global Change Research Program (USGCRP) and other related technology research programs that address climate change.

The USGCRP has existed for more than a decade, and provides funding at nine different agencies for fundamental research on natural and human-induced changes in the global environment, with the goal of attaining a more complete understanding of global climate change to better respond to the challenges it presents. In 2003, this program will continue, with a total funding level of $1.7 billion, an increase of 3 percent over the 2002 enacted level. The 2003 budget will pause the development of follow-on NASA satellites, the largest single item in the USGCRP budget, consuming more than half of total program funding. NASA will not start new satellites until a review of the USGCRP, and its relationship to the new CCRI, is complete.

In addition to increasing funding for USGCRP, the budget requests $40 million in CCRI, to be shared among five agencies (NOAA, NSF, NASA, DOE, and USDA). This investment will begin to focus on answering key gaps in knowledge among those recently identified by the National Academy of Sciences in a report from 2001: "Climate Change Science: An Analysis of Some Key Questions." This includes improving the capability of "integrating scientific knowledge, including its uncertainty, into effective decision support systems." CCRI will adopt performance metrics and deliverable products useful to policymakers in a short time frame (2–5 years).

The NCCTI will build on an existing base of research and development in climate change technologies, primarily at DOE, EPA, and USDA. The budget requests $40 million for NCCTI within the DOE budget. Specific research areas are being identified through an interagency review process.

Agency R&D Highlights

Each federal agency conducts R&D in the context of that agency's unique mission, structure, and statutory requirements. Below are highlights of key R&D programs in selected agencies in the 2003 budget. Table 8–3 shows the FS&T budget. As shown in Table 8–2, these programs and those of other agencies are part of the larger federal R&D portfolio.

National Institutes of Health: NIH comprises 25 Institutes and Centers whose collective mission is to sponsor and conduct biomedical research and research training that leads to better health for all Americans. While NIH does conduct research in its own laboratories, a majority of its funding supports more than 50,000 scientists working in 2,000 institutions across the United States. With the help of NIH grants, these scientists have been making great advances in the detection and treatment of diseases. All NIH grants are peer-reviewed and are funded based on their scientific merit.

During the presidential campaign, the President promised to double the budget of the NIH by 2003 to $27.3 billion, from the 1998 level of $13.6 billion. The 2003 budget includes the final installment of $3.9 billion needed to fulfill the President's commitment, which will maximize the opportunity to expand scientific discovery by increasing the number of new research grants funded. With this increase, NIH will further its efforts to support research on diseases that affect the lives of all Americans. For example, the budget provides $5.5 billion for cancer-related research at the National Cancer Institute and other NIH Institutes.

This NIH funding increase will also finance important research needed for the war against terrorism. As the country faces new and dangerous bioterrorism threats, the NIH will expand research on the effects of bioterrorism attacks and develop treatments in the event our Nation is ever attacked. The 2003 budget provides $1.75 billion for bioterrorism research, including genomic sequencing of dangerous pathogens, development of improved anthrax vaccine, and laboratory and research facilities construction and upgrades related to bioterrorism and Z-chip technology research. With the ability to identify a vast number of molecular signatures, the Z-chip can be used on the front line of medical response for nearly instant diagnosis of a wide array of biothreats or naturally occurring diseases, saving precious time and therefore lives in the first hours of a biological attack.

National Aeronautics and Space Administration: The 2003 budget provides $8.8 billion for FS&T programs at NASA, an 8 percent increase over 2002. The 2003 budget restructures under-performing programs and provides funding to address key issues including establishing a long-term strategy for planetary exploration, emphasizing near-term results in climate change research, prioritizing research on the International Space Station, lowering the cost of access to space, and improving the safety and efficiency of the Nation's civil aviation system.

In Space Science, the 2003 budget of $3.4 billion discontinues NASA's Outer Planets program due to substantial cost and schedule growth and redirects funding to a revamped New Frontiers program of competitively selected planetary missions focused on understanding the origins and existence of life beyond Earth. The 2003 budget also supports investments in safe and reliable nuclear power and nuclear-electric propulsion technologies to enable much faster and more frequent planetary investigations with greater science capabilities in this decade and the next. The 2003 budget for Earth Science ($1.6 billion) supports two important demonstrations—the National Polar-Orbiting Operational Environmental Satellite System (NPOESS) Preparatory Project and the Jason follow-on—which will measure key variables that are needed to provide long-term, climate quality data to understand how the Earth's climate is changing. In Biological and Physical Research, the 2003 budget of $851 million will yield clear priorities for Space Station research and invests in space radiation and space biology research initiatives that will enable new space platforms through which biological and physical research can be pursued.

The 2003 budget continues planned increases in funding for NASA's Space Launch Initiative ($759 million in 2003), a high priority program that will lead to safer and lower cost, commercial launch vehicles to replace the Space Shuttle. The 2003 budget maintains key investments in technologies to improve aircraft safety and to reduce congestion in the Nation's civil aviation system ($220 million).

National Science Foundation: The 2003 budget provides $5.0 billion, a 5 percent increase, for research at NSF, whose broad mission is to promote science and engineering research and education. The budget provides: $678 million for NSF's lead role in NITRD, focusing on long-term computer science research and applications; $221 million for NSF's lead role in the National Nanotechnology Initiative; $15 million for NSF participation in the Climate Change Research Initiative—in addition to $188 million for USGCRP—for research on climate change risk management, understanding the North American carbon cycle, and computer modeling; $27 million (a $20 million increase) for NSF basic research programs in microbe genome sequencing and the transmission of infectious diseases, two research areas of importance in combating bioterrorism.

Based on NSF's noted expertise and success in funding competitive research, the 2003 budget aims to improve the quality of a number of science and engineering programs by transferring them to NSF. The budget transfers the National Oceanic and Atmospheric Administration's Sea Grant program and the United States Geological Survey's toxic substances hydrology research program to NSF, where merit-based competition will improve overall program effectiveness. These transfers will take advantage of NSF's competitive culture and demonstrated quality of results.

The President's goal to improve the quality of math and science education in Grades K–12 will be pursued through the President's Math and Science Partnerships Initiative, which allows states to join with institutions of higher education, particularly math and science departments, in strengthening math and science education. The initiative provides a mechanism to allow scientists and engineers to be part of the solution in improving grades K–12 education. Funding for the programs is proposed to increase by $40 million, to $200 million. The budget also aims to further attract the most promising U.S. students into graduate level science and engineering by increasing graduate stipends from $21,500 to $25,000 annually.

Department of Energy: The 2003 budget provides $5.0 billion for FS&T at DOE. The budget proposes $3.3 billion, a 1.5-percent increase over 2002, for DOE Science programs, the Nation's leading sponsor of research in the physical sciences. DOE has a special role in supporting research in particle physics, nuclear physics, fusion energy sciences, chemistry of the radioactive elements, nanoscience, genomic sequencing, and computational science. The Department also supports research that will reduce key scientific uncertainties inherent in climate change and carbon cycle models. These basic science programs support the DOE's applied missions in energy, national nuclear security and environmental quality. The Department contributes to national science stewardship, a cornerstone of the Department's mission, by operating a suite of 27 scientific user facilities—such as x-ray light sources, fusion experiments, particle accelerators and colliders. Over 18,000 scientists from universities, industry and government agencies use these facilities every year. Consistent with the Administration's emphasis on shifting funds to higher priority programs, the budget redirects funding to maintain operations at Fermi National Accelerator Laboratory.

The Department sponsors applied research and development programs with two primary interests. In the national security area, DOE sponsors R&D that sustains the safety, reliability, and performance of the Nation's nuclear weapons ($3.1 billion in 2003). Nonproliferation and verification research conducted by the Department advances technologies for detection of nuclear weapons proliferation, nuclear explosion monitoring, and chemical and biological response. In the energy area, DOE sponsors research in energy production and use, from fossil, nuclear, and renewable sources. The Department has had success in reducing the cost of renewable energy resources (wind, solar, geothermal, and biomass), and it will continue R&D efforts to make these energy sources more cost-competitive. Last year's budget provided $150 million to existing coal research towards the President's commitment to spend $2 billion over ten years on clean coal research. In the 2003 budget, all coal programs are brought under one umbrella—the President's Clean Coal Research Initiative. Using a more transparent budget structure, this approach will improve the management and oversight of this $326 million program.

DOE also sponsors R&D to improve the energy efficiency of buildings, industry, the transportation sector, and the federal government ($589 million in 2003). DOE's energy conservation efforts include the following examples. Cost-shared R&D with industry will to continue to increase industrial output per unit of energy input. Development of a web-based tool will assist contractors and homeowners in identifying the most efficient energy-saving retrofit activities, based on the age and condition of the home and the funds available. A partnership with the trucking industry will dramatically improve fuel efficiency by 2010. And, a program to increase energy efficiency in federal buildings will achieve a 35 percent efficiency increase by 2010, compared to 1985 levels.

Department of Defense: DOD funds a wide range of R&D to ensure that our military forces have the tools to protect the Nation's security. DOD's 2003 budget includes $5.0 billion that appears in the FS&T budget.

Due in part to the events of September 11, 2001, research and development of technologies and systems that address terrorist threats have been the focus of additional funds and urgency. Systems or technologies under development include: improved detectors of chemical and biological threats (for both remote and onsite application); more comfortable and more effective troop protective gear for use under chemical and biological attack; vaccines to provide protection against biological agents; surveillance systems to provide longer range and earlier warning of possible attacks using weapons of mass destruction; and more effective cave and other "hard target" attack munitions.

DOD's "Science and Technology" programs (over $9 billion in 2003) range from basic research and applied research (included in FS&T), to fabrication of component prototypes for potential future systems. These programs explore and develop technical options for new defense systems and help reduce the chance of being surprised by new technologies in the hands of adversaries. Areas of emphasis include computing and communications, sensors, nanotechnology, understanding the military environment (for example, oceans, atmospheric and geological sciences), propulsion systems, and technologies for the next generation of long-range strike aircraft. Promising technologies and processes may be incorporated into weapon systems of the future.

Later stage development, test and evaluation funds ($45 billion) support development of new weapons and supporting systems, including testing the effectiveness of those systems and how they interface with other weapons or control systems. Systems under development in 2003 include: the Joint Strike Fighter, ballistic missile defense systems, a new aircraft carrier, the DD(X) naval destroyer, space-based missile warning satellites, and unmanned underwater vehicles. Systems in the final stages of development include the F–22 fighter aircraft and the V–22 Osprey tilt-rotor aircraft. The Army continues development efforts in support of the Future Combat System as a major part of their transformation to a lighter, more mobile, and more effective fighting force.

Department of Agriculture: The 2003 budget provides $1.9 billion, a one percent increase, for FS&T at the Department of Agriculture (USDA). The budget for USDA's research, education and extension programs proposes significant increases for high priority national needs and for competitive, peer-reviewed grants, while reducing or eliminating lower priority projects, particularly earmarks. Funded at $2.3 billion in 2003, this program includes activities that are not part of the FS&T budget, such as USDA laboratory construction and rehabilitation, extension grants, and statistical programs. The 2003 budget adds $58 million to the programs of the Agricultural Research Service (ARS) in the following areas: air and water quality and climate change, biobased products, bioenergy and biotechnology, protection against bioterrorism, emerging and exotic diseases, genomics and genetics, and library resources. In addition, the budget provides $240 million (a 100 percent increase) for the National Research Initiative (NRI), which funds competitive research grants covering a broad spectrum of agricultural research areas. The budget provides additional increases over 2002 of $7 million for the expansion of the Agricultural Resources Management Study and of $15.5 million for necessary cyclical costs associated with the five year Census of Agriculture.

The 2003 budget for Forest Service Research and Development programs ($254 million) includes $10 million for new priority research on biobased products and bioenergy and a quantitative planning and graphic data analysis tool for forest planning. The budget also places additional emphasis on annualized forest inventories.

In order to fund these increases and ensure that taxpayer dollars are used most effectively in the public interest, the budget proposes to eliminate unrequested earmarks for specific purposes at specific locations that were provided in 2002. These total $205 million for in-house research ($89 million in ARS and $16 million in the Forest Service) and $123 million for research grants, for a total of over 400 projects.

Department of the Interior: Within the Department of the Interior (DOI), the 2003 budget provides $904 million for the United States Geological Survey (USGS), for science that emphasizes the mission responsibility of providing sound and impartial science to manage land, water, biological, energy, and mineral resources. The 2003 budget reduces direct federal funding for programs that support outside customers in order to increase the proportion of services paid for by these customers. The 2003 budget focuses resources on those programs that directly address the science needs of Interior bureaus, including funding for science to support ecosystem restoration in the Everglades. To support sound conservation decisions, USGS will combine natural resource monitoring and information technology that will promote conservation partnerships and better inform federal, state, and local land acquisition.

The budget transfers USGS toxic substances hydrology research program funding to NSF. While the work of USGS is generally of high quality, this transfer will provide new emphasis on merit-based competitive selection. USGS will continue to play a role in identifying research priorities.

Beginning in 2002, the Bureau of Land Management and USGS will help support the development of the E-Gov Geospatial One-Stop initiative. This initiative, led by the interagency Federal Geographic Data Committee, will make geospatial data more accessible and usable by developing government-wide data standards and deploying a user friendly web portal for geospatial data and mapping applications.

Department of Commerce: The 2003 budget provides $861 million for FS&T at the Department of Commerce (DOC). For the National Institute of Standards and Technology (NIST), the budget provides $402 million—a 23 percent increase over 2002—for research and physical improvements at NIST's Measurement and Standards Laboratories. In addition to funding ongoing research, the budget increase supports construction of new NIST facilities, including equipment for the Advanced Measurement Laboratory in Maryland. NIST labs work with industry to develop the measurements and standards needed to support technological innovation. Facilities modernization is needed to support NIST's groundbreaking research.

The 2003 budget also provides $107 million for NIST's Advanced Technology Program (ATP), which makes R&D grants to commercial firms. In 2003, ATP will modify its program regulations to increase university participation and allow cost-recoupment for successfully commercialized technologies.

The 2003 budget provides $297 million for FS&T at the National Oceanic and Atmospheric Administration (NOAA) to improve understanding of climate change, weather and air quality, and ocean processes. In 2003, NOAA's R&D will also support economic growth through continued efforts in marine biotechnology and aquaculture, as well as a new initiative to demonstrate benefits to the energy sector through improved weather and river forecasting capabilities. The budget also transfers the National Sea Grant College Program to NSF to promote more rigorous, merit-based competition among researchers. NOAA and NSF will jointly manage the program, and NOAA will continue to play a role in identifying research priorities.

Environmental Protection Agency: The budget provides $797 million for FS&T at the Environmental Protection Agency (EPA). The Office of Research and Development (ORD) performs the majority of EPA's research and provides a sound scientific and technical foundation for environmental policy and regulatory decision-making. EPA relies on strong science to achieve its mission and has a responsibility to ensure that efforts to reduce environmental risks are based on the best available scientific information. In 2003, EPA will work to improve methods for assessing the cumulative risks of complex pollutant mixtures, tools to describe the impact of exposures to them on cumulative risk, and the tools for decision makers to address cumulative risks. EPA will also focus essential scientific support on its highest-priority pending regulations to help strengthen its regulatory process. A new EPA effort to identify innovative environmental technologies through a national competition is expected to help solve such vexing problems as effluent trading programs and removing arsenic from drinking water. EPA will also fund a new biotechnology research effort to address information gaps and develop management tools for allergenicity, and ecological risk and resistance. The budget includes $75 million for research into technologies and procedures to cope with future biological or chemical incidents.

Department of Transportation: The 2003 budget provides $548 million for FS&T at the Department of Transportation (DOT). DOT research funds are concentrated primarily in the federal Highway Administration (FHWA), the National Highway Traffic Safety Administration (NHTSA), and the Federal Airline Administration (FAA). The FHWA ($421 million in 2003) supports research to improve the quality and safety of the Nation's transportation infrastructure. Specifically, the research focuses on methods to increase the quality and longevity of roadways, identifies safety improvements possible through the use of Intelligence Transportation Systems (ITS), and analyzes the use of surveillance technology for improved traffic control, emergency evacuations and critical infrastructure. NHTSA's 2003 budget provides $58 million for R&D in crash worthiness, crash avoidance and data analysis to help reduce highway fatalities and injuries.

In aviation research, and in light of the September 11th terrorist attacks, security will be the major focus for the FAA as it develops the best technologies to prevent future incidents. The 2003 budget provides $95 million for aviation security technology research.

Department of Education: The 2003 budget provides $431 million for FS&T at the Department of Education. The vast majority of the Department's research and development is administered by three offices: the Office of Educational Research and Improvement (OERI), National Institute for Disability and Rehabilitation Research (NIDRR), and the Office of Special Education Programs (OSEP).

OERI, which administers the largest share of FS&T funds through Research, Development, and Dissemination, conducts research on teaching, learning and achievement; develops materials and methods to help students succeed; and disseminates these techniques to teachers and schools. In 2003, OERI's research portfolio will include a program that builds on the substantial science of reading to study conditions under which children decode and ultimately comprehend what they read. A second new program will support trials of existing preschool curricula to identify which work best. A third will identify strategies to enhance the use of research findings by teachers, school administrators, and policymakers.

The Administration is developing a reauthorization proposal for OERI that will address many of its perennial research quality issues through structural reform. The new structure should allow OERI to improve the quality, objectivity, coordination, and focus of the Department's research activities. Until reauthorizing legislation is enacted, the Assistant Secretary is improving the scientific quality of OERI-funded research projects through implementation of a more rigorous grant solicitation and peer review process.

The Office of Special Education and Rehabilitative Services administers R&D related to persons with disabilities through NIDRR and OSEP. NIDRR conducts research and related activities to maximize the full integration, employment, and independent living of individuals with disabilities, consistent with the President's New Freedom Initiative, which aims to help individuals with disabilities lead more independent lives.

OSEP supports special education research projects, demonstrations, and outreach in order to produce new knowledge in the fields of special education and early intervention, apply effective research in model demonstration projects, and put knowledge into the hands of those who work with children with disabilities.

Department of Veterans Affairs: The 2003 budget provides $409 million for FS&T at the Department of

Veterans Affairs (VA), an increase of 10 percent. In addition, the Department receives significant funding from other governmental agencies and private entities to support VA-conducted research, which brings the total of R&D VA performs to $1.4 billion. The 2003 budget provides $394 million for clinical, epidemiological, and behavioral studies across a broad spectrum of medical research disciplines. Among the agency's top research priorities are improving the translation of research results into patient care, special populations (those afflicted with spinal cord injury, visual and hearing impairments, and serious mental illness), geriatrics, diseases of the brain (e.g., Alzheimer's and Parkinson's disease), treatment of chronic progressive multiple sclerosis, and chronic disease management.

Stimulating Private Investment

Along with direct spending on R&D, the federal government has sought to stimulate private investment in these activities with tax preferences. The current law provides a 20-percent tax credit for private research and experimentation expenditures above a certain base amount. The credit, which expired in 1999, was retroactively reinstated for five years, to 2004, in the Tax Relief Extension Act of 1999. The budget proposes to make the Research and Experimentation (R&E) tax credit permanent. The proposed extension will cost $14 billion over the period from 2004 to 2007. In addition, a permanent tax provision lets companies deduct, up front, the costs of certain kinds of research and experimentation, rather than capitalize these costs. Finally, equipment used for research benefits from relatively rapid cost recovery.

Table 8–1 shows a forecast of the costs of the tax credit.

Table 8–1. PERMANENT EXTENSION OF THE RESEARCH AND EXPERIMENTATION TAX CREDIT

(Budget authority, dollar amounts in millions)

	2003	2004	2005	2006	2007	2003–2007
Current Law	4,590	4,020	2,330	990	410	12,350
Proposed Extension	0	906	2,949	4,654	5,623	14,132
Total	**4,590**	**4,926**	**5,279**	**5,644**	**6,033**	**26,482**

IV. FEDERAL R&D DATA

Federal R&D Funding

R&D is the collection of efforts directed towards gaining greater knowledge or understanding and applying knowledge toward the production of useful materials, devices, and methods. R&D investments can be characterized as basic research, applied research, development, R&D equipment, or R&D facilities, and OMB has used those or similar categories in its collection of R&D data since 1949.

Basic research is defined as systematic study directed toward greater knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific applications towards processes or products in mind.

Applied research is systematic study to gain knowledge or understanding necessary to determine the means by which a recognized and specific need may be met.

Development is systematic application of knowledge toward the production of useful materials, devices, and systems or methods, including design, development, and improvement of prototypes and new processes to meet specific requirements.

Research and development equipment includes acquisition or design and production of movable equipment, such as spectrometers, microscopes, detectors, and other instruments.

Research and development facilities include the acquisition, design, and construction of, or major repairs or alterations to, all physical facilities for use in R&D activities. Facilities include land, buildings, and fixed capital equipment, regardless of whether the facilities are to be used by the Government or by a private organization, and regardless of where title to the property may rest. This category includes such fixed facilities as reactors, wind tunnels, and particle accelerators.

There are over twenty federal agencies that fund R&D in the U.S. The nature of the R&D that these agencies fund depends on the mission of each agency and on the role of R&D in accomplishing it. Table 8–2 shows agency-by-agency spending on basic and applied research, development, and R&D equipment and facilities.

Table 8–2. FEDERAL RESEARCH AND DEVELOPMENT SPENDING

(Budget authority, dollar amounts in millions)

	2000 Actual	2001 Actual	2002 Estimate	2003 Proposed	Dollar Change: 2002 to 2003	Percent Change: 2002 to 2003
By Agency						
Defense	39,664	42,235	49,171	54,544	5,373	11%
Health and Human Services	18,051	21,037	23,938	27,683	3,745	16%
National Aeronautics and Space Administration	9,242	9,675	9,560	10,069	509	5%
Energy	6,892	7,772	9,253	8,510	–743	–8%
National Science Foundation	2,947	3,363	3,571	3,700	129	4%
Agriculture	1,773	2,182	2,336	2,118	–218	–9%
Commerce	1,110	1,054	1,129	1,114	–15	–1%
Veterans Affairs	618	748	796	846	50	6%
Transportation	603	792	867	725	–142	–16%
Environmental Protection Agency	559	598	612	650	38	6%
Interior	645	622	660	628	–32	–5%
Education	238	264	268	311	43	16%
Other	796	922	1,021	858	–163	–16%
Total	**83,138**	**91,264**	**103,182**	**111,756**	**8,574**	**8%**
Basic Research						
Defense	1,136	1,271	1,305	1,336	31	2%
Health and Human Services	10,062	11,601	13,183	14,467	1,284	10%
National Aeronautics and Space Administration	2,137	1,652	1,909	2,298	389	20%
Energy	2,262	2,390	2,420	2,517	97	4%
National Science Foundation	2,540	2,894	3,093	3,242	149	5%
Agriculture	684	801	860	880	20	2%
Commerce	42	50	52	73	21	40%
Veterans Affairs	52	301	344	367	23	7%
Transportation	10	17	13	25	12	92%
Environmental Protection Agency	58	105	107	101	–6	–6%
Interior	266	56	58	55	–3	–5%
Education	2	2	2	1	–1	–50%
Other	170	190	196	183	–13	–7%
Subtotal	**19,421**	**21,330**	**23,542**	**25,545**	**2,003**	**9%**
Applied Research						
Defense	3,405	3,673	3,656	3,616	–40	–1%
Health and Human Services	7,692	9,064	10,249	12,379	2,130	21%
National Aeronautics and Space Administration	1,534	2,533	2,766	3,099	333	12%
Energy	1,874	2,330	2,874	2,866	–8	0%
National Science Foundation	184	181	192	199	7	4%
Agriculture	831	1,045	988	946	–42	–4%
Commerce	780	768	838	795	–43	–5%
Veterans Affairs	520	432	436	462	26	6%
Transportation	396	445	522	396	–126	–24%
Environmental Protection Agency	388	370	381	431	50	13%
Interior	367	534	570	541	–29	–5%
Education	151	172	178	212	34	19%
Other	344	413	432	348	–84	–19%
Subtotal	**18,466**	**21,960**	**24,082**	**26,290**	**2,208**	**9%**
Development						
Defense	35,026	37,270	44,200	49,570	5,370	12%
Health and Human Services	44	107	129	100	–29	–22%
National Aeronautics and Space Administration	2,702	2,698	2,582	2,648	66	3%
Energy	1,855	2,042	2,851	2,162	–689	–24%
National Science Foundation	0	0	0	0	0	N/A
Agriculture	111	152	163	156	–7	–4%
Commerce	130	170	162	109	–53	–33%
Veterans Affairs	29	15	16	17	1	6%
Transportation	185	247	256	221	–35	–14%
Environmental Protection Agency	92	101	103	97	–6	–6%
Interior	12	32	32	32	0	0%
Education	85	90	88	98	10	11%
Other	253	306	378	310	–68	–18%
Subtotal	**40,524**	**43,230**	**50,960**	**55,520**	**4,560**	**9%**
Facilities and Equipment						
Defense	97	21	10	22	12	120%
Health and Human Services	253	265	377	737	360	95%

Table 8–2. FEDERAL RESEARCH AND DEVELOPMENT SPENDING—Continued

(Budget authority, dollar amounts in millions)

	2000 Actual	2001 Actual	2002 Estimate	2003 Proposed	Dollar Change: 2002 to 2003	Percent Change: 2002 to 2003
National Aeronautics and Space Administration	2,869	2,792	2,303	2,024	–279	–12%
Energy	901	1,010	1,108	965	–143	–13%
National Science Foundation	223	288	286	259	–27	–9%
Agriculture	147	184	325	136	–189	–58%
Commerce	158	66	77	137	60	78%
Veterans Affairs	17	0	0	0	0	N/A
Transportation	12	83	76	83	7	9%
Environmental Protection Agency	21	22	21	21	0	0%
Interior	0	0	0	0	0	N/A
Education	0	0	0	0	0	N/A
Other	29	13	15	17	2	13%
Subtotal	**4,727**	**4,744**	**4,598**	**4,401**	**–197**	**–4%**

Federal Science and Technology Budget

Table 8–3 contains the FS&T budget, which accounts for nearly all of federal basic research, over 80 percent of federal applied research, and about half of civilian development.

Table 8–3. FEDERAL SCIENCE AND TECHNOLOGY BUDGET

(Budget authority, dollar amounts in millions)

	2000 Actual	2001 Actual	2002 Estimate	2003 Proposed	Dollar Change: 2002 to 2003	Percent Change: 2002 to 2003
By Agency						
National Institutes of Health [1]	**17,827**	**20,438**	**23,433**	**27,335**	**3,902**	**17%**
NASA [2]	**7,013**	**7,789**	**8,113**	**8,774**	**661**	**8%**
Space Science	2,606	2,760	3,034	3,428	394	13%
Earth Science	1,734	1,825	1,695	1,639	-56	-3%
Biological and Physical Research	839	944	828	851	23	3%
Aero-space Technology	1,834	2,260	2,556	2,856	300	12%
National Science Foundation	**3,903**	**4,437**	**4,795**	**5,036**	**241**	**5%**
Energy	**4,338**	**4,911**	**5,099**	**5,027**	**-72**	**-1%**
Science Programs [3]	2,820	3,218	3,240	3,285	45	1%
Renewable Energy	306	370	386	408	22	6%
Nuclear Energy	226	261	244	251	7	3%
Energy Conservation [4]	577	619	641	589	-52	-8%
Fossil Energy [5]	409	443	588	494	-94	-16%
Defense	**4,541**	**4,944**	**4,961**	**4,952**	**-9**	**0%**
Basic Research	1,136	1,271	1,305	1,336	31	2%
Applied Research	3,405	3,673	3,656	3,616	-40	-1%
Agriculture	**1,759**	**1,885**	**1,890**	**1,913**	**23**	**1%**
CSREES Research and Education	488	514	552	563	11	2%
Economic Research Service	67	69	70	82	12	17%
Mandatory Research Grants [6]	120	120	0	0	0	N/A
Agricultural Research Service [7]	866	936	1,017	1,014	-3	0%
Forest Service [8]	218	246	251	254	3	1%
Interior (USGS)	**847**	**918**	**950**	**904**	**-46**	**-5%**
Commerce	**826**	**828**	**948**	**861**	**-87**	**-9%**
NOAA (Oceanic and Atmospheric Research) [9]	285	325	362	297	-65	-18%
NIST [10]	541	503	586	564	-22	-4%
Environmental Protection Agency [11]	**683**	**746**	**750**	**797**	**47**	**6%**
Transportation	**593**	**521**	**651**	**548**	**-103**	**-16%**
Highway research [12]	490	387	448	421	-27	-6%
Aviation research [13]	103	134	203	127	-76	-37%
Education	**317**	**363**	**377**	**431**	**54**	**14%**
Special Education Research and Innovation	64	77	78	78	0	0%
NIDRR [14]	86	100	110	110	0	0%
Research, Development, and Dissemination	167	186	189	243	54	29%

Table 8–3. FEDERAL SCIENCE AND TECHNOLOGY BUDGET—Continued

(Budget authority, dollar amounts in millions)

	2000 Actual	2001 Actual	2002 Estimate	2003 Proposed	Dollar Change: 2002 to 2003	Percent Change: 2002 to 2003
Veterans Affairs [15]	**321**	**363**	**373**	**409**	**36**	**10%**
Total	**42,968**	**48,143**	**52,340**	**56,987**	**4,647**	**9%**

Notes: Levels adjusted to include the full share of accruing employee pensions and annuitants health benefits. For more information on these items, please see Chapter 14. Levels for 2000 are derived without accrual in most instances.

[1] The 2002 appropriation includes $100 million for the Global Fund to Fight HIV/AIDS, Turberculosis, and Malaria.
[2] All years normalized to reflect 2003 transfers of funding for Space Station research facilities, space communications activities, and associated institutional support from human space flight.
[3] Includes $36 million for programs transferred from Environmental Management.
[4] Excludes state grant programs.
[5] Excludes balances tranferred from the Clean Coal Technology program for activities in 2001 ($95 million), 2002 ($34 million), and 2003 ($40 million).
[6] Initiative for Future Agriculture and Food Systems.
[7] Excludes buildings and facilities.
[8] Forest and Rangeland Research.
[9] Excludes Manufacturing Extension Program.
[10] The 2003 level does not include the Sea Grant program, which was transferred to NSF.
[11] Science and Technology, plus superfund transfer. The 2002 level does not include anti-terrorism supplemental funding, which is primarily for drinking water vulnerability standards. The 2003 level includes an additional superfund transfer for security research related to building decontamination.
[12] Includes research and development funding for the Federal Highway Administration, the Federal Motor Carrier Safety Administration, and the National Highway Traffic Safety Administration.
[13] Federal Aviation Administration Research, Engineering, and Development. Excludes funding for aviation security research in all years, now funded through the Transportation Security Administration.
[14] National Institute on Disability and Rehabilitation Research.
[15] Medical and Prosthetic Research.

Interagency R&D Efforts

Table 8–4 shows agency spending for Networking and Information Technology R&D, the National Nanotechnology Initiative, and the climate change research and technology initiatives.

Table 8–4. AGENCY DETAIL OF SELECTED INTERAGENCY R&D EFFORTS

(Budget authority, dollar amounts in millions)

	2001 Actual	2002 Estimate	2003 Proposed	Dollar Change: 2002 to 2003	Percent Change: 2002 to 2003
Networking and Information Technology R&D					
National Science Foundation	636	676	678	2	0%
Health and Human Services	277	310	336	26	8%
Energy	326	312	313	1	0%
Defense	310	320	306	–14	–4%
National Aeronautics and Space Administration	177	181	213	32	18%
Commerce	38	43	42	–1	–2%
Environmental Protection Agency	4	2	2	0	0%
Total	**1,768**	**1,844**	**1,890**	**46**	**3%**
National Nanotechnology Initiative					
National Science Foundation	150	199	221	22	11%
Defense	125	180	201	21	12%
Energy	88	91	139	48	53%
Commerce	33	38	44	6	16%
National Institutes of Health	40	41	43	2	6%
National Aeronautics and Space Administration	22	22	22	0	0%
Environmental Protection Agency	5	5	5	0	0%
Department of Transportation	0	2	2	0	0%
Department of Justice	1	1	1	0	0%
Total	**464**	**579**	**679**	**100**	**17%**
Climate Change Research Initiative.					
Commerce	0	0	18	18	N/A
National Science Foundation	0	0	15	15	N/A
National Aeronautics and Space Administration	0	0	3	3	N/A
Energy	0	0	3	3	N/A
Agriculture	0	0	1	1	N/A
Total	**0**	**0**	**40**	**40**	**N/A**
U.S. Global Change Research Program					
National Aeronautics and Space Administration	1,176	1,090	1,109	19	2%
National Science Foundation	181	188	188	0	0%
Energy	116	120	126	6	5%

Table 8–4. AGENCY DETAIL OF SELECTED INTERAGENCY R&D EFFORTS—Continued

(Budget authority, dollar amounts in millions)

	2001 Actual	2002 Estimate	2003 Proposed	Dollar Change: 2002 to 2003	Percent Change: 2002 to 2003
Commerce	93	100	100	0	0%
National Institutes of Health	54	60	68	8	13%
Agriculture	51	56	66	10	18%
Interior	27	28	28	0	0%
Environmental Protection Agency	23	21	22	1	5%
Smithsonian	7	7	7	0	0%
Total	**1,728**	**1,670**	**1,714**	**44**	**3%**

* Includes $9 million in offsetting collections in 2003 for the Agency for Healthcare Research and Quality. These activities were funded at $15 million in 2001 and $14 million in 2002.

Allocation of Research Funding

Federal funds appropriated to Executive Branch agencies may be used in different ways, ranging from grants awarded to university researchers to supporting research at federal laboratories. The Administration supports the competitive, merit review process for funding research in most cases. However, there are appropriate roles for other modes of allocating research funding in some circumstances, such as funding research at specific facilities that have unique capabilities.

In order to better understand and characterize the methods agencies use to allocate their research funding, agencies reported how research funds are allocated by the following five categories:

Research performed at congressional direction consists of intramural and extramural research programs where funded activities are awarded to a single performer or collection of performers with limited or no competitive selection or with competitive selection but outside of the agency's primary mission, based on direction from the Congress in law, in report language, or by other direction.

Inherently unique research is intramural and extramural research programs where funded activities are awarded to a single performer or team of performers without competitive selection. The award may be based on the provision of unique capabilities, concern for timeliness, or prior record of performance (e.g., facility operations support for a unique facility, such as an electron-positron linear collider; research grants for rapid response studies such as Pfisteria, an environmental hazard that arose suddenly).

Merit-reviewed research with limited competitive selection is intramural and extramural research programs where funded activities are competitively awarded from a pool of qualified applicants that are limited to organizations that were created to largely serve federal missions and continue to receive most of their annual research revenue from federal sources. The limited competition may be for reasons of stewardship, agency mission constraints, or retention of unique technical capabilities (e.g., funding set aside for researchers at laboratories or centers of DOD, NASA, EPA, NOAA, and NIH; Federally-Funded Research and Development Centers; formula funds for USDA).

Merit-reviewed research with competitive selection and internal (program) evaluation is intramural and extramural research programs where funded activities are competitively awarded following review for scientific or technical merit. The review is conducted by the program manager or other qualified individuals from within the agency program, without additional independent evaluation (e.g., merit-reviewed research at DOD).

Merit-reviewed research with competitive selection and external (peer) evaluation is intramural and extramural research programs where funded activities are competitively awarded following review by a set of external scientific or technical reviewers (often called peers) for merit. The review is conducted by appropriately qualified scientists, engineers, or other technically-qualified individuals who are apart from the people or groups making the award decisions, and serves to inform the program manager or other qualified individual who makes the award (e.g., NSF's single-investigator research; NASA's research and analysis funds).

Table 8–5 lists how federal R&D agencies report allocating research funding among these categories.

Table 8–5. ALLOCATION OF FEDERAL RESEARCH FUNDING, 2001 and 2002

(Budget authority, dollar amounts in millions)

	Research Performed at Congressional Direction		Inherently Unique Research		Merit-Reviewed Research with Limited Competitive Selection		Merit-Reviewed Research with Competitive Selection and Internal Evaluation		Merit-Reviewed Research with Competitive Selection and External Evaluation		Total	
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
By Agency												
Health and Human Services	89	142	206	230	2,392	2,718	201	216	17,777	20,126	20,665	23,432
Energy	134	223	1,078	1,068	2,382	2,820	305	395	821	788	4,720	5,294
Defense *	678	426	295	350	1,012	1,014	2,712	2,950	247	221	4,944	4,961
National Aeronautics and Space Administration	230	287	152	149	532	398	1,377	1,550	1,894	2,291	4,185	4,675
National Science Foundation	0	0	0	0	191	206	184	192	2,700	2,887	3,075	3,285
Agriculture **	105	122	815	893	720	676	0	0	206	157	1,846	1,848
Commerce	18	21	354	377	100	108	204	218	142	166	818	890
Veterans Affairs	1	0	0	0	2	2	349	370	381	408	733	780
Interior	27	48	156	154	379	392	26	31	2	3	590	628
Transportation	55	82	69	73	0	0	338	380	0	0	462	535
Environmental Protection Agency	39	60	39	38	195	192	69	68	133	130	475	488
Education	5	0	0	0	0	0	0	0	169	180	174	180
Smithsonian Institution	0	0	108	111	0	0	0	0	0	0	108	111
Other	385	413	11	7	17	17	76	74	6	6	495	517
Total	**1,766**	**1,824**	**3,283**	**3,450**	**7,922**	**8,543**	**5,841**	**6,444**	**24,478**	**27,363**	**43,290**	**47,624**

* Allocation among categories is preliminary.
** Does not include net mandatory funding for USDA research grant programs of $120 million in FY 2001.

Earmarks

Table 8–6 lists the top 30 recipients of individual academic earmarks in 2001, as identified by *The Chronicle of Higher Education*. In addition to $1.2 billion in earmarks to specific colleges and universities, there is another $431 million in earmarked funding to be shared in an unspecified distribution among these and other colleges and universities.

Table 8–6. 30 Colleges and Universities Received Over 40 Percent of Unshared* Academic Earmarks in 2001

Table 8–6. COLLEGES AND UNIVERSITIES RECEIVED OVER 40 PERCENT OF UNSHARED* ACADEMIC EARMARKS IN 2001

College or University	State	Number of Earmarks Received	Sum of Earmarks* (millions)
1. University of Alaska at Fairbanks	Alaska	20	$35.0
2. Loma Linda University	California	4	$35.0
3. Marshall University	West Virginia	6	$27.6
4. University of New Hampshire	New Hampshire	14	$27.5
5. Dartmouth College	New Hampshire	5	$25.9
6. University of Missouri at Columbia	Missouri	21	$23.7
7. University of Mississippi	Mississippi	20	$23.7
8. University of Alabama at Birmingham	Alabama	12	$22.1
9. University of Nebraska	Nebraska	4	$19.5
10. Kansas State University	Kansas	12	$18.3
11. University of Florida	Florida	14	$18.3
12. Mississippi State University	Mississippi	33	$18.2
13. Pennsylvania State University at University Park	Pennsylvania	14	$16.7
14. Wheeling Jesuit University	West Virginia	9	$16.3
15. University of Maine	Maine	9	$16.2
16. West Virginia University	West Virginia	17	$15.6
17. Auburn University	Alabama	17	$15.2
18. University of South Carolina at Columbia	South Carolina	6	$14.6
19. Southern Illinois University at Edwardsville	Illinois	3	$14.3
20. University of Alabama at Tuscaloosa	Alabama	10	$14.2
21. University of South Florida	Florida	8	$13.2
22. University of Minnesota—Twin Cities	Minnesota	5	$12.7
23. University of Louisville	Kentucky	9	$12.5

Table 8–6. COLLEGES AND UNIVERSITIES RECEIVED OVER 40 PERCENT OF UNSHARED* ACADEMIC EARMARKS IN 2001—Continued

College or University	State	Number of Earmarks Received	Sum of Earmarks* (millions)
24. New Mexico Institute of Mining and Technology	New Mexico	7	$12.5
25. University of Southern Mississippi	Mississippi	11	$11.8
26. Montana State University at Bozeman	Montana	17	$11.1
27. Washington State University	Washington	18	$10.5
28. University of Hawaii, Manoa	Hawaii	20	$10.4
29. Medical University of South Carolina	South Carolina	3	$10.0
30. University of Miami	Florida	4	$9.5

* Totals do not include earmarks split among institutions, where the distribution was not specified.

9. CREDIT AND INSURANCE

Federal credit programs offer direct loans and loan guarantees for a wide range of activities, primarily housing, education, business and rural development, and exports. At the end of 2001, there were $242 billion in Federal direct loans outstanding and $1,084 billion in loan guarantees. Through its insurance programs, the Federal Government insures bank, thrift, and credit union deposits up to $100,000, guarantees private defined-benefit pensions, and insures against other risks such as natural disasters.

The Federal Government also enhances credit availability for targeted sectors indirectly through Government-sponsored enterprises (GSEs)—privately owned companies and cooperatives that operate under Federal charters. GSEs provide direct loans and increase liquidity by guaranteeing and securitizing loans. Some GSEs have become major players in the financial market. In 2001, the face value of GSE lending totaled $3.1 trillion. In return for serving social purposes, GSEs enjoy some privileges, which include eligibility of their securities to collateralize public deposits and be held in unlimited amounts by most banks and thrifts, exemption of their securities from SEC registration, exemption of their earnings from State and local income taxation, and ability to borrow from Treasury, at Treasury's discretion, in amounts ranging up to $4 billion. These privileges leave many people with the impression that their securities are risk-free. GSEs, however, are not part of the Federal Government, and their securities are not federally guaranteed. By law, the GSEs' securities carry a disclaimer of any U.S. obligation.

The role and risk of these diverse programs critically depend on the state of financial markets. In recent years, financial markets have been changing fast because of rapid technological advances and active deregulation. The Federal Government, therefore, needs to reassess the extent and nature of credit and insurance programs more carefully in order to adapt those programs to rapidly changing financial markets.

The rest of this chapter is organized as follows.

- The first section analyzes the role of Federal credit and insurance programs. Federal programs play useful roles when market imperfections prevent the private market from efficiently providing credit and insurance. Financial evolution has partly corrected many imperfections and generally weakened the justification for Federal intervention.
- The second section identifies four key criteria for evaluating Federal programs: objectives, economic justification, availability of alternative means, and efficiency. Recognizing that improving efficiency is an everlasting concern, this section pays particular attention to the issue, and also discusses Federal loan sales as a special issue in improving efficiency.
- The third section reviews Federal credit programs and GSEs in four sectors: housing, education, business and community development, and exports. This section discusses program objectives, recent developments, and future plans for each program.
- The final section describes Federal deposit insurance, pension guarantees, and disaster insurance in a context similar to that for credit programs.

I. FEDERAL PROGRAMS IN CHANGING FINANCIAL MARKETS

The Federal Role

The roles of Federal credit and insurance programs can be broadly classified into two areas: helping disadvantaged groups and correcting market failures. Subsidized Federal credit programs redistribute resources from the general taxpayer to disadvantaged regions or segments of the population. Since disadvantaged groups can be assisted through other means, such as direct subsidies, the value of a credit or insurance program critically depends on the extent to which it corrects market failures.

In most cases, private lending and insurance business efficiently meets societal demands by allocating resources to the most productive uses, and Federal intervention is unnecessary or can even be distortionary. However, Federal intervention may improve the market outcome in some situations. The market imperfections that justify some Federal involvement can be broadly classified as follows.

- ***Information opaqueness*** interferes with the optimal allocation of capital. In most cases, financial intermediaries efficiently gather and process information needed to evaluate the creditworthiness of borrowers. However, there may be little objective information about some groups of borrowers such as start-up businesses, start-up farmers, and students, who have limited incomes and credit histories. Because it is difficult for those borrowers to prove their creditworthiness to a large number of lenders, they must rely on the subjective judgements of a few lenders. In this situation, many creditworthy borrowers may fail to obtain credit. Even for borrowers who are approved for credit, insufficient competition can result in higher interest rates. Government intervention, such as loan guarantees, enable these groups of borrowers to obtain credit more easily and cheaply and provides an opportunity for the lender to become more comfortable with that group of borrowers. Similarly, the private sector efficiently insures against various risks. Insurance companies estimate the expected loss based on probabilities of loss-generating events and charge adequate premiums. Private insurers, however, are reluctant to insure against an event for which they cannot reasonably estimate the probability and the magnitude of loss. Without these estimates, they cannot adequately set the premium. Terrorism emerged as one of these cases after the September 11 attacks. In these cases, Government intervention limiting uncertainties for the private sector may be necessary to ensure the provision of insurance.

- ***Externalities*** cause either underinvestment or overinvestment in some sectors. Individuals and private entities do not make socially optimal decisions when they do not capture the full benefit (positive externalities) or bear the full cost (negative externalities) of their activities. Examples of positive and negative externalities are education and pollution. The general public benefits from high productivity and good citizenship of a well-educated person and suffers from pollution. Without Government intervention, people will invest less than the socially optimal amount in activities that generate positive externalities and more in activities that generate negative externalities. The Federal Government can encourage activities involving positive externalities by offering subsidized credit or other rewards such as tax benefits and discourage activities involving negative externalities by imposing taxes or other penalties. Alternatively, the Government may offer credit or direct subsidies to encourage activities reducing negative externalities (e.g., pollution control).
- ***Resource constraints*** sometimes limit the private sector's ability to offer certain products. Deposit insurance is one example. Since the performance of banks is often affected by common factors such as macroeconomic conditions, bank failures tend to be clustered in bad economic times. Furthermore, if depositors become doubtful about the soundness of the banking system as a whole upon observing a large number of failures, they may rush to withdraw deposits, forcing even sound banks into liquidation. To prevent these undesirable withdrawals, which would harm the whole economy, deposit insurance needs to be backed by a sufficient fund to resolve a very large number of failures. It may be difficult for private insurers to secure such a large fund. Some catastrophic events can also threaten the solvency of private insurers. For some events involving a small risk of a very large loss, therefore, Government insurance commanding more resources can be more credible and effective. Another form of resource constraint is a liquidity constraint. It is usually difficult for a private entity to raise a large amount in a short time. The funding difficulty can limit the private market's ability to extend credit and thereby disrupt economic activity. The Federal Government can prevent economic disruption by providing liquidity in illiquid sectors or during illiquid periods.
- ***Imperfect competition*** justifies some Government intervention. Competition is imperfect in some markets because of barriers to entry, economies of scale, and foreign government intervention. For example, legal barriers to entry or geographic isolation can cause imperfect competition in some rural areas. If the lack of competition forces some rural residents to pay excessively high interest on loans, Government lending programs aiming to increase the availability of credit and lower the borrowing cost for those rural residents may improve economic efficiency.

Changing Financial Markets

Financial markets have undergone many changes in recent years. The most fundamental developments are financial services deregulation and technological advances, which have promoted competition and economic efficiency. Deregulation and technological advances have led to many important developments. Deregulation has promoted consolidation by removing legal barriers to business combinations. By increasing the availability of information and lowering transaction costs, technological advances have significantly contributed to enhancing liquidity, refining risk management tools, and spurring globalization. The current economic downturn, however, can temporarily interrupt these trends.

Financial services deregulation has promoted competition by removing geographic and industry barriers. Active deregulation at the state level substantially removed restrictions on interstate banking and intrastate branching in the 1980s and early 1990s. At the Federal level, the full implementation of the Riegle-Neal Interstate Banking and Branching Act in 1997 essentially removed geographic barriers. The Financial Services Modernization Act of 1999 has repealed the provisions of the Glass-Steagall Act and the Bank Holding Company Act that restricted the affiliation between banks, securities firms, and insurance companies. The Act allows financial holding companies to engage in various financial activities, including traditional banking, securities underwriting, insurance underwriting, asset securitization, and financial advising. As a result, competition has become nationwide and across all financial products.

Advances in communication and information processing technology have made the evaluation of borrowers' creditworthiness more accurate and lowered the cost of financial transactions. Lenders now have easy access to large databases, powerful computers, and sophisticated analytical models. Thus, many lenders use credit scoring models that evaluate creditworthiness based on various borrower characteristics derived from extensive credit bureau data. As a result, lending decisions have become more accurate and objective. Powerful computing and communication devices have also lowered the cost of financial transactions by producing new transaction methods such as electronic fund transfers, Internet banking, and Internet brokerage. The development of reliable screening methods and efficient transaction methods have resulted in intense competition for creditworthy borrowers and narrowed lending margins. Financial institutions are more willing to compete for customers with diverse characteristics, customers in distant areas, and small profit opportunities. A notable example of increased competition is the credit card business, where offering lower rates to lower-risk customers has become much more common in recent years.

Consolidation among financial institutions, especially banks, has been very active due to deregulation and increased competition. Because of active consolidation, the number of banks has sharply decreased, and the concentration of assets has increased. At the end of calendar 2000, there were about 8,300 commercial banks, which represented a decrease by over 4,000 or 33 percent from the end of calendar 1990. The top 10 banks controlled 37 percent of banking assets at the end of calendar 2000, compared with 21 percent at the end of calendar 1990. Consolidation across traditional industry boundaries has produced financial holding companies that control multiple types of financial institutions. The leading example is Citigroup encompassing the commercial banking (Citibank), insurance (Travelers), and securities (Salomon Smith Barney) businesses.

Direct capital market access by borrowers has become more common. Advances in communication and information processing technology enabled many companies (less-established medium-sized companies, as well as large well-known ones) to validate their financial information at low costs and to borrow directly in capital markets, instead of relying on banks. In particular, commercial paper (short-term financing instruments issued by corporations) has been very popular. In the 1990s, growth of commercial paper substantially outpaced growth of bank business loans. The current economic slowdown, however, has had a much larger negative effect on growth of commercial paper than on growth of bank business loans.

Nonbank financial institutions, such as finance companies and venture capital firms, increased their market share, partly thanks to advanced communications and information processing technology that helped to level the playing field. Over the last decade, both consumer loans and business loans have been growing at finance companies faster than at commercial banks. The growth of venture capital firms was rather phenomenal. Between calendar 1995 and calendar 2000, their new investments, which were mostly in small firms' equity, increased more than 17-fold (from $6 billion to $104 billion). Due to the economic downturn and the slumping stock market, venture capital investments in calendar 2001 decreased to less than half of the calendar 2000 level, but were still several times as much as those in the mid-1990s.

Internet-based financial intermediaries provide financial services more cheaply and widely. The Internet lowers the cost of financial transactions and reduces the importance of physical location. Internet brokers slashed the commission on stock trading. Internet-only banks, which started appearing recently, bid up deposit interest rates. Furthermore, their services are nationwide. The Electronic Signatures in Global and National Commerce Act of 2000, which eliminates legal barriers to the use of electronic technology to sign contracts, should accelerate the growth of transactions over the Internet.

Securitization (pooling a certain type of asset and selling shares of the asset pool to investors) is a financial instrument produced by technological advances. Increased transparency of asset quality created demand for securitized assets. Securitization has enhanced liquidity in financial markets by enabling lenders to raise funds without borrowing or issuing equity. It also helps financial institutions to reduce risk exposure to a particular line of business. Commonly securitized assets include credit card loans, automobile loans, and residential mortgages, whose quality can be more objectively analyzed. In recent years, financial institutions began securitizing to a very limited extent many other assets such as commercial mortgages and small business loans, the riskiness of which is more difficult to evaluate.

Financial derivatives, such as options, swaps, and futures, have improved investors' ability to manage risk (either increase or decrease risk exposure). Financial institutions and some other types of companies are increasingly using these relatively new instruments to manage various types of risk such as interest rate risk, credit risk, price risk, and even catastrophe-related risk. The interest rate swap, for example, is an effective tool to reduce a firm's exposure to interest rate movements. However, a firm can also use an interest rate swap to take interest risk. Interest rate swaps are widely used now. After the September 11 attacks, catastrophe bonds drew some attention as a potential means to manage a large risk. This derivative offers yields higher than market interest rates. If a specified catastrophe occurs, however, the bondholders lose a part or all of the principal, depending on the size of the damage. In this contract, the higher yield and the loss of principal respectively are equivalent to the insurance premium and the insurance payout. In this way, the potential large loss can be spread among a large number of investors, instead of a few insurance companies. The size of the catastrophe bond market, however, is still very small.

Globalization has been accelerating as a result of the reduced importance of geographic proximity and knowledge of local markets. Both commercial and investment banking institutions headquartered in Europe and Japan are actively competing in the U.S. market, and many U.S. financial institutions have branches worldwide.

The current economic downturn has increased loan delinquency rates and bankruptcies. The delinquency rate of business loans at banks averaged 2.9 percent during the first three quarters of calendar 2001, compared with 2.2 percent in calendar 2000. The increases in delinquency rates were modest for consumer loans (from 3.6 to 3.7 percent) and real estate loans (from 1.9 to 2.1 percent). Between 2000 and 2001, however, personal bankruptcy filings increased 14.1 percent, which was much faster than the 6.6 percent increase in business bankruptcy filings. Jitters about credit quality reduced the supply of business credit in the private market, especially from nonbank sources such as commercial paper. The stock market bust also increased the cost of equity financing, especially for start-ups that relied on venture capital. For households, credit conditions remained relatively easy, partly thanks to the continued strength of the housing market.

Implications for Federal Programs

In general, financial evolution has increased the private market's capacity to serve the populations traditionally targeted by Federal programs and hence weakened the role of Federal credit and insurance programs. Thus, it may be desirable to focus on narrower target populations that still have difficulty in obtaining credit from private lenders and on more specific objectives that have been less affected by financial evolution.

Information about borrowers is more widely available and easier to process, thanks to technological advances. Credit scoring models, for example, enable lenders to screen many borrowers at low cost and to make more accurate lending decisions. As a result, creditworthy borrowers are less likely to be turned down, while borrowers that are not creditworthy are less likely to be approved for credit. The Federal role of improving credit allocation, therefore, is generally not as strong as before. The benefit from financial evolution, however, can be uneven across groups and over time. Large financial institutions with global operations, which are products of consolidation, may want to focus more on large customers and business lines that utilize economies of scale and scope more fully. Thus, some small borrowers, who used to rely heavily on the private information of small institutions, can be underserved. In an economic downturn, lenders can be overly cautious, leaving out some creditworthy borrowers. The Federal Government may need to better target those underserved groups, while reducing general involvement.

Externalities have not been significantly affected by financial evolution. The private market fundamentally relies on decisions at the individual level. Thus, it is inherently difficult for the private market to correct problems related to externalities.

Resource constraints have been alleviated. Securitization and financial derivatives facilitate fund raising and risk sharing. By securitizing loans and writing derivatives contracts, a lender can make a large amount of risky loans, while limiting its risk exposure. An insurer can distribute the risk of a natural or man-made catastrophe among a large number of investors through catastrophe-related derivatives, although the extent of risk sharing in this way is limited due to the small size of the catastrophe bond market.

Imperfect competition is much less likely in general. Developments that contributed to increasing competition are financial deregulation, direct capital market access by borrowers, stronger presence of nonbank financial institutions, emergence of Internet-based financial institutions, and globalization. Consolidation has a potential negative effect on competition, especially in markets that were traditionally served by small institutions. Given that the Nation still has many banks and other financial institutions, the negative effect, if any, should be insignificant overall. It is possible, however, that some communities in remote rural areas and inner city areas have been adversely affected by consolidation.

Uncertainties about the Federal Government's liability have increased in some areas. Consolidation has increased bank size, and deregulation has allowed banks to engage in many risky activities. Thus, the loss to the deposit insurance funds can turn out to be unusually large in some bad years. The potential loss needs to be limited by large insurance reserves and effective regulation. The large size of some GSEs is also a potential problem. Financial trouble of a large GSE could cause strong repercussions in financial markets, affecting federally insured entities and economic activity. The current economic downturn also makes it more difficult to estimate the costs of credit and insurance programs because they can change abruptly.

II. A CROSS-CUTTING ASSESSMENT

To systematically assess Federal programs, policymakers and program managers need to consider the following questions. (1) Are the programs' objectives still worthwhile? (2) Is the program economically justified? (3) Is the credit or insurance program the best way to achieve the goals? (4) Is the program operating efficiently and effectively? If the answer is “No” to any of the first three questions, the program should be eliminated or phased out. For programs that pass the three tests, the focus should be on improving efficiency and effectiveness.

Objectives

The first step in reassessing Federal credit and insurance programs is to identify clearly the objective of each program, such as an increase in homeownership, an increase in college graduates, an increase in jobs, or an increase in exports. The objective must be worthwhile to justify a program. For some programs, the objective might be unclear or of low importance. In some other cases, an initially worthwhile objective might have become obsolete. For example, the main objective of the Rural Telephone Bank is to increase telephone service in rural areas. This was a worthwhile objective when many rural residents had limited or costly access to telephone service. In the current environment with ample supply of telephone lines and intense competition among telephone companies, however, the objective may be obsolete.

Economic Justifications

For a credit or insurance program to be economically justified, the program's benefits must exceed its costs. The benefits are the net effects of the program on intended outcomes compared with what would have occurred in the absence of the program. They exclude, for example, gains that would have been obtained with private credit in the absence of the program. Financial evolution may have significantly affected the net benefit from some programs. Suppose, for example, that financial evolution made information about borrowers transparent in some sectors where information opaqueness had been a major problem. Then the net benefit would be substantially smaller for the Federal programs that were mainly intended to solve the information problem in those sectors.

Many Federal credit and insurance programs involve subsidy costs, and all of them incur administrative costs. A subsidy cost occurs when the beneficiaries of a program do not pay enough to cover the cost to the Federal Government (e.g., they pay below-cost interest rates and below-cost fees). The administrative costs include the costs of loan origination, direct loan servicing, and guaranteed loan monitoring. The net benefit of a program can be smaller than the combined cost of subsidy and administration either because it is inherently costly to pursue the program's goal or because the program is inefficiently managed (failure to maximize the benefit and minimize the cost). The program should be discontinued in the first case and restructured in the second case.

Alternatives

Even a program that is economically justified should be discontinued if there is a better way to achieve the same goals. The Federal Government has other means to achieve social and economic goals, such as providing direct subsidies, offering tax benefits, and encouraging private institutions to provide the intended services.

In general, direct subsidies are more efficient than credit programs for the purpose of fulfilling social objectives such as helping low-income people, as opposed to economic objectives such as improving credit allocation. Direct subsidies are less likely to interfere with the efficient allocation of resources. Suppose that the Government makes a subsidized loan to be used for a specific project. Then the borrower will undertake the project if its return is greater than the subsidized rate. Thus, the subsidized loan can induce the borrower to undertake a normally unprofitable project and hence result in a social loss. On the other hand, a direct subsidy is a simple income transfer, which is less likely to cause a social loss.

To a certain extent, the Federal Government can also correct market failures by helping the private market to improve efficiency, instead of directly offering credit or insurance. For example, policies encouraging the standardization of information (e.g., standardization of loan origination documents) may improve the private lenders' ability to serve those sectors where information is opaque. Standardization helps to reduce opaqueness by facilitating information processing. With reduced opaqueness, loan sales should be easier, and the secondary market should develop more quickly. Then the lending market would be more liquid and competitive. A more specific example is the development of floodplain maps by the National Flood Insurance Program. Before the development of the maps, private insurance companies had little information on flood risks by geographic area. The lack of information was a main reason why private companies were unwilling to insure against flood risk.

Improving Efficiency

Some programs may be well-justified based on the three criteria above. However, few programs may be perfectly designed or managed. It is almost impossible to take all relevant factors into consideration at the beginning. In addition, financial evolution can lower the efficiency of initially well-designed and well managed programs. Thus, improving efficiency is an everlasting concern. Although the ways to improve efficiency vary across programs, there are some general categories and principles that apply to most programs.

Pricing (setting appropriate lending terms or insurance premiums) is a critical part of credit and insurance programs. If program managers fail to accurately estimate the default and prepayment probabilities for a credit program and the loss probability for an insurance program, the program may be mispriced, and the actual subsidy may substantially deviate from the intended subsidy. To improve the estimation accuracy, using advanced analytical tools is important, especially for some programs, for which pricing involves many complications. An inappropriate intended subsidy rate can also impair program efficiency. If a program's subsidy is too small, the intended population may be discouraged from using the program. On the other hand, an excessive subsidy may attract unintended customers.

Some programs are inherently difficult to price. To price deposit insurance, for example, the Federal Deposit Insurance Corporation (FDIC) needs to estimate bank failure probabilities, which are highly changeable. An unexpected event can cause many failures, and the banking business changes over time, introducing new risks. FDIC recently made a constructive proposal to improve deposit insurance pricing. Agencies dealing with complicated pricing need to continuously endeavor to refine pricing. In many cases, utilizing both historical experience and sophisticated analytical tools may be necessary. Private sector participation may also help the pricing of complicated programs. Federal agencies can make risk-sharing arrangements with private firms that may have better pricing expertise and derive information from the private firms' pricing.

The subsidy rate and the manner in which subsidies are provided can also affect program efficiency. The Farm Service Agency (FSA) offers agricultural loans at Treasury rates to borrowers who have been denied credit by private lenders. Since Treasury rates are lower than market rates for creditworthy borrowers, this pricing strategy can attract borrowers who can obtain credit elsewhere. It is possible that some creditworthy borrowers are denied credit by chance or by misrepresentation. One solution to this problem is to make loans at the market rate for average borrowers, which would still subsidize the intended population with low credit ratings. When further subsidies to the disadvantaged are desirable, the Government may supplement the loans with direct subsidies.

Another pricing issue arises when the Government relies on private intermediaries. The student loan guarantee program sets the interest rate that participating lenders receive, which differs from the rate that students pay. While an unattractively low lender rate set by the Government would reduce participation, an excessively high rate would unnecessarily increase the cost of the program. A similar problem exists for the crop insurance program. Private insurance companies sell and service crop insurance policies, and the Federal Government reimburses the private companies for the administrative expenses and reinsures them for excess insurance losses. Excessive profits of private companies are also possible in this case. One way to deal with this problem is to carefully examine the profit of participating intermediaries. An alternative is to set the price through competitive bidding.

Targeting the right population is also an important element of program efficiency. The net benefit will increase if program managers more successfully identify the populations that would benefit more from credit and insurance programs and reach out to them. Right populations include borrowers who have worthwhile projects but have difficulty in obtaining private credit (e.g., beginning farmers, new businesses, new exporters), populations underserved by the private market (e.g., low-income, minority), underserved neighborhoods (e.g., rural, inner city), and legislatively targeted populations (e.g., students, veterans). In addition to making credit available, program managers need to actively inform potential borrowers of the credit availability and provide high-quality customer services, so that ignorance or inconvenience does not deter the targeted populations from accessing the program. Federal credit programs can also play a more useful role when there is temporary inefficiency in the private market. The financial market can occasionally face a liquidity crisis or become overly pessimistic (e.g., at the time of the Asian financial crisis and the near collapse of Long Term Capital Management, a hedge fund). Economic downturns can also reduce the credit available from private sources, as evidenced by declines in commercial paper and venture capital investment in 2001. On those occasions, Federal agencies can promote the extension of credit to creditworthy borrowers. While outreaching, program managers should avoid overreaching, which would waste taxpayers' money.

While targeting may not be a problem for some well-defined programs, such as deposit insurance and student loan programs, it can be a major concern for many programs that serve broader purposes, such as housing, business, and international programs. Given that private lenders have been reaching out to more traditionally underserved homebuyers, for example, there are ever increasing needs for Federal housing agencies to improve their focus on the populations that may still be underserved by the private market, such as minorities and inner city residents. In the agricultural sector, FSA provides loan guarantees to many borrowers who have access to private credit. To improve program efficiency, FSA needs to focus on borrowers who would benefit most from the government program (for example, helping more small, beginning farmers and fewer large, established farmers). The Small Business Administration (SBA) faces a similar problem. Given that the definition of small business is not really tight, access to private credit may differ widely across small businesses. It is an ongoing challenge for SBA to focus more narrowly on start-ups and very small businesses, which may have more difficulty in obtaining credit without Government assistance.

Even when the target population is fairly well defined, a program can extend its role beyond the original mission. The housing program of the Department of Veterans Affairs (VA), of which the main purpose is to help veterans, offers direct loans to the purchasers of foreclosed VA homes, who are not veterans. The loans do not necessarily increase the cost to the government if the favorable lending terms positively influence sale prices. Nevertheless, the loans to the general public can be considered as overreaching. The program also allows veterans to obtain the subsidized loans more than once. Provided that the primary goal of the program is to help disadvantaged veterans right out of the military, repeated offers of subsidized loans may be unnecessary in many cases. Rural Utilities Service (RUS) offers credit to utility providers serving rural areas. Once the eligibility is determined, however, requalification is not required for new loans. This lax rule enables some borrowers, where rural areas have become urban after the first loan, to obtain new loans to support both rural and urban areas.

Targeting too narrowly can also be a problem. Export credit provided by the Export-Import Bank is highly concentrated to a few large exporters. Overseas Private Investment Corporation (OPIC) has been primarily assisting large U.S. companies investing abroad. In these cases, reaching out to smaller exporters and investors might improve program efficiency.

Risk management needs to be effective to limit the cost of credit and insurance programs. Careful screening of borrowers would reduce the default risk. Although the goal of most credit programs is not to lend to the most creditworthy borrowers, it is important to identify relatively more creditworthy borrowers even among those who might be denied credit by private lenders. Other key elements of risk management include monitoring existing borrowers and collecting defaulted loans. One way to improve screening, monitoring, and collecting is to use advanced analytical tools such as credit scoring and to maintain useful data bases. In some cases, the private sector may perform those tasks more efficiently. Then delegation would be an effective strategy. For example, if banks are better at screening some opaque borrowers because of their extensive experience with those borrowers, Federal agencies may delegate the screening of those borrowers to banks with appropriate risk-sharing arrangements.

Technological advances have significantly improved the screening of borrowers, especially in the housing market, where standardizing information is relatively easy. Private lenders process loans efficiently using automated and sophisticated tools. Federal agencies targeting the populations that are largely served by the private sector need to be alert to catch up with rapid technological advances. Falling behind, they could be left with riskier borrowers. Analytical models also play an important role in monitoring borrowers and insurance policyholders. Pension Benefit Guarantee Corporation (PBGC) has an Early Warning Program designed to identify weak industries and companies. The program, which facilitates early intervention and negotiations, has been fairly successful in reducing insurance losses.

Since standardizing information is still difficult for small business, banks with extensive business relationships may have advantages in screening borrowers. The Small Business Administatin (SBA), which guarantees small business loans, delegates credit evaluation with some risk-sharing arrangements. SBA has been strengthening the delegation through its Preferred Lender Program, which has shown some success in reducing default rates. However, since designing optimal risk-sharing arrangements is a challenging task, SBA and other Federal agencies delegating credit evaluation to private lenders should keep trying to develop finer risk-sharing arrangements.

Delegation of loan servicing is generally desirable, but it should be accompanied by close monitoring of contractors. VA lets private servicers track the performance of VA loans. VA, however, is not notified of delinquencies until loans are 60 to 90 days overdue. Closer monitoring might help to reduce the default rate of VA loans. The performance of private contractors may also be improved through performance-based contracting. The Department of Education (ED) relies on private contractors for collecting defaulted student loans. ED lets multiple debt collectors compete for the loan volume by assigning more loans to the best performers. This performance-based contracting has helped to increase the collection of defaulted loans.

Cost control is a concern for all types of organizations. For Federal credit and insurance programs, key elements include delivery and servicing costs, in addition to the general administration cost. There are many ways for Federal agencies to save costs. They may streamline the delivery system, computerize loan servicing, and eliminate redundant servicing facilities. In cases where the private sector is more efficient in some specific functions such as loan servicing, it may be best to contract out those functions. When several Federal agencies serve similar purposes, inter-agency cooperation can result in a substantial cost saving.

The student loan guarantee program involves multiple layers of private and public institutions. There may be an opportunity to streamline the delivery system and save on administrative cost. SBA operates multiple loan servicing centers throughout the Nation. Given that advances in communication technology have reduced the importance of physical presence for loan servicing, consolidating some of those facilities might reduce costs without sacrificing customer service.

ED contracts out the servicing of direct student loans. Since many private institutions are more experienced with loan servicing than the Government, contracting out can be more cost-effective in many cases. To realized the potential cost savings, however, Federal agencies need to use well-designed competitive bidding and incentive arrangements, as well as to monitor the quality of service. Without these appropriate steps, contracting out could represent more of a private opportunity for a windfall gain than of the Government's opportunity for a cost saving. The Federal Housing Administration and SBA have been selling loans to private financial institutions. Provided that private institutions are more efficient in loan servicing, loan sales should help to save servicing and administrative costs. Well-designed competitive bidding is important in this case, as well.

There are several Federal agencies that are involved in home-purchase financing and several agencies that provide export-related credit. In these cases, substantial cost saving can be achieved through sharing data bases, exchanging expertise, and consolidating redundant operations. Housing agencies have been sharing data, but to a limited extent. International credit agencies use a common risk assessment system. There may remain many cost-saving opportunities that can be realized through fuller cooperation.

Initiative plays an important role in a rapidly changing environment. Information technology and financial markets have been changing rapidly. To achieve the maximum efficiency, program managers need to closely watch and quickly adapt their programs to new developments. Tardy responses to changes in information technology may mean missed opportunities for improving risk management and reducing costs. Financial market developments also have important implications. For example, many loans guaranteed by the Government are securitized. Securitization may reduce the lenders' incentives to screen and monitor borrowers if they believe that guaranteeing agencies do not properly track the performance of securitized loans. To prevent this adverse effect, the Government needs well-organized databases and modern monitoring systems. Private lenders are more willing to serve many customers to whom they did not want to lend in the past. Thus, some Federal credit programs may need to focus more narrowly on customers who are still underserved by private lenders. Without agencies' initiative, needed adjustments might be substantially delayed.

Federal agencies have been active in initiating automation and Internet-based services. PBGC has a pilot project that enables participants in certain PBGC-trusteed plans to calculate their approximate benefits online. VA recently developed web-based application that allows lenders to obtain appraiser assignments and loan numbers for VA loan applications. ED has undertaken an automation and modernization initiative to streamline the management of student financial assistance programs. Rural Utilities Service has made many forms available for download at its website.

Many agencies have proposed to develop analytical models to improve risk management. SBA has been developing a loan monitoring system and an advanced subsidy-estimation model. Rural Housing Service have been working on models to evaluate the creditworthiness of borrowers. However, the progress has been slow in many cases.

There have also been proposals for regulatory changes. FDIC recently made reform proposals ranging from merging bank and thrift insurance funds to refining risk-based premiums. FHA recently proposed a rule that would help to reduce fraudulent practices in the housing market. In general, however, credit and insurance agencies have not been very active in proposing regulatory changes. Given that individual agencies are on the frontiers of detecting changes in market conditions, they may need to take a more active role in bringing about regulatory changes that would improve the effectiveness and efficiency of their programs.

Federal Loan Asset Sales: A Current Issue in Improving Efficiency

Federal loan asset sales provide an opportunity for agencies to achieve many of the efficiency gains already discussed. For programs where loan asset sales are appropriate, sales can free up existing agency resources to better serve their target population, lower the risk exposure of the Federal government, and create better overall management of Federal loan assets. In addition, while outsourcing specific functions, such as loan servicing, to the private sector has shown cost savings to the Government, outsourcing requires careful monitoring of the contractor. By selling the asset outright to the private sector, Federal agencies can further reduce administrative costs.

At the end of 2000, the Federal Government held loan assets valued at $241 billion. Of the $241 billion, $208 billion were direct loans, and $33 billion were guaranteed loans acquired by the Federal Government after default. Both types of loans are eligible to be sold. Sale of Federal loan assets can provide several benefits to the Federal Government: revenues from sales, administrative cost savings, and management improvements. In a time of tight budgetary resources, it makes good sense to free up agency resources for redirection to core Governmental functions and outsource activities that are more efficiently done by the private sector. Agencies can use the freed-up financial and human resources to better target new lending to the right population, better manage the remaining portfolio, and improve technological areas where they are lagging, such as loan servicing and credit screening.

The Debt Collection Improvement Act of 1996 (DCIA), which authorizes agencies to sell debt that is over 90 days delinquent, grew out of an increased recognition of the Government's inefficiency at managing poorly performing assets. For example, some agencies did not have a policy in place to take action when borrowers were delinquent or in default. The lack of an adequate policy resulted in unnecessarily large losses to the Government. In implementing the DCIA, OMB Circular A–129 imposes a more stringent rule requiring agencies to sell loans that are over one year delinquent and loans for which collection action has been terminated. Circular A–129 also recommends that agencies develop plans for selling performing loans, thereby using asset sales as a portfolio management tool.

To effectively conduct loan sales, agencies need to establish policies and procedures for tracking both performing and non-performing loans. These efforts will also help to improve overall portfolio management, resulting in reduced default rates and better cost estimates for future loans. Agencies may also acquire knowledge that helps to decide outsourcing of some functions such as loan servicing and liquidation.

The bulk of Federal loan assets are held by five Federal credit agencies: Department of Veterans Affairs, Department of Agriculture, Department of Education, the Federal Housing Administration (FHA), and the Small Business Administration (SBA). To date, two agencies, FHA and SBA, have conducted loan asset sales, selling non-performing loans, which satisfies the DCIA provisions of selling delinquent loans, and selling performing loans as well. Successful sales to date by these two agencies have shown that loan assets can be priced advantageously to both the Government and the private sector due to the private sector's expertise and scale economies in loan servicing. Both agencies are currently planning future sales. The sales to date have generated revenue for the Government, while reducing the costs of maintaining and liquidating those assets. Other benefits of asset sales include the transfer of resources from certain credit program functions that are not inherently Governmental to core Governmental functions that are essential in carrying out the mission and overall improvements in asset management.

III. CREDIT IN FOUR SECTORS

Housing Credit Programs and GSEs

The Federal Government makes direct loans, provides loan guarantees, and enhances liquidity in the housing market to promote homeownership among low- and moderate-income people and to help finance rental housing for low-income people. While direct loans are largely limited to low-income borrowers, loan guarantees are offered to a much larger segment of the population, including moderate-income borrowers. Increased liquidity achieved through GSEs benefits virtually all borrowers in the housing market, although it helps low and moderate-income borrowers more.

The main government agencies and GSEs involved in housing finance are the Department of Housing and Urban Development (HUD), the Department of Veterans Affairs (VA), the Department of Agriculture (USDA), Fannie Mae, Freddie Mac, and the Federal Home Loan Bank System. In 2001, HUD, VA, and USDA supported $219 billion of direct loans and loan guarantees, contributing to a record high homeownership rate of 68.1 percent. Roughly one out of six single-family mortgages originated in the United States receives assistance from one of these programs.

Federal Housing Administration

HUD's Federal Housing Administration (FHA) operates several insurance funds, the largest of which is the Mutual Mortgage Insurance Fund. FHA mortgage insurance is directed to expanding access to homeownership for people who lack the financial resources or credit history to qualify for a conventional home mortgage. In 2001, FHA insured $107 billion in mortgages for almost 1 million households, 10 percent more households than in 2000. The dollar volume of mortgages exceeded 2000 by 24 percent, partially driven by the rapid increase in house prices and low interest rates.

FHA has contributed significantly to the recent homeownership gains, but its target population of first-time home buyers is most at risk of surrendering these gains. After increasing significantly since 1994, the share of FHA's home purchase mortgages going to first-time home buyers and minority households dropped slightly in 2001. FHA helped its borrowers retain their homes by increasing use of loss mitigation tools (such as lender forbearance, loan modification, and partial claims) by 62 percent over the previous year. The Budget will further protect home buyers from losing their homes by expanding HUD homeownership counseling to nearly twice as many families. HUD delivers both pre- and post-purchase counseling services through a network of counseling agencies.

Congress enacted a 2002 Budget proposal to allow FHA to insure a financial product that has gained popularity in the conventional market—hybrid adjustable-rate mortgages. Congress also clarified HUD's legal authority to operate FHA Credit Watch—a lender monitoring program that rates lenders by the performance of the loans they underwrite and allows FHA to sever relationships with those showing poor performance. Credit Watch is critical to protect the FHA Mutual Mortgage Insurance Fund from unexpected losses due to mismanagement and fraud.

FHA combats fraud on many fronts, including predatory lending. The President's Management Agenda sets out several critical tasks for FHA to improve its risk management. FHA issued a proposed rule in 2001 that would prevent the predatory practice of property flipping, in which a lender and an appraiser conspire to sell a home at a falsely inflated price, thereby victimizing the borrower and exposing FHA to excessive losses. The Department is considering other regulatory changes to help prevent predatory lending.

FHA Neighborhood Watch helps home buyers help themselves by providing an internet-accessible lender monitoring system. The system tracks each lender's defaults, by neighborhood, enabling a mortgage shopper to identify lenders with good records of mortgage performance in the shopper's local area. Lenders with high rates of defaulted loans are flagged as potential problems. The system also helps the industry self-police; other financial institutions are unlikely to purchase FHA loans from a lender identified by Neighborhood Watch as high risk.

VA Housing Program

The VA assists veterans, members of the Selected Reserve, and active duty personnel to purchase homes as a recognition of their service to the Nation. The program substitutes the Federal guarantee for the borrower's down payment. In 2001, VA provided $31 billion in guarantees to assist 252,700 borrowers. Both the volume of guarantees and the number of borrowers increased substantially from 2000 as lower interest rates increased loan originations and refinancings in the housing market.

Since the main purpose of this program is to help veterans, lending terms are more favorable than market rates. In particular, VA guarantees zero down payment loans. As a result, the default rate is relatively high. The subsidy rate, however, declined slightly in 2001, thanks to efforts to reduce foreclosure rates and the strong housing market.

In order to help veterans retain their homes and avoid the expense and damage to their credit resulting from foreclosure, VA plans aggressive intervention to reduce the likelihood of foreclosures when loans are referred to VA after missing three payments. VA was successful in 40 percent of their 2001 interventions, and its goal is to maintain the 40 percent level in 2003. Future military base closures, however, may negatively affect the default rate in the VA guaranteed housing program. Guaranteed loans issued to active duty military and military reservists are vulnerable to the impact of base closures on the neighboring community. VA is continuing its efforts to reduce administrative costs through restructuring and consolidations.

Rural Housing Service

USDA's Rural Housing Service (RHS) offers direct and guaranteed loans and grants to help very low- to moderate-income rural residents buy and maintain adequate, affordable housing. The single family guaranteed loan program guarantees up to 90 percent of a private loan for low to moderate-income rural residents. The program's emphasis is on reducing the number of rural residents living in substandard housing. In 2001, $2.4 billion of guarantees went to 31,000 households, of which 30 percent went to low-income borrowers (with income 80 percent or less than median area income). For 2001, Congress statutorily increased the premium charged on the RHS single-family guarantees from 1 to 2 percent, which allowed RHS to provide more guarantees at less cost to the taxpayers.

In the single family housing guaranteed loan program, lender monitoring and external audits have helped to identify program weaknesses, train servicers, and identify troubled lenders. RHS's guaranteed loan program is also moving toward automated underwriting. In 2001, RHS continued to enhance an Internet-based system that will, with future planned improvements, provide the capacity to accept electronic loan originations from their participating lenders. Utilizing electronic loan origination technology will add significant benefits to loan processing efficiency and timeliness for RHS, the lenders, and customers. RHS continues to operate under the "best practice" for asset disposition for its guaranteed loan program. For single family guarantees, the lender is paid the loss claim, including costs incurred for up to three months after the default. After the loss claim is paid, RHS has no involvement in the loan, and it becomes the sole responsibility of the lender to dispose of the property.

RHS programs differ from other Federal housing loan guarantee programs. RHS programs are means-tested and more accessible to low-income, rural residents. In addition, the RHS direct loan program offers deeper assistance to very-low-income homeowners by reducing the interest rate down to 1 percent for such borrowers. The program helps the "on the cusp" borrower obtain a mortgage, and requires graduation to private credit as the borrower's income increases over time. The interest rate depends on the borrower's income. Each loan is reviewed annually to determine the interest rate that should be charged on the loan in that year based on the borrower's actual annual income.

The program cost is balanced between interest subsidy and defaults. For 2003, RHS expects to provide $1 billion in loans with a subsidy cost of 19.37 percent. Its most recent and ongoing servicing improvement effort has been the implementation of the Dedicated Loan Origination Service System (DLOS), which centralized the servicing and monitoring of the direct loan program. DLOS, in conjunction with 2 major regulations implemented between 1996 and 1997, reduced RHS's direct loan subsidy rate by 40 percent. RHS has reduced default rates and losses. RHS also has less than 1,200 Real Estate Owned (REO) properties, which is less than 0.02 percent of the portfolio.

RHS also offers multifamily housing loans. Direct loans are offered to private developers to construct and rehabilitate multi-family rental housing for very-low to low-income residents, elderly households, or handicapped individuals. These loans to developers are very heavily subsidized; the interest rate is between 1 and 2 percent. The Farm Labor Housing direct loans, which are similarly priced, help developers to provide rental units for minority farm workers and their families. RHS rental assistance grants supplement both of these loan programs in the form of project based rents for very low-income rural households (for renewals and new construction, the cost will be $712 million in 2003). RHS also offers guaranteed multifamily housing loans. RHS will address management issues in its multifamily housing portfolio in 2003 by restricting the $60 million loan level to repair and rehabilitation of it's existing portfolio (17,800 projects, 459,000 units). They will also conduct a study on how to fund new construction in a more cost efficient manner with the expectation that new construction will be a priority for the funds in future budgets. Farm labor housing will have a program level of $53 million and will provide for new construction.

Housing Finance Challenges and Opportunities

Private banks, thrifts, and mortgage bankers, which originate the mortgages that FHA insures and VA and RHS guarantee, may deal with all three programs, as well as with the Government National Mortgage Association (Ginnie Mae, an agency of the Department of Housing and Urban Development), which guarantees timely payment on securities based on pools of these mortgages. In addition, the same private firms originate conventional mortgages, many of which are securitized by Government-sponsored enterprises—Fannie Mae and Freddie Mac.

Many of these firms already use or are moving toward electronic loan origination and automated underwriting. Behind such underwriting are data warehouses that show default experience by type of loan, borrower characteristics, home location, originator, and servicer. Automated valuation models relate these factors to default cost, and provide comparative analysis of home sales data to estimate property collateral values without relying on a human appraiser. After loan origination, software programs grade delinquent loans in terms of their credit and collateral risk and allow servicers to devote resources to the highest-risk loans.

These technological developments offer challenges and opportunities to the Federal mortgage guarantors and Ginnie Mae. Federal credit program managers are challenged to make programs electronically accessible to their clients and loan originators. They are challenged to assess and monitor their risks more closely as private firms are reaching out to the better risks among their potential clients. They also have an opportunity to provide better service at a lower cost, to target their efforts to help borrowers retain their homes, and to reach further to bring affordable housing and homeownership opportunities to those who are not currently served.

Data Sharing. Federal credit program managers are benefitting and would benefit more from additional data-sharing capability across the Government, which provides access to integrated information on program designs, borrower characteristics, and lender and loan performance.

Loan Origination. Electronic underwriting provides convenient, faster service at a lower cost to both lenders and borrowers. Currently, both FHA and VA permit mortgage lenders to use approved automated underwriting systems, including Freddie Mac's "Loan Prospector" and Fannie Mae's "Desktop Underwriter," to originate these loans. FHA, however, will soon deploy its "Total Scorecard." By transitioning FHA's third party lenders to its own automated scorecard, FHA will improve its program controls and credit management. RHS is currently developing its own system and scorecard.

Performance Measurement. As in underwriting, private firms are heavily involved in servicing Government-backed mortgages. Measurement of the private sector's servicing capacity is thus critical. The Government needs to improve its systems to measure this performance. For example, monthly data would not only give housing programs a better understanding of how their guarantee portfolios behave, but also serve as an early warning system and feedback mechanism. The Government could adjust underwriting standards or loan servicing requirements in quick response to changing market conditions.

Managing Risk. Risk-based pricing is emerging in the conventional mortgage market as an important means by which lenders can take on more risk. Technology is giving lenders much more precise ability to assess the initial default risk associated with making a particular loan. This increasingly precise underwriting technology, in turn, allows lenders and insurers to adjust fees or loan rates to reflect risk accurately. Federal loan guarantee programs are assessing the impact of private sector customization on their loan portfolios, and adopting a similar pricing structure to avoid riskier customer composition and larger losses. FHA recently authorized annual premium cancellation at 78 percent loan-to-value ratio. Proceeding cautiously, FHA will next explore varied pricing for its mortgage insurance based on risk factors such as impaired credit or limited resources, for borrowers who currently do not qualify for FHA insurance, to help achieve the President's goal of increasing homeownership. More flexible pricing would let FHA extend its reach and thereby enable more borrowers to purchase a first home at a reasonable mortgage cost.

Asset Disposition. Common wisdom in the mortgage industry is to avoid foreclosure because that process involves significant losses, including costs for maintenance and marketing. Managers of Federal guarantee programs have found that the best practice is to allow the more experienced private sector to manage delinquent loans and dispose of properties. By 2003, FHA will move out of the property management business for the majority of its defaulted loans by implementing its statutory authority to accelerate the mortgage insurance claim process. The accelerated claim process will enable FHA to sell defaulted notes to the private sector for servicing and/or disposition, thereby reducing foreclosures and eliminating much of the acquisition of real property and increasing net recoveries by FHA.

Fannie Mae and Freddie Mac

Fannie Mae and Freddie Mac were chartered by Congress to increase the liquidity of mortgages and to promote access to mortgage credit for households that historically have been underserved by private markets. They carry out this mission by purchasing and/or guaranteeing residential mortgages. The guaranteed loans are packaged for sale as mortgage-backed securities (MBS), which are held by general investors, mortgage lenders, and Fannie Mae and Freddie Mac themselves. The two GSEs finance their acquisitions of loans and MBS assets by issuing debt. In September 2001, Fannie Mae and Freddie Mac had $2.6 trillion outstanding in mortgages that they had purchased or guaranteed. Of this, $1.2 trillion was held in the GSEs' asset portfolios, and $1.4 trillion served as collateral for outstanding MBS not held in portfolio. Together, the two firms' purchases of single-family mortgages averaged 63 percent of all conventional conforming mortgages originated in calendar years 1998–2000 measured by dollar value.

Fannie Mae and Freddie Mac have grown faster than the mortgage market in recent years. From September 1997 to September 2001, their combined mortgage asset portfolios increased 150 percent in dollar volume, and their guarantees of MBS increased 40 percent. To fund their rapidly growing asset portfolios, Fannie Mae and Freddie Mac have increased their outstanding debt. The GSEs' combined debt outstanding rose from $518 billion at September 1997 to $1.26 trillion at the end of September 2001, an annualized growth rate of nearly 25 percent a year.

Increased guarantee volume and retained portfolios imply increased credit and interest rate exposure. In recent years, both Fannie Mae and Freddie Mac have tried to limit their credit and interest rate risk using various risk management techniques such as credit enhancements, additional pool-level insurance supplementing primary mortgage insurance, long-term callable debt, interest rate swaps, and other hedging transactions. These risk management tools, however, do not eliminate all the risk associated with funding long-term, mostly fixed-rate assets that have uncertain payment streams. Furthermore, the hedging transactions transform credit or interest rate risk into counterparty risk (the risk that the counterparty of a hedging transaction fails to honor the contract). Thus, the GSEs' management of counterparty risk is of increasing importance.

The credit quality of mortgages owned or guaranteed by Fannie Mae and Freddie Mac has benefited in recent years from strong housing markets that have improved collateral values. More typical growth in house prices and a weaker economy might raise credit costs from the very low levels of recent years. The credit risk to the GSEs from new or outstanding loans is limited by their required use of mortgage insurance and other credit enhancements for loans with high loan-to-value (LTV) ratios. Both GSEs are increasingly active purchasers of subprime loans, and mortgages with very high LTV ratios, which now range up to 100 percent. These loans tend to have more credit risk than the GSEs' traditional mortgage purchases.

The Federal Housing Enterprises Safety and Soundness Act of 1992 reformed Federal regulation of Fannie Mae and Freddie Mac. The Act created the Office of Federal Housing Enterprise Oversight (OFHEO) to conduct safety and soundness examinations and enforce minimum leverage and risk-based capital requirements on Fannie Mae and Freddie Mac. Examinations of the GSEs and enforcement of leverage capital ratios have proceeded since OFHEO's inception. Risk-based capital requirements were published in September 2001 and become fully enforceable in September 2002.

Fannie Mae and Freddie Mac took steps in 2001 to help the market identify any future change in their riskiness. The GSEs have committed to issue subordinated debt on a regular basis. Following a three-year phase-in period, subordinated debt will equal about 1.5 percent of their on-balance-sheet assets. Because holders of subordinated debt have a junior claim on the assets of the GSEs, subordinated debt prices tend to be more sensitive to marginal changes in risk. The price of the GSEs' subordinated debt, therefore, could provide a market signal of an increase in their riskiness.

Because of the benefits derived from their unique Federal charters, Fannie Mae and Freddie Mac have lower costs of senior debt and obtain better pricing on securities' issuance. The Congressional Budget Office (CBO) estimates that, in 2000, these implicit subsidies combined with the GSEs' tax and regulatory exemptions were worth $10.7 billion. According to the study ("Federal Subsidies and the Housing GSEs," May 2001), the GSEs passed along 64 percent of the $10.7 billion in implicit subsidy and tax and regulatory benefits to mortgage borrowers, while 36 percent accrued to the benefit of the shareholders and other stakeholders of Fannie Mae and Freddie Mac.

One of the GSEs' public purposes is to promote access to mortgage credit for low- and moderate-income families in underserved areas. Accordingly, the Secretary of Housing and Urban Development (HUD) establishes affordable housing goals for the GSEs. The goals effective for calendar years 2001–2003 require the following:

- 50 percent of the total number of dwelling units financed by each GSE's mortgage purchases are affordable by low- and moderate-income families (Low- and Moderate-Income Housing Goal);
- 31 percent of the total number of dwelling units financed by each GSE's mortgage purchases are in central cities, rural areas, and other metorpolitan areas with low and moderate income and high concentrations of minority residents (Geographically Targeted Goal); and
- 20 percent of the total number of dwelling units financed by each GSE's mortgage purchases are special affordable housing for very-low-income families and low-income families living in low-income areas (Special Affordable Goal).

Fannie Mae and Freddie Mac have met or exceeded the affordable housing goals since they were established in 1996. The GSEs' achievements, however, do not surpass the level of affordable lending in the conventional market. By the most recent estimate available, the conventional market's loans to low- and moderate-income families and families in underserved areas exceed the purchases of such mortgages by Fannie Mae and Freddie Mac. (See the table "Mortgages to Target Populations.")

Mortgages to Target Populations

(Percent)

	Low- and Moderate-Income	Geographically Targeted	Special Affordable Housing
Private market average*	56	33	28
Freddie Mac in 2000	50	29	21
Fannie Mae in 2000	49	31	19
HUD Goal for GSEs in 2000	42	24	14

Source: Department of Housing and Urban Development (HUD).

* Private market average 1995–98, the most recent market average available from HUD for the conventional conforming market. "HUD's Regulation of Fannie Mae and Freddie Mac; Final Rule," *Federal Register,* October 31, 2000, page 65055.

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 advances (secured loans) to its members. Member institutions primarily secure advances with residential mortgages and other housing-related assets.

The Gramm-Leach-Bliley (GLB) Act of 1999 repealed the requirement that federally chartered thrifts be members of the FHLBS. Membership is open to federally chartered and state-chartered thrifts, commercial banks, credit unions, and insurance companies on a voluntary basis. As of September 30, 2001, 7,897 financial institutions were FHLBS members, an increase of 177 over September 2000. About 73 percent of members are commercial banks, 19 percent are thrifts, and the remaining 8 percent are credit unions and insurance companies. However, 53.2 percent of outstanding FHLBS advances were held by thrifts as of September 30, 2001.

The FHLBS reported net income of $2.1 billion for the year ending September 30, 2001, down from $2.2 billion in the previous 12 months. System capital rose from $30.6 billion to $33.1 billion, while the ratio of capital to assets remained unchanged at 4.8 percent. Average return on equity was about 6.6 percent. Outstanding advances reached $466.8 billion in September 2001, an 8.6 percent increase over the $429.8 billion outstanding a year earlier. As of September 30, 2001, about 64 percent of advances had a remaining maturity of greater than one year—up from 52 percent one year earlier.

The GLB Act requires the System to adopt a risk-based capital structure. On October 26, 2001, the Federal Housing Finance Board (Finance Board) approved a revised final capital standards rule. The rule covers System governance, stock issuance, and risk-based and leverage capital requirements. These new capital standards, when fully implemented, will replace the current "subscription" capital structure for the Federal Home Loan Banks (FHLBanks) with one that includes both risk-based and minimum leverage requirements. Each Bank will also be required to adopt and implement a capital plan consistent with provisions of the GLB Act and Finance Board regulations.

The GLB Act changed the FHLBanks' annual payment towards the interest payments on bonds issued by the Resolution Funding Corporation (REFCorp) from $300 million annually to 20 percent of net earnings. The FHLBanks are required to pay the greater of 10 percent of net income or $100 million to the Affordable Housing Program (AHP) and to provide discounted advances for targeted housing and community investment lending through a Community Investment Program.

The FHLBS' exposure to credit risk on advances has traditionally been 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 to a member. The System's investment activities, including mortgage purchase programs, create more risks. To control the System's risk exposure, the Finance Board has established regulations and policies that the FHLBanks must follow to evaluate and manage their credit and interest-rate risk. FHLBanks must file periodic compliance reports, and the Finance Board conducts an annual on-site examination of each FHLBank. Each FHLBank's board of directors must establish risk-management policies that comport with Finance Board guidelines.

The FHLBanks held $22.6 billion in mortgage loans on September 30, 2001, approximately 3.3 percent of total assets. The mortgage purchase programs offer members alternative ways of doing mortgage business. In one of these programs, the FHLBanks finance mortgage loans and assume the interest-rate and prepayment risks, while the members originate and service the loans and assume most of the credit risk. All assets held by an FHLBank under these mortgage purchase programs are required, pursuant to the terms of the program, to be credit enhanced to at least the level of an investment-grade security. In addition, an FHLBank must hold risk-based capital against mortgage assets that have credit risk equivalent to an instrument rated lower than double A.

The FHLBanks' investment activities also pose important public policy issues about the degree to which their asset composition adequately reflects the mission of the System. Although System investments other than advances rose to $194 billion through September 2001, compared to $178 billion a year earlier, as a percentage of total assets, those investments remained at 28 percent. Like other Government Sponsored Enterprises (GSEs), the System issues debt securities at close to U.S. Treasury rates and invests the proceeds in higher-yielding securities. In 2001, the FHLBS issued $4.9 trillion in debt securities. However, the majority of the debt issued by the System is overnight or short-term, but 73 percent of debt outstanding had an original maturity of one year or longer, and total debt outstanding was about $611 billion at the end of 2001.

An enormous, liquid, and efficient capital market exists for conventional home mortgages today. As a result of GSEs, Ginnie Mae, and the increasing presence of private securitizers, lenders have access to substantial liquidity sources, in addition to FHLBS advances, for financing home mortgages. The GLB Act further increases access to the FHLBS for community financial institutions with $527 million or less in assets by permitting advance borrowings that provide funds for small businesses, small farms, and small agri-businesses.

Education Credit Programs and GSEs

The Federal Government guarantees loans through intermediary agencies and makes direct loans to students to encourage post-secondary education. The Student Loan Marketing Association (Sallie Mae), a GSE, securitizes guaranteed student loans.

Student Loans

The Department of Education helps to finance student loans through two major programs: the Federal Family Education Loan (FFEL) program and the William D. Ford Federal Direct Student Loan (Direct Loan) program. Eligible institutions of higher education may participate in one or both programs. Loans are available to students regardless of income. Borrowers with low family incomes are eligible for higher interest subsidies. For need-based Stafford Loans, the Federal Government subsidizes interest costs while borrowers are in school, during a six-month grace period after graduation, and during certain deferment periods.

In 2003, more than 6 million borrowers will receive nearly 11 million loans totaling $53 billion. Of this amount, nearly $41 billion is for new loans, and the remainder is to consolidate existing loans. Loan levels have risen dramatically over the past 10 years as a result of rising educational costs, higher loan limits, and more eligible borrowers.

The Federal Family Education Loan program provides loans through an administrative structure involving over 3,500 lenders, 36 State and private guaranty agencies, roughly 50 participants in the secondary market, and approximately 4,000 participating schools. Under FFEL, banks and other eligible lenders loan private capital to students and parents, guaranty agencies insure the loans, and the Federal Government reinsures the loans against borrower default. In 2003, FFEL lenders will disburse more than 7 million loans exceeding $35 billion in principal. Lenders bear two percent of the default risk, and the Federal Government is responsible for the remainder. The Department also makes administrative payments to guaranty agencies and pays interest subsidies to lenders.

The William D. Ford Direct Student Loan program was authorized by the Student Loan Reform Act of 1993. Under Direct Loans, the Federal Government provides loan capital directly to roughly 1,200 schools, which then disburse loan funds to students. In 2003, the Direct Loan program will generate more than 3 million loans with a total value of over $18 billion. The program offers a variety of flexible repayment plans including income-contingent repayment, under which annual repayment amounts vary based on the income of the borrower and payments can be made over 25 years with any residual balances forgiven.

Consolidation Loans, which allow borrowers to combine one or more FFEL, Direct Loan, or other Federal student loan into a single loan with a fixed interest rate, have grown dramatically in recent years. In 1995, Consolidation Loans totaled $3.6 billion, accounting for roughly 13 percent of overall student loan volume. In 2001, the program had grown to more than $17 billion, making up approximately 33 percent of all student loan volume. This trend, which reflects a nearly five fold increase from 1995 to 2001, is expected to stabilize. Consolidation Loans are projected to be $17 billion in 2002 and decrease to $12 billion in 2003. The 2001 spike in Consolidation Loan volume resulted from lower interest rates and a special discount offered to Direct Loan consolidators.

For Fiscal Year 2003, the Administration is proposing to address the shortage of qualified, skilled math, science, and special education teachers in elementary and secondary schools by increasing the amount of forgivable guaranteed and direct student loans from $5,000 to $17,500 for highly qualified teachers who teach math, science, or special education for five years in high-need schools. This proposal builds upon the teacher loan forgiveness program authorized in the 1998 Higher Education Amendments. High-need schools would include those with a high concentration of low-income students and those in which there is a large proportion of out-of-field math, science, and special education teachers.

Sallie Mae

The Student Loan Marketing Association (Sallie Mae) was charted by Congress in 1972 as a for-profit, shareholder-owned, Government-sponsored enterprise (GSE). Sallie Mae was privatized in 1997 pursuant to the authority granted by the Student Loan Marketing Association Reorganization Act of 1996. The GSE is a wholly owned subsidiary of USA Education, Inc. and must wind down and be liquidated by September 30, 2008. The Omnibus Consolidated and Emergency Supplemental Appropriations for 1999 allows the USA Education, Inc. to affiliate with a financial institution upon the approval of the Secretary of the Treasury. Any affiliation will require the holding company to dissolve the GSE within two years of the affiliation date (unless such period is extended by the Department of the Treasury).

Sallie Mae makes funds available for student loans by providing liquidity to lenders participating in the FFEL program. Sallie Mae purchases guaranteed student loans from eligible lenders and makes warehousing advances (secured loans to lenders). Generally, under the privatization legislation, the GSE cannot engage in any new business activities or acquire any additional program assets other than purchasing student loans. The GSE can continue to make warehousing advances under contractual commitments existing on August 7, 1997. Sallie Mae currently holds approximately 42 percent of all outstanding guaranteed student loans.

Business and Rural Development Credit Programs and GSEs

The Federal Government guarantees small business loans to promote entrepreneurship. The Government also offers direct loans and loan guarantees to farmers who may have difficulty obtaining credit elsewhere and to rural communities that need to develop and maintain infrastructure. Two GSEs, the Farm Credit System (FCS) and the Federal Agricultural Mortgage Corporation (Farmer Mac), increase liquidity in the agricultural lending market.

Small Business Administration

The Small Business Administration (SBA), created in 1953, helps entrepreneurs start, sustain, and grow small businesses. As a "gap lender" SBA works to correct market imperfections and provide access to credit where private lenders are reluctant to do so without a government guarantee.

The Administration's 2003 Budget anticipates that SBA's lending programs will make available capital resources of over $16 billion. The 7(a) General Business Loan program will support approximately $4.85 billion in guaranteed loans, while the 504 Certified Development Company program will support $4.5 billion in guaranteed loans. SBA will supplement the capital of Small Business Investment Companies (SBICs), which provide equity capital and long-term loans to small businesses, with $7 billion in participating securities and guaranteed debentures. In addition, SBA expects to provide $26 million in microloans, along with $17 million in technical assistance to increase the probability of borrower success.

To continue to meet the needs of small businesses, SBA will focus program management in three areas: 1) providing economic relief to small businesses, 2) improving risk management, and 3) operating more efficiently.

In the aftermath of the September 11th attacks, legislation was enacted to temporarily reduce fees for borrowers and lenders participating in the 7(a) General Business Loan program. As a result, the annual fee in the 7(a) program is reduced in half from 0.50 percent to 0.25 percent and up-front fees in the 7(a) program have been reduced in half to one percent for loans below $150,000. For loans between $150,000 and $700,000, the up-front fee was reduced to 2.5 percent (a reduction of one percentage point), and for loans above 700,000, the up-front fee remains at 3.5 percent.

As a result of the fee reductions, the subsidy rate for the 7(a) program has increased to 1.76 percent in 2003 from 1.07 percent in 2002. This increase in cost translates into a reduced program level of $4.85 billion in 2003 from $9.3 billion in 2002. Given the additional cost and limited resources, the Administration will target funds to creditworthy small businesses most likely to be underserved by the commercial markets. While SBA can guaranty loans up to $1 million, the greatest need for government assistance is for loans below $150,000. Loans below $150,000 are usually for very small or start-up businesses. Lenders, however, are generally reluctant to make these loans due to high administrative costs and low financial returns. The SBA guarantee, along with the reduction in fees, will encourage banks to increase the number of loans they make that are below $150,000.

Measuring and mitigating risks in SBA's $50 billion business loan portfolio is one of the agency's greatest challenges. As SBA delegates more authority to the private sector to administer SBA guaranteed loans, oversight functions become increasingly important. SBA has taken steps to improve oversight with the establishment of the Office of Lender Oversight, which will be responsible for evaluating individual SBA lenders. This office will employ a variety of analytical techniques to ensure strong performance, including overall financial performance analysis, industry concentration analysis, peer lending performance comparisons, SBA portfolio performance analysis, and selected credit reviews. The oversight program will also encompass on-site safety and soundness examinations and off-site monitoring of the Small Business Lending Companies (SBLCs) and compliance reviews of SBA lenders. This office will develop incentives for lenders to minimize defaults and performance measures to monitor results.

SBA has been developing a Loan Monitoring System (LMS) which will support lender oversight functions by improving SBA's data collection and processing capabilities, providing a better interface with lenders, and helping to increase lender accountability. However, after five years and more than $30 million, the LMS project is behind schedule, over cost, and under performing. SBA will attempt to refocus the project to ensure successful implementation. The agency will refocus the project and by March 2002, develop a detailed plan for effective implementation.

Improving risk management also means improving SBA's ability to more accurately estimate the cost of subsidizing small business loans. This will enable the agency to allocate resources more effectively, determine program risk more precisely, and increase the ability to target programs to the neediest populations. The Administration has made significant progress in improving the accuracy of the subsidy estimate in the 7(a) program. Reflecting long-term changes in the program, the 2003 budget uses an improved estimation method, resulting in a reduced program cost. To refine the estimation in future years, SBA is developing an econometric model, which integrates a variety of programmatic and economic changes that affect loan performance. SBA is also reviewing the cost estimation method for the 504 Certified Development Company Program.

To operate more efficiently, SBA will automate loan origination activities in the disaster loan program with a paperless loan application. As a result, loan-processing costs, times, and errors will decrease, while government responsiveness to the needs of disaster victims will increase. While still in the design stage, SBA expects to begin full implementation of the paperless disaster loan application in 2003. Additionally, because loan-servicing functions can be better performed by the private sector, SBA is privatizing these activities. The agency will therefore, focus its resources on core programs such as providing access to capital, technical assistance, and federal contracting opportunities. SBA is selling its current portfolio of defaulted guaranteed loans and direct loans. The agency has already sold more than $4 billion in such loans and will begin to reflect human resource and cost efficiencies that result from these sales.

Still, with all of these management improvements, Government should only foster, not replace private-sector investment. As such, the Administration continues to seek alternative and innovative ways to support small business development. For instance, the advent of interstate banking and the Gramm-Leach-Bliley Financial Modernization Act of 1999 have expanded small businesses' access to capital. Banks have greater liberties to engage in merchant banking activities, including venture capital investments, allowing them to support small businesses in a variety of ways. While the Small Business Investment Company program has been effective in providing patient capital to small businesses, the venture capital market has matured over the last twenty years and may no longer need the same level of government intervention.

Another way to support small business development is to provide financing opportunities beyond the limited 7(a) loan program, which historically has served less than one-tenth of one percent of the Nation's small businesses annually and provided less than one percent of annual small business lending. The Administration will work with the Congress, the lending community, and the small business communities to explore new approaches to insure that a greater number of the Nation's small businesses have adequate access to capital. One possible model is Capital Access Programs (CAPs). Many States participate in CAPs, but the programs are managed largely by private parties. Under a CAP program, the bank and the borrower pay an up-front insurance premium typically between three and seven percent of the loan amount into a reserve account, which is matched by the participating state government. CAPs or other innovative state programs that place greater emphasis on market solutions may point the way toward modernizing and complementing SBA's lending programs.

USDA Rural Infrastructure and Business Development Programs

USDA provides grants, loans, and loan guarantees to communities for constructing facilities such as health-care clinics, day-care centers, and water and wastewater systems. Direct loans are available at lower interest rates for the poorest communities. These programs have very low default rates. The cost associated with them is due primarily to subsidized interest rates that are below the prevailing Treasury rates. The program level for the Water and Waste (W&W) loan and grant program in the 2003 President's Budget is $1.5 billion. These funds are available to communities of 10,000 or less residents. The program finances drinking water, sewer, solid waste disposal, and storm drainage facilities through direct or guaranteed loans and grants. In order to qualify, applicant communities must be unable to finance their needs through their own resources or with credit from commercial lenders. Priority is given to loans serving smaller communities that have greater financial need, based on their median household income, poverty levels, and size of service population as determined by the USDA's field office staff. The community typically receives a combination of loans and grants depending on how much they can afford. The grant is usually for 35–45 percent of the project cost (it can be up to 75 percent). Loans are for 40 years with interest rates based on a three-tiered structure (poverty, intermediate, and market) depending on community income. The community facility programs are targeted to rural communities with fewer than 20,000 residents and have a program level of $477 million in 2003. USDA also provides grants, direct loans, and loan guarantees to assist rural businesses, including cooperatives, to increase employment and diversify the rural economy. In 2003, USDA proposes to provide $700 million in loan guarantees to rural businesses (these loans serve communities of 50,000 or less).

These community programs are all part of the Rural Community Advancement Program (RCAP). Under RCAP, States have increased flexibility within the three funding streams for Water and Wastewater, Community Facilities, and Business and Industry (B&I). USDA also provides loans through the Intermediary Relending Program (IRP), which provides loan funds at a 1 percent interest rate to an intermediary such as a State or local government agency that, in turn, provides funds for economic and community development projects in rural areas. In 2002, USDA expects to retain or create 44,000 new jobs through the B&I guarantee and the IRP loan programs.

Electric and Telecommunications Loans

USDA's rural electric and telecommunications program makes new loans to maintain existing infrastructure and to modernize electric and telephone service in rural America. Historically, the Federal risk associated with the $40 billion loan portfolio in electric and telephone loans has been small, although several large defaults occurred in the electric program. In 1997, $667 million, largely nuclear power construction loans, was written off, but this case was an exception.

The subsidy rates for the electric and telecommunication programs remain low mainly due to low interest rates projected in the Budget. The default rates for both programs are very low. With increased deregulation, however, there is the possibility of increased defaults in the electric program because competition resulting from deregulation may erode the ability of some borrowers to repay. As information on the impact of deregulation increases, this risk will be factored into the default rates. The number of electric loans has been increasing due to large increases in loan level appropriated over the last several years. The average size for electric loans has also been increasing. The number and the size of telecommunications loans have remained steady.

Maintaining the goal of "affordable, universal service" is of concern to USDA. Many rural cooperatives are by nature high cost providers of electricity because there are fewer subscribers per line-mile than in urban areas. USDA's Rural Utilities Service (RUS) proposes to make $2.6 billion in direct and guaranteed loans in 2003 to rural electric cooperatives, public bodies, nonprofit associations, and other utilities in rural areas for generating, transmitting, and distributing electricity. Included in this funding request is $100 million for private sector guarantees. The demand for loans to rural electric cooperatives is expected to continue to rise as borrowers replace many of the 40-year-old electric plants.With the $2.6 billion in loans, RUS borrowers are expected to upgrade 225 rural electric systems, which will benefit over 3.4 million customers and create or preserve approximately 50,000 jobs.

USDA's RUS proposes to make $495 million in direct loans in 2003 to companies providing telecommunications in rural areas. The uses of the telecommunication loans are changing from bringing service to new customers to upgrading existing service with new technology. With the $495 million in loans, RUS borrowers are expected to fund over 50 telecommunication systems for advanced telecommunications services. This funding will provide broadband and high-speed Internet access and benefit over 300 thousand rural customers.

The Rural Telephone Bank (RTB) provides financing for rural telecommunications systems. The 2003 Budget proposes the elimination of funding to support new loans. This is expected to generate increased member and borrower support for statutorily authorized privatization. The RTB is financially able to privatize by the end of 2003, and this provides enough time to perform a privatization study and prepare for privatization. The RTB is provided full salaries and expenses to service existing loans, to perform a privatization study, and prepare for privatization by the end of 2003.

The Distance Learning and Telemedicine program provides grants and loans to improve telemedicine and distance learning services in rural areas and encourage students, teachers, medical professionals, and rural residents to use telecommunications, computer networks, and related advanced technologies. With the $25 million in grants and $50 million in loans, RUS borrowers are expected to provide distance learning facilities to 300 schools, libraries, and rural education centers and telemedicine equipment to 150 rural health care providers, benefiting millions of residents in rural America. The loan level has been reduced to $50 million from $300 million due to low demand (average loan total per year is less than $20 million).

There are various legislative actions that are impacting or will impact RUS. This includes the Local TV Act that provides authorization for RUS to provide loans to bring local television to rural customers. Funding was provided in the 2002 appropriations. The various Farm Bills being debated by Congress include changes to existing programs and authorization and/or funding for new programs.

Loans to Farm Operators

Farm Service Agency (FSA) assists low-income family farmers in starting and maintaining viable farming operations. Emphasis is placed upon aiding beginning and socially disadvantaged farmers. FSA offers operating loans and ownership loans, both of which may be either direct or guaranteed loans. Operating loans provide credit to farmers and ranchers for annual production expenses and purchases of livestock, machinery, and equipment. Farm ownership loans assist producers in acquiring their farming or ranching operations. As a condition of eligibility for direct loans, borrowers must have been denied private credit at reasonable rates and terms, or they must be beginning or socially disadvantaged farmers. Loans are provided at Treasury rates or 5 percent. As FSA is the "lender of last resort," high defaults and delinquencies are inherent in the direct loan program; over $15 billion in direct farm loans have been written off since 1990.

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, they exercise care in examining borrower repayment ability. As a result, guaranteed farm loans have not experienced losses as high as those on direct loans.

The 1999 Appropriations Bill changed some of the servicing requirements for delinquent borrowers. A borrower who has received an FSA loan write-down or write-off may now be eligible for an additional farm operating loan when the borrower is current under a debt reorganization plan or in certain emergency circumstances. Property acquired through foreclosure on direct loans must now be sold at auction within 105 days of acquisition, and leasing of inventory property is no longer permitted except to beginning farmers. Prior to the 1996 Farm Bill, acquired property remained in inventory on average for five years before the FSA could dispose of it.

The subsidy rates for these programs have been fluctuating over the past several years. These fluctuations are mainly due to the interest component of the subsidy rate. The default rates for these programs tend to be below ten percent. Guaranteed farm ownership loans have experienced a decreasing default rate. Though some direct loan programs have experienced an increase in the default rate in the last few years, the overall default rate for direct loan programs, which was as high as 20 percent in 1996, has been reduced to 11 percent as of October 2001. In 2001, FSA provided loans and loan guarantees to over 29,000 family farmers totaling $3.2 billion. The number of loans provided by these programs have fluctuated over the past several years. The average size for farm loans has been increasing. The majority of assistance provided in the operating loan program is to existing FSA farm borrowers. In the farm ownership program, new customers receive the bulk of the benefits furnished.

In the last few year, the demand for FSA direct and guaranteed loans have been high due to crop/livestock price decreases and some regional production problems. In 2003, USDA's FSA proposes to make $3.8 billion in direct and guaranteed loans through discretionary programs and $3.6 billion in guaranteed loans through mandatory programs.

The Farm Credit System and Farmer Mac

The Farm Credit System (FCS or System) and the Federal Agricultural Mortgage Corporation (Farmer Mac) are Government-sponsored Enterprises (GSEs) that enhance credit availability for the agricultural sector. The FCS provides production, equipment, and mortgage lending to farmers and ranchers, aquatic producers, their cooperatives, and related businesses, while Farmer Mac provides a secondary market for agricultural real estate and rural housing mortgages. Both GSEs face a business risk because their borrowers are generally dependent on a single economic sector, agriculture. The downturn in the agricultural sector in the 1980s caused severe financial difficulties within the FCS. Legislation in 1987 provided temporary Federal assistance to the FCS and created Farmer Mac.

The Nation's agricultural sector and its lenders continue to exhibit stability in their income and balance sheets, thanks in part to significant Government emergency assistance payments from 1998 through 2001. The current economic downturn may not have a significant effect on the agricultural economy because the farm economic cycle doesn't quite coincide with the general economic cycle. Commodity prices remained low in 2001, and long-term forecasts are for very gradual recovery. Farm income levels, including Government payments, have enabled most borrowers to maintain low debt-to-asset ratios, and lenders to keep loan delinquencies well below problem thresholds. Farmland values gained modestly in 2000 (up 4.6 percent) due to a combination of government payments and urban influences. However, such aggregate facts may mask the problems of certain sectors within the farm economy.

From 1986 to 2000, commercial banks' share of all farm debt increased from 26.5 percent to 41.6 percent, while the share for the FCS declined from 29.2 percent to 26.4 percent. The United States Department of Agriculture (USDA) direct farm loan programs went from a market share of 15.4 percent to 4.0 percent, though that percentage would more than double if adjusted for its guaranteed loans issued through private institutional lenders. USDA expects that both commercial banks and the FCS have maintained their market share in 2001.

The Farm Credit System

The financial condition of the Farm Credit System banks and associations during 2001 continued a 13-year trend of improving financial health and performance. Non-performing assets were 1.22 percent of the portfolio in September 2001, unchanged from December 2000, and down from 1.62 percent in 1999. Loan volume has increased since 1995 to $80.1 billion in September 2001, which is close to the high of $81.9 billion in the early 1980s. Competitive pressures have narrowed the FCS's net interest margin from 3.03 percent in 1995 to 2.79 percent in 2000. The net interest margin has remained relatively stable about at the 2000 level in 2001. However, the net interest margin is expected to increase in the near-term, given that the Federal Reserve has significantly lowered short-term interest rates.

Improved asset quality and income enabled FCS to post record capital levels: on September 30, 2001, capital stood at $15.7 billion—an increase of 9.2 percent for the year. Not included in this capital are investments set aside to repay the remaining amount ($1.3 billion) of Federal assistance provided through the Farm Credit System Financial Assistance Corporation. The System has adopted an annual repayment mechanism requiring FCS institutions to pre-fund its interest and principal repayment obligations for the Federal assistance. The FCS has further reduced its risk exposure by using marginal cost loan pricing and asset/liability management practices designed to reduce its interest rate risk. Substantial consolidation continues in the structure of the FCS. In January 1995, there were nine banks and 232 associations; by October 2001, the numbers reduced to seven banks and 115 associations. From October 2000 to October 2001, the number of associations fell by 43 because of mergers and acquisitions.

The 1987 legislation established the Farm Credit System Insurance Corporation to insure timely payment of interest and principal on FCS obligations. The Insurance Fund's balances, largely comprised of premiums paid by FCS institutions, supplement the System's capital and the joint and several liability of all System banks for FCS obligations. On September 30, 2001, the Insurance Fund's net assets were $1.5 billion, and were slightly below the statutory minimum of two percent of outstanding debt. The Insurance Corporation will resume premium collection from System institutions in 2002 to ensure that the Insurance Fund grows in concert with the growth in the System's outstanding debt caused by continued growth in its loan portfolio.

Improvement in the FCS's financial condition is also reflected in the evaluations of FCS member institutions by the Farm Credit Administration (FCA), its Federal regulator. Each of the System institutions are rated under the FCA Financial Institution Rating System for capital, asset quality, management, earnings, liquidity, and sensitivity (CAMELS). At the beginning of 1995, 197 institutions carried the best CAMELS ratings of 1 or 2, 36 were rated 3, one institution was rated 4, and no institutions received the lowest rating of 5. In September 2001, in contrast, 121 institutions were given the top ratings, only one small association was rated 3, and none were rated 4 or 5. As of September 30, 2001, there were no FCS institutions under an enforcement action.

The System had $80.1 billion in gross loans outstanding as of September 30, 2001. Total loans outstanding have grown by $7.1 billion, or 9.8 percent, over the year ended September 30, 2001, and by $19.2 billion, or 31.5 percent, over the past five years. The volume of lending secured by farmland has increased 34.2 percent, while farm-operating loans have increased 40.8 percent since 1996. Total members served increased about 3 percent during the past year.

Agricultural producers represented by far the largest borrower group, with $61.1 billion including loans to rural homeowners and leases, or more than three-quarters of the total dollar amount of loans outstanding. As required by law, all borrowers are also stockholder-owners of System institutions. The System has more than 430,000 stockholders; about 84 percent of these are farmers with voting stock. About half of the System's total loan volume outstanding (49.6 percent) is in long-term real estate loans, one-quarter (26.7 percent) in short- and intermediate-term loans to agricultural producers, and 20.4 percent to cooperatives. International loans (export financing) represent 3.3 percent of the System's loan portfolio. Rural home loans make up about 2.5 percent of total loans (included in long-term real estate loans). Loans to finance rural utilities (included in cooperative loans) comprise more than $6.5 billion, or 8.1 percent of overall loan volume; this segment has roughly doubled over the past five years. Lease receivables (included in both the long-term real estate loans and the short- and intermediate-term loan categories) account for about 3.6 percent of the overall System portfolio.

The USDA expects 2001 net farm income to be $49.4 billion, up 4.3 billion, or 6.5 percent, from 2000. These strong expected earnings generally have relied heavily on government assistance payments in recent years. Federal payments averaging over $20 billion from 1999 to 2001 (totaling over $90 billion from 1996 to 2001) to farmers and ranchers compensated for depressed commodity prices and declining exports. The System, while continuing to record strong earnings and capital growth, remains exposed to numerous risks, including concentration risk, changes in government assistance payments, the volatility of exports and crop prices, and lower non-farm earnings of farm households associated with weakness in the general economy.

Farmer Mac

Farmer Mac was established in 1987 to create and oversee a secondary market for farm real estate and rural housing loans. Since the Agricultural Credit Act of 1987, there have been several amendments to Farmer Mac's chartering statute. Perhaps the most significant amending legislation for Farmer Mac was the Farm Credit System Reform Act of 1996 that transformed Farmer Mac from a guarantor of securities backed by loan pools into a direct purchaser of mortgages, enabling it to form pools to securitize. The 1996 Act increased Farmer Mac's ability to achieve its statutory mission. Since the passage of the 1996 Act, loan purchases and guarantees have steadily increased, indicating positive progress in the development of a viable secondary market for agricultural mortgages.

Farmer Mac continues to meet statutory minimum core capital requirements. Additionally, the FCA implemented in 2001 a risk-based capital regulation that determines the minimum level of regulatory capital necessary to enable Farmer Mac to maintain positive capital during the most stressful credit and interest rate risk conditions.

International Credit Programs

Seven Federal agencies, the Department of Agriculture (USDA), the Department of Defense, the Department of State, the Department of the Treasury, the Agency for International Development (AID), the Export-Import Bank, and the Overseas Private Investment Corporation (OPIC), provide direct loans, loan guarantees, and insurance to a variety of foreign private and sovereign borrowers. These programs are intended to level the playing field for U.S. exporters, deliver robust support for U.S. manufactured goods, stabilize international financial markets, and promote sustainable development.

Leveling the Playing Field

Federal lending counters subsidies that foreign governments, largely in Europe and Japan, provide their exporters usually through export credit agencies (ECAs). The U.S. government has worked since the 1970's to constrain official credit support through a multilateral agreement in the Organization for Economic Cooperation and Development (OECD). This agreement has significantly constrained direct interest rate subsidies and tied-aid grants. Further negotiations resulted in a multilateral agreement that standardized the fees for sovereign lending across all ECA's beginning in April 1999. Fees for non-sovereign lending, however, continue to vary widely across ECAs and markets, thereby providing implicit subsidies.

The Export-Import Bank attempts to strategically "level the playing field" and to fill gaps in the availability of private export credit. The Export-Import Bank provides export credits, in the form of direct loans or loan guarantees, to U.S. exporters who meet basic eligibility criteria and who request the Bank's assistance. USDA's "GSM" programs similarly help to level the playing field. Like programs of other agricultural exporting nations, GSM programs guarantee payment from countries and entities that want to import U.S. agricultural products but cannot easily obtain credit. The U.S. has been negotiating in the OECD the terms of agricultural export financing, the outcome of which could affect the GSM programs.

Stabilizing International Financial Markets

In today's global economy, the health and prosperity of the American economy depend importantly on the stability of the global financial system and the economic health of our major trading partners. The United States can contribute to orderly exchange arrangements and a stable system of exchange rates by providing resources on a multilateral basis through the IMF (discussed in other sections of the Budget), and through financial support provided by the Exchange Stabilization Fund (ESF).

The ESF may provide "bridge loans" to other countries in times of short-term liquidity problems and financial crises. In the past, "bridge loans" from ESF provided dollars to a country over a short period before the disbursement an IMF loan to the country. Also, a package of up to $20 billion of medium-term ESF financial support was made available to Mexico during its crisis in 1995. Such support was essential in helping to stabilize Mexican and global financial markets. Mexico paid back its borrowings under this package ahead of schedule in 1997, and the United States earned almost $600 million in interest. There was zero subsidy cost for the United States as defined under credit reform, as the medium-term credit carried interest rates reflecting an appropriate country risk premium.

The United States also expressed a willingness to provide ESF support in response to the financial crises affecting some countries such as South Korea in 1997 and Brazil in 1998. It did not prove necessary to provide an ESF credit facility for Korea, but the United States agreed to guarantee through the ESF up to $5 billion of a $13.2 billion Bank for International Settlements credit facility for Brazil. Such support helped to provide the international confidence needed by these countries to begin the stabilization process.

Using Credit to Promote Sustainable Development

Credit is an important tool in U.S. bilateral assistance to promote sustainable development. In 2002, all of USAID's credit programs were consolidated to create the unified Development Credit Authority. Development Credit Authority (DCA) is a legislative authority allowing the use of credit by USAID to support its development activities abroad. This unit encompasses DCA activities as well as USAID's traditional microenterprise and urban environmental credit programs. DCA provides non-sovereign loans and loan guarantees in targeted cases where credit serves more effectively than traditional grant mechanisms to achieve sustainable development. DCA is intended to mobilize host country private capital to finance sustainable development in line with USAID's strategic objectives. Through the use of partial loan guarantees and risk sharing with the private sector, DCA stimulates private-sector lending for financially viable development projects, thereby leveraging host-country capital and strengthening subnational capital markets in the developing world. The demand for DCA's facilities is prevalent in these emerging economies, but the utilization rate for these facilities is still very low. In 2003, DCA will be working towards strengthening their institutional capacity to conduct project oversight, risk analysis, and credit budgeting.

OPIC also supports a mix of development, employment, and export goals by promoting U.S. direct investment in developing countries. OPIC pursues these goals through political risk insurance, direct loans, and guarantee products, which provide finance, as well as associated skills and technology transfers. These programs are intended to create more efficient financial markets, eventually encouraging the private sector to supplant OPIC finance in developing countries. OPIC has also created a number of investment funds that provide equity to local companies with strong development potential.

Ongoing Coordination

International credit programs are coordinated through two groups to ensure consistency in policy design and credit implementation. The Trade Promotion Coordinating Committee (TPCC) works within the Administration to develop a National Export Strategy to make the delivery of trade promotion support more effective and convenient for U.S. exporters.

The Interagency Country Risk Assessment System (ICRAS) standardizes the way in which agencies budget for the risk of international lending. The cost of lending by the agencies is governed by ratings and ICRAS default estimates. The methodology establishes assumptions about default risks in international lending using averages of international bond market data. The strength of this method is its link to the market.

For 2003, OMB has updated the methodology using more sophisticated financial analyses and comprehensive market data. In particular, the new method better isolates the expected cost of default implicit in interest rates charged by private investors to sovereign borrowers. All else equal, this change will expand the level of international lending an agency can support with a given appropriation. For example, the Export-Import Bank will be able to generally provide higher lending levels using lower appropriations in 2003.

Adapting to Changing Market Conditions

Overall, officially supported finance and transfers account for a tiny fraction of international capital flows. Furthermore, the private sector is continuously adapting its size and role in emerging markets finance to changing market conditions. In response, the Administration is working to adapt international lending at Export-Import Bank and OPIC to dynamic private sector finance. The Export-Import Bank for example is developing a sharper focus on lending that would otherwise not occur without Federal assistance. Measures under development include reducing risks, collecting fees from program users, and improving the focus on exporters who truly cannot access private export finance.

OPIC in the past has focused too narrowly on providing financing and insurance services to large U.S. companies investing abroad. As a result, OPIC did not pay adequate attention to its mission of promoting development through mobilizing private capital. OPIC is developing and will implement policy changes that reflect the Administration's mandate to return to its development mission.

These changes at the Export-Import Bank and at OPIC will place more emphasis on correcting market imperfections as the private sector's ability to bear emerging market risks becomes larger, more sophisticated, and more efficient.

The Budget requests a lower level for the Export-Import Bank than in prior years, but this level supports a projected increase over the Bank's level of lending in 2002. The Budget also restores OPIC credit subsidy for 2003.

IV. INSURANCE PROGRAMS

Deposit Insurance

Federal deposit insurance was established in the depression of the 1930s, which prompted the need to protect small depositors and prevent bank failures from causing widespread disruption in financial markets. Before the establishment of Federal deposit insurance, failures of some depository institutions often caused depositors to lose confidence in the banking system as a whole and rush to withdraw deposits from other institutions. Such sudden withdrawals would seriously disrupt the economy.

The Federal Deposit Insurance Corporation (FDIC) insures the deposits in banks and savings associations (thrifts) through separate insurance funds, the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF). Deposits of credit unions are insured through the National Credit Union Administration (NCUA). Deposits are currently insured up to $100,000 per account. The FDIC insures a combined $3.2 trillion of deposits at almost 8,200 commercial banks and over 1,500 savings institutions. The NCUA insures 10,145 credit unions with $387 billion in insured shares.

Current Industry and Insurance Fund Conditions

The 1980s and early 1990s were a turbulent period for the banking industry, with over 1,400 bank failures and 1,100 thrift failures. The Federal Government responded with the Financial Institutions Reform, Recovery and Enforcement Act of 1989 and the Federal Deposit Insurance Corporation Improvement Act of 1991, which were largely designed to improve the safety and soundness of the banking system. These reforms, combined with more favorable economic conditions, helped to restore the health of depository institutions and the deposit insurance system.

Despite the sluggish economic growth in the past year, depository institutions and their Federal insurance funds are in good financial condition overall. One thrift failed in 2001, becoming only the fourth SAIF-member to fail since 1996, but it was the largest failure of an FDIC-insured institution since June 1993. Three BIF members failed during 2001. Since 1997, assets associated with BIF failures have averaged $100 million per year. During 2001, 25 Federally insured credit unions with $22 million in assets failed (including assisted mergers). The FDIC currently classifies 94 institutions with $18 billion in assets as "problem institutions," compared to 90 institutions with $19 billion in assets a year ago.

Bank earnings declined, but remained strong in 2001. The industry net income totaled $17.4 billion in the third quarter of 2001, a decline of 9.9 percent from the third quarter of 2000. The largest factor in the earnings decline was a $4.8 billion (71.7 percent) increase in provisions for loan losses. Thrift earnings, on the other hand, continued to increase in 2001. Net income during fiscal year 2001 was $800 million higher than a year ago. These favorable conditions, however, may not last indefinitely. Many economic and institutional developments indicate that the industry currently faces numerous challenges. The current economic slowdown could put pressure on industry profits and, ultimately, on the deposit insurance funds.

For both BIF and SAIF, the reserve ratio (ratio of insurance reserves to insured deposits) declined in 2001, but remained comfortably higher than the 1.25-percent statutory target. As of September 30, 2001, BIF had estimated reserves of $32 billion, or 1.32 percent of insured deposits. During the same period, SAIF had reserves of $10.8 billion, or 1.39 percent of insured deposits. The FDIC continues to maintain deposit insurance premiums in a range from zero for the healthiest institutions to 27 cents per $100 of assessable deposits for the riskiest institutions. Due to the strong financial condition of the industry and the insurance funds, 92 percent of commercial banks and 90 percent of thrifts did not pay insurance premiums in 2001.

The National Credit Union Share Insurance Fund (NCUSIF) also remains strong with assets of $4.9 billion. Each insured credit union is required to deposit and maintain an amount equal to 1 percent of its member share accounts in the fund. Premiums were waved during 2001 because sufficient investment income was generated. After the end of the fiscal year, the NCUA Board approved a dividend to reduce the Fund's equity ratio to 1.30 percent. This was the sixth consecutive year that the Fund paid a dividend to federally insured credit unions.

As a result of consolidation, a few large banks control a substantial share of banking assets. Thus, the failure of even one of these large institutions could strain the insurance fund. Banks are increasingly using sophisticated financial instruments such as asset-backed securities and financial derivatives, which could have unforeseen effects on risk levels. Whether or not these new instruments add to risk, they do complicate the work of regulators who must gauge each institution's financial health and the potential for deposit insurance losses that a troubled institution may represent.

The Gramm-Leach-Bliley Act of 1999 allows new affiliations in the financial sector, enabling banks, security firms and insurance companies to be commonly owned. Over time, such expanded affiliations may make depository institutions safer by improving asset diversification. A recent development related to inter-industry mergers is that securities firms are indirectly offering insured accounts to their customers through their banking affiliates. Regulators will need to pay attention to this development because these account conversions increase insured deposits. For instance, since the end of March 2000, these types of conversions have added an estimated $73.3 billion to BIF-insured deposits and $4.4 billion to SAIF-insured deposits, accounting for almost 30 percent of the growth in all insured deposits.

On-going Issues

While the deposit insurance system is in good condition, the Administration is developing proposals to strengthen the system further. The FDIC has been prohibited from charging premiums to "well capitalized" institutions since 1996. Therefore, under the current pricing structure, only eight percent of banks and 10 percent of thrifts pay regular insurance premiums. A stronger system might require all institutions pay at least a nominal amount for federal deposit insurance and would assess new deposits.

Under the current system, the FDIC is required to maintain a designated reserve ratio (DRR, the ratio of insurance fund reserves to total insured deposits) of 1.25 percent. If the DRR falls below 1.25 percent and cannot be restored to 1.25 percent within a year, all institutions could be required to pay premiums averaging 23 basis points. This current structure requires institutions to face a cliff of high premium payments when they are weakest. Again, a stronger system might replace the current fixed reserve ratio with a flexible range. Merging the funds would also make them stronger and better diversified than either fund standing alone. Additionally, given that many institutions currently hold both bank- and thrift-insured deposits, merging the funds would eliminate the need to track bank and thrift deposits separately and would help streamline mergers and acquisitions. The Administration, however, is not considering any proposals to raise the current deposit limit above $100,000.

Pension Guarantees

The Pension Benefit Guaranty Corporation (PBGC) insures most defined-benefit pension plans sponsored by private employers. PBGC pays the benefits guaranteed by law when a company with an underfunded pension plan becomes insolvent. PBGC's exposure to claims relates to the underfunding of pension plans, that is, to any amount by which vested future benefits exceed plan assets. In the near term, its loss exposure results from financially distressed firms with underfunded plans. In the longer term, additional loss exposure results from firms that 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 pension arrangements such as 401(k) accounts. The number of plans with 1,000 or more participants, which include both retired workers (inactive members) and active workers, has increased slightly since 1980. However, the number of active workers in defined-benefit plans declined from 27 million in 1988 to an estimated 22 million in 1999, a decrease of 18 percent. If the trend continues, by 2003 the number of inactive participants will exceed the number of active workers.

The financial position of the PBGC, while still strong, weakened in 2001 for the first time in eight years, largely due to losses from plan terminations and equity investments. Risk remains because of economic uncertainties. The risk has been reduced somewhat by steps taken by the Congress and PBGC. Congress enacted legislation to make insurance premiums more reflective of risk. Under its Early Warning Program, PBGC has negotiated 90 major settlements with companies, which have provided nearly $17.5 billion in extra contributions and other protections that improved pension security for over 2 million people and reduced PBGC's future exposure.

PBGC's single-employer program experienced its largest loss in fifteen years, reflecting losses on equity investments, termination of Northwestern Steel and Wire's plans, and new probable terminations. Other large terminations during the year, booked previously, included some of the largest plans that PBGC has trusteed: TWA, Grand Union, Bradlees, and Laclede Steel. (In early 2002, Outboard Marine, also booked previously, terminated its plans.) In 2001, overall investment returns in the single-employer program were slightly negative, with negative returns in its trust funds, which hold mostly equities, and positive returns in PBGC's revolving funds, which are invested in U.S. Government securities. Premium revenues increased slightly. PBGC's multi-employer program, which guarantees pension benefits of certain unionized plans offered by several employers in an industry, remained financially strong, but experienced a loss for the year attributable to future financial assistance.

PBGC continues to speed up issuance of benefit determinations so that when a participant retires, PBGC can put him or her into pay status with a final rather than estimated benefit amount, thereby providing the participant certainty and avoiding the processing complexities and costs associated with benefit adjustments. The average calculation time for benefit determinations issued in 2001 was 3.6 years, down from 4.9 years in 2000. Improved automated benefit calculation programs are reducing the cost of putting participants into pay status and helping to speed the process. This automation will help PBGC administer benefits for the 89,000 participants taken in trusteeship in 2001, the largest increase in new participants in PBGC's history. PBGC is working to send first benefit checks more speedily. In 2001, 94 percent of pensioners got their first benefit checks within three months of completing their applications. PBGC also has established a pilot project that enables participants in certain plans to estimate their benefits online at PBGC's website.

Disaster Insurance

Flood Insurance

The Federal Government provides flood insurance through the National Flood Insurance Program (NFIP), which is administered by the Federal Emergency Management Agency (FEMA). Flood insurance is available to homeowners and businesses in communities that have adopted and enforced appropriate flood plain management measures. Coverage is limited to buildings and their contents. By 2003, the program is projected to have approximately 4.6 million policies from more than 19,000 communities with $656 billion of insurance in force.

Prior to the creation of the program in 1968, many factors made it cost prohibitive for private insurance companies alone to make affordable flood insurance available. In response, the NFIP was established to make insurance coverage widely available. The NFIP also requires building standards and other mitigation efforts to reduce losses, and operates a flood hazard mapping program to quantify the geographic risk of flooding. The NFIP has substantially met these goals.

The number of policies in the program has grown significantly over time. The number of enrolled policies grew from 2.4 to 4.3 million between 1990 and 2001, and by about 78,000 policies in 2001. FEMA is using three strategies to increase the number of flood insurance policies in force: lender compliance, program simplification, and expanded marketing. FEMA is educating financial regulators about the mandatory flood insurance requirement for properties with mortgages from federally regulated lenders. The NFIP also has a multi-pronged strategy for reducing future flood damage. The NFIP offers mitigation insurance to allow flood victims to rebuild to code, thereby reducing future flood damage costs. Further, FEMA adjusts premium rates to encourage community and State mitigation activities beyond those required by the NFIP.

Despite these efforts, the program faces major financial challenges. In some years, the program's financing account, which is a cash fund, has expenses greater than its revenue, preventing it from building sufficient long-term reserves. This is mostly because a large portion of the policyholders pay subsidized premiums. FEMA charges subsidized premiums for properties built before a community adopts the NFIP building standards. Properties built subsequently are charged actuarially fair rates. The creators of the NFIP assumed that eventually the NFIP would become self-sustaining as older properties left the program. The share of subsidized properties in the program has fallen, but remains substantial; it was 70 percent in 1978 and is 29 percent today.

Until the mid-1980s, Congress appropriated funds periodically to support subsidized premiums. However, the program has not received appropriations since 1986. During the 1990s, FEMA relied on Treasury borrowing to help finance its loss expenses (the NFIP may borrow up to $1.5 billion). By February 2001, FEMA had repaid all of its accumulated debt to Treasury, but as of the end of 2001, outstanding borrowing stood at $600 million mainly due to Tropical Storm Allison.

The 2003 Budget proposes several reforms to the program intended to improve its financial condition and to increase individual accountability for building in flood prone areas. Reforms include phasing out premium subsidies for vacation properties, including erosion as a risk factor in determining flood premiums, ending state taxation of flood insurance, and requiring that properties with Federally backed mortgages be insured to value.

Crop Insurance

Subsidized Federal crop insurance administered by USDA's Risk Management Agency (RMA) assists farmers in managing yield shortfalls due to bad weather or other natural disasters. Private companies are reluctant to offer multi-peril crop insurance without Government reinsurance because of the difficulty of limiting risk exposure; insurance companies are exposed to large losses because losses tend to occur across a wide geographic area. For example, a drought usually affects many farms at the same time. The USDA crop insurance program is a cooperative effort between the Federal Government and the private insurance industry. Private insurance companies sell and service crop insurance policies. The Federal Government reimburses private companies for the administrative expenses associated with providing crop insurance and reinsures the private companies for excess insurance losses on all policies. The Federal Government also subsidizes premiums for farmers. In crop year 2001, 207.6 million acres were insured, with an estimated $2,884 million in total premium income, including $1,723 million in premium subsidy.

The dollar volume of total gains for the insurance companies went from $201 million to $378 million (a 88 percent increase) between 1999 and 2001. While the companies should have an incentive to participate in the crop insurance program, there should be some constraints on windfall profits. With that in mind, the 2003 Budget includes a legislative proposal that would cap the underwriting gains to 12.5 percent of each company's premiums for the year. This is expected to save $115 million in 2003.

There are various types of insurance programs. The most basic type of coverage is Catastrophic Crop Insurance (CAT), which compensates the farmer for losses up to 50 percent of the individual's average yield at 55 percent of the expected market price. The CAT premium is entirely subsidized, and farmers pay only a small administrative fee. Commercial insurance companies deliver the product to the producer in all states. Additional coverage is available to producers who wish to insure crops above the basic coverage. Premium rates for additional coverage depend on the level of coverage selected and vary from crop to crop and county to county. The additional levels of insurance coverage are more attractive to farmers due to availability of optional units, other policy provisions not available with CAT coverage, and the ability to obtain a level of protection that permits them to use crop insurance as loan collateral and to achieve greater financial security. Private companies sell and adjust the catastrophic portion of the crop insurance program, and also provide higher levels of coverage, which are also federally subsidized. Approximately 73 percent of eligible acres participated in one or more crop insurance programs in 2001.

Revenue insurance programs protect against loss of revenue stemming from low prices, poor yields, or a combination of both. The plans available are Revenue Coverage (CRC), Revenue Assurance (RA), and the Income Protection (IP) plan. These three plans have many similar features and some very distinctive features. All provide a guaranteed revenue by combining coverage on both yield and price variability. CRC and RA also provide protection against crop price changes. Indemnities are due when any combination of yield and price result in revenue that is less than the revenue guarantee. Revenue protection for all products is provided by extending traditional multi-peril crop insurance protection, based on actual production history, to include price variability. The price component common to CRC, RA, and IP uses the commodity futures market for price discovery. These programs all seek to help ensure a certain level of annual income and are offered through private insurance companies. For 1999, a Group Risk Income Protection plan was developed by the private sector to provide protection against decline in county revenue, based on futures market prices and NASS county average yields, as adjusted by FCIC. FCIC is also piloting an Adjusted Gross Revenue (AGR) program, which is designed to insure a portion of producers' gross revenue based on their Schedule F Farm and Income Tax reports.

USDA continues to expand revenue coverage. RMA plans to roll out Round IV of the Dairy Options Pilot Program (DOPP) during 2002, which includes reaching producers in a total of 300 counties in 40 states. RMA's partners in the program are registered commodities brokers who are authorized by the Commodity Futures Trading Commission to buy put options on behalf of DOPP participants on the Chicago Mercantile Exchange. In September 2001, RMA published an interim rule that allows RMA to reimburse developers of private crop insurance products for their research and development costs and maintenance costs. In November 2001, two livestock pilot programs were approved—the Livestock Gross Margin and Livestock Risk Protection. The pilot livestock programs will cover swine in the State of Iowa and will be made available beginning in 2002.

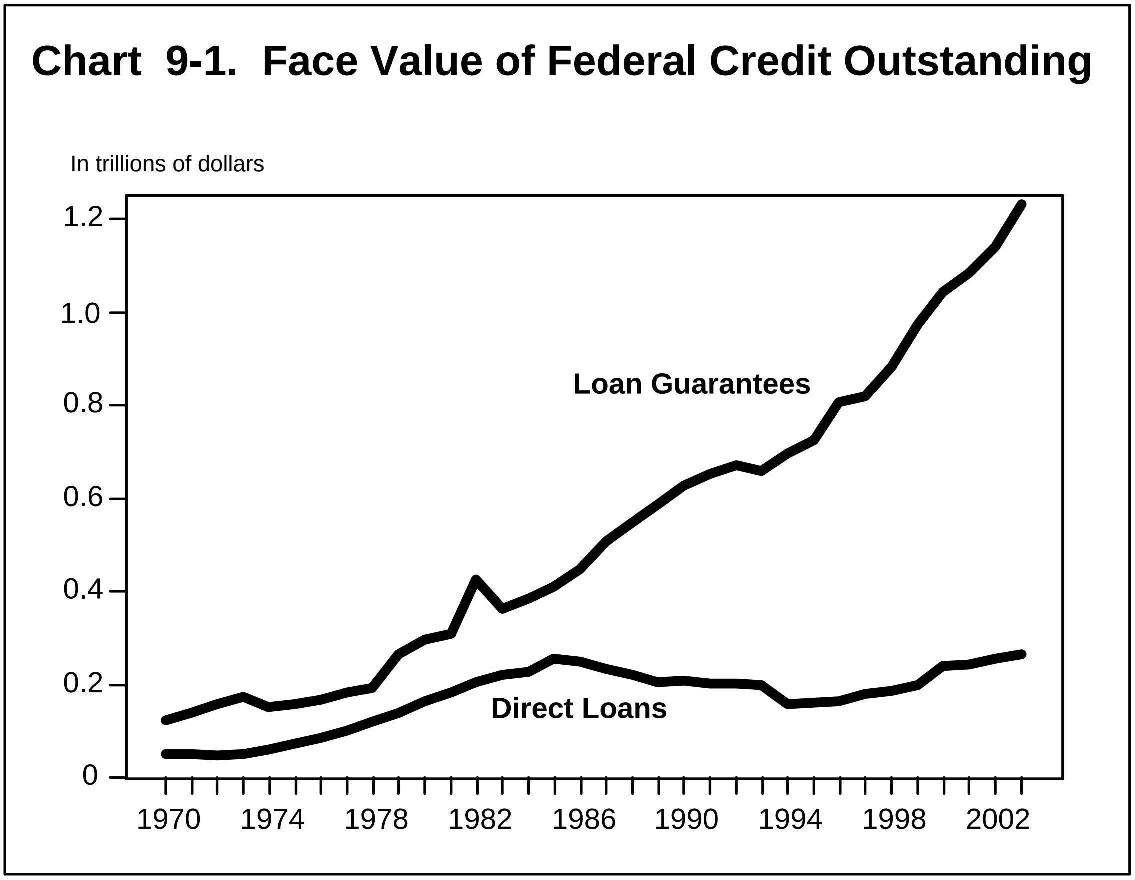


Chart 9-1. Face Value of Federal Credit Outstanding
In trillions of dollars
1.2
1.0
0.8
0.6
0.4
0.2
0
1970
1974
1978
1982
1986
1990
1994
1998
2002
Loan Guarantees
Direct Loans

Table 9–1. ESTIMATED FUTURE COST OF OUTSTANDING FEDERAL CREDIT PROGRAMS

(In billions of dollars)

Program	Outstanding 2000	Estimated Future Costs of 2000 Outstanding [1]	Outstanding 2001	Estimated Future Costs of 2001 Outstanding [1]
Direct Loans:[2]				
Federal student loan programs	80	10	90	11
Farm Service Agency (excl. CCC), Rural development, Rural housing	46	11	46	10
Rural Utilities Service and Rural telephone bank	33	2	31	2
Housing and Urban Development	13	2	12	2
Agency for International Development	11	5	10	4
P. L. 480	11	8	11	2
Export-Import Bank	11	5	12	4
Commodity Credit Corporation	8	5	7	3
Federal Communications Commission spectrum auction	8	–1	6	......
Disaster assistance	6	1	4	......
Other direct loan programs	13	3	13	......
Total Direct Loans	241	50	242	38
Guaranteed Loans:[2]				
FHA-mutual mortgage insurance	450	–1	459	1
Veterans housing	224	5	237	5
Federal family education loan	144	12	159	14
FHA-general and special risk	99	8	99	8
Small business	34	2	37	3
Export-Import Bank	30	5	31	4
International assistance	19	1	19	2
Farm Service Agency and Rural housing	20	......	22	......
Commodity Credit Corporation	6	1	5	......
Other guaranteed loan programs	16	3	16	2
Total Guaranteed Loans	1,043	37	1,084	39
Total Federal Credit	**1,284**	**75**	**1,326**	**77**

[1] Direct loan future costs are the financing account allowance for subsidy cost and the liquidating account allowance for estimated uncollectible principal and interest. Loan guarantee future costs are estimated liabilities for loan guarantees.

[2] Excludes loans and guarantees by deposit insurance agencies and programs not included under credit reform, such as CCC commodity price supports. Defaulted guaranteed loans which become loans receivable are accounted for as direct loans.

Table 9–2. FACE VALUE OF GOVERNMENT-SPONSORED ENTERPRISE LENDING[1]

(In billions of dollars)

	Outstanding	
	2000	2001
Government Sponsored Enterprises:		
Fannie Mae	1,231	1,460
Freddie Mac	913	1,101
Federal Home Loan Banks [2]	433	477
Sallie Mae [3]	....	....
Farm Credit System	68	75
Total	**2,645**	**3,113**

[1] Net of purchases of federally guaranteed loans.

[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 2001 was $194 billion, including federally guaranteed securities, GSE securities, and money market instruments.

[3] The face value and Federal costs of Federal Family Education Loans in the Student Loan Marketing Association's portfolio are included in the totals for that program under guaranteed loans in table 9-1.

Table 9–3. REESTIMATES OF CREDIT SUBSIDIES ON LOANS DISBURSED BETWEEN 1992–2001 [1]

(Budget authority and outlays, in millions of dollars)

Program	1994	1995	1996	1997	1998	1999	2000	2001	2002
Direct Loans:									
Agriculture:									
Agriculture credit insurance fund	–72	28	2	–31	23		331	–656	921
Farm storage facility loans									–2
Apple loans									–1
Agricultural conservation	–1								
Rural electrification and telecommunications loans	*	61	–37	84		–39		–17	
Rural telephone bank	1			10		–9		–1	
Rural housing insurance fund	2	152	46	–73		71		19	
Rural economic development loans				1		–1	*		
Rural development loan program		1				–6			
Rural community advancement program [2]				8		5		37	
P.L. 480			–37	–1				–23	110
P.L. 480 title I food for progress credits									28
Commerce:									
Fisheries finance								–19	–1
Education:									
Federal direct student loans: [3]									
Technical reestimate			3	–83	172	–383	–2,158	560	
Volume reestimate						22		–6	
College housing and academic facilities loans								–1	*
Interior:									
Bureau of Reclamation loans							3	3	–7
Bureau of Indian Affairs direct loans						1	5	–1	2
Transportation:									
High priority corridor loans					–3				
Alameda corridor loan							–58		–50
Transportation infrastructure finance and innovation								18	
Treasury:									
Community development financial institutions fund							1		1
Veterans Affairs:									
Veterans housing benefit program fund	–39	30	76	–72	465	–111	–52	–107	–697
Native American veteran housing									–2
Environmental Protection Agency:									
Abatement, control and compliance								3	–1
Federal Emergency Management Agency:									
Disaster assistance							47	36	
General Services Administration:									
Columbia hospital for women									–6
International Assistance Programs:									
Foreign military financing				13	4	1	152	–166	119
U.S. Agency for International Development:									
Micro and small enterprise development									*
Overseas Private Investment Corporation:									
OPIC direct loans									–9
Debt reduction							36	–4	
Small Business Administration:									
Business loans								1	–2
Disaster loans					–193	246	–398	–282	347
Other Independent Agencies:									
Export-Import Bank direct loans	–28	–16	37				–177	157	117
Federal Communications Commission spectrum auction					4,592	980	–1,501	–804	92
Loan Guarantees:									
Agriculture:									
Agriculture credit insurance fund	5	14	12	–51	96		–31	205	46
Agriculture resource conservation demonstration project								2	2
Commodity Credit Corporation export guarantees	3	103	–426	343				–1,410	2
Rural development insurance fund	49			–3					
Rural housing insurance fund	2	10	7	–10		109		152	
Rural community advancement program [2]				–10		41		63	
P.L. 480 title I food for progress credits		84	–38						
Commerce:									
Fisheries finance					–2			–3	–1

Table 9–3. REESTIMATES OF CREDIT SUBSIDIES ON LOANS DISBURSED BETWEEN 1992–2001 [1]—Continued

(Budget authority and outlays, in millions of dollars)

Program	1994	1995	1996	1997	1998	1999	2000	2001	2002
Education:									
Federal family education loan: [3]									
Technical reestimate	97	421	60	....	....	–140	667	–3,484	....
Volume reestimate	....	....	535	99	....	–13	–60	–42	....
Health and Human Services:									
Heath center loan guarantees	....	....	....	....	....	....	3	....	*
Health education assistance loans	....	....	....	....	....	....	....	....	....
Housing and Urban Development:									
Indian housing loan guarantee	....	....	....	....	....	....	....	–6	*
FHA-mutual mortgage insurance	....	....	....	–340	....	3,789	....	2,413	–1,386
FHA-general and special risk [4]	–175	....	–110	–25	743	79	....	–217	–403
Interior:									
Bureau of Indian Affairs guaranteed loans	....	....	....	31	....	....	....	–14	–1
Transportation:									
Maritime guaranteed loans (title XI)	....	....	....	....	....	–71	30	–15	184
Veterans Affairs:									
Veterans housing benefit fund program	–447	167	334	–706	38	492	229	–770	–163
International Assistance Programs:									
U.S. Agency for International Development:									
Housing guaranty	–2	–1	–7	....	–14	....	....	....	....
Development credit authority	....	....	....	....	....	....	....	....	–1
Micro and small enterprise development	....	....	....	....	....	....	....	....	–1
Urban and environmental credit	....	....	....	....	....	....	....	....	–13
Assistance to the new independent states of the former Soviet Union	....	....	....	....	....	....	....	....	–25
Overseas Private Investment Corporation:									
OPIC guaranteed loans	....	....	....	....	....	....	....	....	46
Small Business Administration:									
Business loans	....	....	257	–16	–279	–545	–235	–528	–183
Other Independent Agencies:									
Export-Import Bank guarantees	–11	–59	13	....	....	....	–191	–1,520	–417
Total	**–616**	**995**	**727**	**–832**	**5,642**	**4,518**	**–3,641**	**–6,427**	**–1,355**

* $500 thousand or less.

[1] Excludes interest on reestimates. Additional information on credit reform subsidy rates is contained in the Federal Credit Supplement.

[2] Includes rural water and waste disposal, rural community facilities, and rural business and industry programs.

[3] Volume reestimates in mandatory loan guarantee 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] 1999 figure includes interest on reestimate.

Table 9–4. DIRECT LOAN SUBSIDY RATES, BUDGET AUTHORITY, AND LOAN LEVELS, 2001-2003

(dollar amounts in millions)

Agency and Program	2001 Actual			2002 Enacted			2003 Proposed		
	Subsidy rate [1]	Subsidy budget authority	New loan levels	Subsidy rate [1]	Subsidy budget authority	New loan levels	Subsidy rate [1]	Subsidy budget authority	New loan levels
Agriculture:									
Agricultural credit insurance fund	15.36	164	1,068	6.78	60	885	14.09	113	802
Farm storage facility loans	2.18	2	86	2.42	3	125	1.28	2	125
Apple loans	–4.80	–1	12	....	....	....	....	....	....
Emergency boll weevil loan	60.00	6	10	....	....	....	....	....	....
Rural community advancement program	12.64	155	1,226	6.56	74	1,128	10.15	108	1,064
Rural electrification and telecommunications loans	–0.52	–16	3,051	–0.54	–24	4,466	–0.66	–20	3,016
Rural telephone bank	1.48	3	175	2.14	4	175	....	....	....
Distance learning and telemedicine program	–0.75	–3	400	....	....	380	2.31	3	130
Farm labor	52.59	15	28	47.31	13	28	49.02	18	36
Rural housing insurance fund	19.35	239	1,235	16.11	201	1,248	20.86	224	1,074
Rural development loan fund	50.91	19	38	43.21	16	38	48.26	19	40
Rural economic development loans	26.07	4	15	24.16	4	15	21.36	3	15
Public law 480 title I	71.51	114	159	81.73	127	155	75.11	99	132
Commerce:									
Fisheries finance	....	....	74	–12.50	–3	24	–12.50	–3	24
Defense—Military:									
Family housing improvement fund	38.18	42	110	66.19	24	36	45.10	....	....
Education:									
Federal direct student loan program	–4.47	–891	19,914	–4.02	–855	21,266	–3.50	–648	18,843
Housing and Urban Development:									
FHA-mutual mortgage insurance	....	....	1	....	....	250	....	....	50
FHA-general and special risk	....	....	50	....	....	50	....	....	50
Interior:									
Bureau of Reclamation loan	33.33	9	27	26.92	7	26	....	....	....
Assistance to territories	15.58	3	19	....	....	....	....	....	....
State:									
Repatriation loans	80.00	1	1	80.00	1	1	80.00	1	1
Transportation:									
Federal-aid highways	10.99	96	874	5.36	118	2,200	4.42	89	2,014
Railroad rehabilitation and improvement program	....	....	....	....	....	150	....	....	100
Treasury:									
Community development financial institutions fund	41.67	5	12	36.36	4	11	36.94	4	11
Veterans Affairs:									
Veterans housing benefit program fund	2.16	32	1,463	0.86	16	1,809	–5.09	–98	1,917
Miscellaneous veterans housing loans	7.72	....	1	7.72	....	....	43.48	10	23
Miscellaneous veterans programs loan fund	1.88	....	2	2.18	....	3	1.50	....	3
Federal Emergency Management Agency:									
Disaster assistance direct loan	8.00	2	25	91.92	....	25	–4.00	–1	25
International Assistance:									
Debt restructuring	....	88	....	....	5	....	....	....	....
Overseas Private Investment Corporation	7.11	15	204	11.00	....	....	11.00	11	100
Small Business Administration:									
Disaster loans	17.47	153	876	17.67	162	917	13.94	76	545
Business loan	8.95	3	30	6.78	2	26	13.05	3	27
Other Independent Agencies:									
Export-Import Bank loans	10.91	95	871	21.74	35	161	17.32	31	179
Total	**N/A**	**354**	**32,057**	**N/A**	**–6**	**35,598**	**N/A**	**44**	**30,346**

[1] Additional information on credit subsidy rates is contained in the Federal Credit Supplement.
N/A = Not applicable.

Table 9–5. LOAN GUARANTEE SUBSIDY RATES, BUDGET AUTHORITY, AND LOAN LEVELS, 2001-2003

(dollar amounts in millions)

Agency and Program	2001 Actual			2002 Enacted			2003 Proposed		
	Subsidy rate [1]	Subsidy budget authority	New loan levels	Subsidy rate [1]	Subsidy budget authority	New loan levels	Subsidy rate [1]	Subsidy budget authority	New loan levels
Agriculture:									
Agricultural credit insurance fund	4.41	102	2,314	3.98	128	3,220	3.23	97	3,000
Commodity Credit Corporation export loans	6.01	194	3,227	6.80	267	3,926	6.96	294	4,225
Rural community advancement program	0.67	18	2,668	2.46	25	1,018	2.65	27	1,018
Rural electrification and telecommunications loans	0.01	....	59	0.08	....	100	0.08	....	100
Local television loan guarantee	....	....	....	7.75	20	258	....	....	....
Rural housing insurance fund	0.28	9	3,236	1.36	44	3,238	0.84	24	2,850
Commerce:									
Emergency oil and gas guaranteed loan	32.91	1	3	42.03	....	....	....	....	....
Emergency steel guaranteed loan	11.68	13	110	14.00	31	221	....	....	....
Defense—Military:									
Family housing improvement fund	6.25	3	48	6.25	12	221	5.66	....	....
Education:									
Federal family education loan	8.84	3,069	34,705	9.76	3,782	38,750	10.37	4,101	39,559
Health and Human Services:									
Health resources and services	3.01	....	7	4.76	1	21	5.88	1	17
Housing and Urban Development:									
Indian housing loan guarantee fund	8.13	1	12	2.47	6	234	2.43	5	194
Native Hawaiian housing loan guarantee fund	....	....	....	2.47	1	40	2.43	1	40
Native American housing block grant	11.07	1	9	11.07	6	53	11.07	2	17
Community development loan guarantees	2.30	29	1,258	2.30	14	609	2.30	6	275
FHA-mutual mortgage insurance	–2.15	–2,246	160,000	–2.07	–2,791	160,000	–2.53	–2,938	160,000
FHA-general and special risk	–0.14	36	21,000	–1.46	–242	21,000	–0.85	–158	21,000
Interior:									
Indian guaranteed loan	6.73	4	60	6.00	4	75	6.91	5	72
Transportation:									
Minority business resource center program	2.69	2	14	2.70	1	18	2.69	1	18
Federal-aid highways	....	....	....	3.97	8	200	4.35	5	100
Maritime guaranteed loan (title XI)	4.66	34	729	5.00	33	660	....	....	....
Treasury:									
Air transportation stabilization	....	....	....	28.52	1,426	5,000	29.26	1,463	5,000
Veterans Affairs:									
Veterans housing benefit program fund	0.41	132	31,948	0.56	187	33,286	1.27	437	34,364
Miscellaneous veterans housing loans	48.25	....	....	48.25	....	....	....	....	....
International Assistance:									
Microenterprise and small enterprise development	5.51	2	36	3.93	....	....	....	....	....
Development credit authority	2.72	1	35	6.42	13	202	6.44	....	....
Overseas Private Investment Corporation	1.37	14	1,024	1.65	....	....	1.70	13	765
Small Business Administration:									
Business loan	0.96	135	13,990	0.68	153	22,458	0.52	85	16,350
Other Independent Agencies:									
Export-Import Bank loans	8.81	737	8,370	9.68	991	10,239	5.52	625	11,321
Presidio Trust	0.46	....	....	0.12	....	200	0.13	....	....
Total	**N/A**	**2,291**	**284,862**	**N/A**	**4,120**	**305,247**	**N/A**	**4,096**	**300,285**
ADDENDUM: SECONDARY GUARANTEED LOAN COMMITMENT LIMITATIONS									
GNMA:									
Guarantees of mortgage-backed securities loan guarantee	–0.36	–356	200,000	–0.33	–398	200,000	–0.33	–398	200,000

[1] Additional information on credit subsidy rates is contained in the Federal Credit Supplement.
N/A = Not applicable.

Table 9–6. SUMMARY OF FEDERAL DIRECT LOANS AND LOAN GUARANTEES

(In billions of dollars)

	Actual							Estimate	
	1995	1996	1997	1998	1999	2000	2001	2002	2003
Direct Loans:									
Obligations	30.9	23.4	33.6	28.8	38.4	37.1	39.1	47.3	39.9
Disbursements	22.0	23.6	32.2	28.7	37.7	35.5	37.1	43.3	37.3
New subsidy budget authority	....	....	....	–0.8	1.6	–0.4	0.3	....	....
Reestimated subsidy budget authority [1]	....	....	....	7.3	1.0	–4.4	–1.8	1.2	....
Total subsidy budget authority [2]	2.6	1.8	2.4	6.5	2.6	–4.8	–1.5	1.2	....
Loan Guarantees: [3]									
Commitments	138.5	175.4	172.3	218.4	252.4	192.6	256.4	293.5	282.8
Lender disbursements	117.9	143.9	144.7	199.5	224.7	180.8	212.9	253.6	247.5
New subsidy budget authority	....	....	....	3.3	....	3.3	1.9	3.7	3.7
Reestimated subsidy budget authority [1]	....	....	....	–0.7	4.3	0.3	–7.1	–3.0	....
Total subsidy budget authority [2]	4.6	4.0	3.6	2.6	4.3	3.6	–5.2	0.7	3.7

[1] Includes interest on reestimate.
[2] Prior to 1998 new and reestimated subsidy budget authority were not reported separately.
[3] GNMA secondary guarantees of loans that are guaranteed by FHA, VA and RHS are excluded from the totals to avoid double-counting.

Table 9–7. DIRECT LOAN WRITE-OFFS AND GUARANTEED LOAN TERMINATIONS FOR DEFAULTS

Agency and Program	(Dollar amounts in millions)			As a percentage of outstanding loans [1]		
	2001 actual	2002 estimate	2003 estimate	2001 actual	2002 estimate	2003 estimate
DIRECT LOAN WRITEOFFS						
Agriculture:						
Agricultural credit insurance fund	176	247	242	1.98	2.87	2.97
Rural community advancement program	1	....	....	0.01	....	....
Rural electrification and telecommunications loans	2,953	142	130	9.69	0.46	0.41
Rural development insurance fund	1	1	1	0.03	0.03	0.03
Rural housing insurance fund	214	139	134	0.76	0.50	0.48
Rural development loan fund	1	....	....	0.27	....	....
Commerce:						
Economic development revolving fund	1	1	1	2.85	3.22	3.70
Education:						
Student financial assistance	9	9	9	1.47	1.49	1.53
Housing and Urban Development:						
Revolving fund (liquidating programs)	47	2	2	58.75	11.76	14.28
FHA—Mutual mortgage insurance	....	1	9	....	3.70	19.14
Flexible subsidy fund	71	71	71	10.51	11.52	12.97
Guarantees of mortgage-backed securities	4	27	25	3.66	27.00	30.48
Interior:						
Indian direct loan	2	2	2	3.22	3.70	4.25
State:						
Repatriation loans	1	1	1	25.00	25.00	25.00
Veterans Affairs:						
Veterans housing benefit program	21	24	25	1.15	1.23	1.37
Federal Emergency Management Agency:						
Disaster assistance	....	29	....	....	18.01	....
International Assistance Programs:						
Military debt reduction	....	16	....	....	84.21	....
Overseas Private Investment Corporation	2	1	1	2.98	1.25	1.16
Small Business Administration:						
Disaster loans	350	40	41	7.42	1.19	1.69
Business loans	63	18	16	12.75	4.50	4.80
Other Independent Agencies:						
Spectrum auction program	2,231	....	....	32.40	....	....
Tennessee Valley Authority fund	1	....	1	1.92	....	1.72
Total, direct loan writeoffs	6,149	771	711	2.91	0.35	0.31
GUARANTEED LOAN TERMINATIONS FOR DEFAULT						
Agriculture:						
Agricultural credit insurance fund	116	121	125	1.24	1.19	1.09
Commodity Credit Corporation export loans	52	334	325	0.91	6.90	6.88
Rural community advancement program	34	50	50	0.94	1.09	0.84
Rural electrification and telecommunications loans	24	23	21	4.32	3.95	3.25
Rural housing insurance fund	64	85	99	0.53	0.62	0.64
Commerce:						
Emergency oil and gas guaranteed loan program	....	2	....	....	66.66	....
Emergency steel guaranteed loan program	....	45	....	....	25.86	....
Fisheries finance	1	1	1	1.03	1.21	1.49
Education:						
Federal family education loan	3,503	3,677	4,209	2.29	2.23	2.43
Health and Human Services:						
Health education assistance loans	30	40	42	1.35	1.87	2.04
Housing and Urban Development:						
Indian housing loan guarantee	....	1	2	....	1.40	2.40
Title VI Indian Federal guarantees program	....	....	1	....	....	2.17
FHA—Mutual mortgage insurance	4,987	3,785	3,699	1.09	0.80	0.71
FHA—General and special risk	1,426	2,107	2,409	1.44	2.12	2.30
Interior:						
Indian guaranteed loan	....	2	1	....	0.92	0.41

Table 9–7. DIRECT LOAN WRITE-OFFS AND GUARANTEED LOAN TERMINATIONS FOR DEFAULTS—Continued

Agency and Program	(Dollar amounts in millions)			As a percentage of outstanding loans [1]		
	2001 actual	2002 estimate	2003 estimate	2001 actual	2002 estimate	2003 estimate
Transportation:						
Maritime guaranteed loan (title XI)	76	367	94	1.70	7.78	2.05
Treasury:						
Air transportation stabilization guaranteed loan	....	608	1,006	....	31.09	18.51
Veterans Affairs:						
Veterans housing benefit program	1,760	2,431	2,619	0.76	1.00	1.04
International Assistance Programs:						
Foreign military financing	....	2	5	....	0.04	0.13
Micro and small enterprise development	....	1	1	....	2.63	2.22
Urban and environmental credit program	44	44	47	2.00	2.14	2.41
Development credit authority	....	1	1	....	1.03	0.46
Overseas Private Investment Corporation	34	164	46	1.04	4.74	1.25
Small Business Administration:						
Business loans	661	682	695	1.87	1.79	1.72
Other Independent Agencies:						
Export-Import Bank	569	373	455	1.88	1.20	1.51
Total, guaranteed loan terminations for default	13,381	14,946	15,953	0.80	0.86	0.86
Total, direct loan writeoffs and guaranteed loan terminations	19,530	15,717	16,664	1.03	0.80	0.80
ADDENDUM: WRITEOFFS OF DEFAULTED GUARANTEED LOANS THAT RESULT IN LOANS RECEIVABLE						
Education:						
Federal family education loan	296	301	318	1.48	1.51	1.54
Health and Human Services:						
Health education assistance loans	24	24	24	4.31	4.33	4.41
Housing and Urban Development:						
FHA—Mutual mortgage insurance	39	18	....	50.00	100.00	....
FHA—General and special risk	477	95	388	18.60	3.32	11.84
Transportation:						
Federal ship financing fund	17	....	....	100.00	....	....
Veterans Affairs:						
Veterans housing benefit program	48	54	57	10.52	8.19	7.75
Small Business Administration:						
Business loans	188	80	85	14.00	5.55	5.16
Total, writeoffs of loans receivable	1,089	572	872	3.61	1.85	2.62

[1] Average of loans outstanding for the year.

Table 9–8. APPROPRIATIONS ACTS LIMITATIONS ON CREDIT LOAN LEVELS [1]

(Dollar amounts in millions)

Agency and Program	Enacted		Proposed
	2001	2002	2003
DIRECT LOAN OBLIGATIONS			
Agriculture:			
Apple loans	12	....	....
Agricultural credit insurance fund	848	885	802
Emergency boll weevil	10	....	....
Distance learning and telemedicine	400	380	130
Rural electrification and telecommunications	3,051	4,466	3,016
Rural telephone bank	175	175	....
Rural water and waste disposal direct loans	767	879	814
Rural housing insurance fund	1,263	1,277	1,110
Rural community facility direct loans	409	249	250
Rural economic development	15	15	15
Rural development loan fund	38	38	40
Rural business and industry direct loans	50	....	....
P.L. 480 direct credit	160	155	132
Commerce:			
Fisheries finance	74	24	24
Education:			
Historically black college and university capital financing	311	295	254
Housing and Urban Development:			
FHA-general and special risk	50	50	50
FHA-mutual mortgage insurance	250	250	50
Interior:			
Bureau of Reclamation	27	26	....
Assistance to American Samoa	19	....	....
State:			
Repatriation loans	1	1	1
Transportation:			
Transportation infrastructure finance and innovation program direct loan	1,800	2,000	2,400
Transportation infrastructure finance and innovation program line of credit	200	200	100
Treasury:			
Community development financial institutions fund	12	11	11
Veterans Affairs:			
Miscellaneous veterans housing loans	....	....	5
Miscellaneous veterans programs loan fund	3	3	3
Federal Emergency Management Agency:			
Disaster assistance	25	25	25
Small Business Administration:			
Business loans	30	25	26
Total, limitations on direct loan obligations	10,000	11,429	9,258
LOAN GUARANTEE COMMITMENTS			
Agriculture:			
Agricultural credit insurance fund	2,053	3,006	3,000
Rural electrification and telecommunications guaranteed loans	59	100	100
Rural water and waste water disposal guaranteed loans	75	75	75
Local television loan guarantee	....	258	....
Rural housing insurance fund	3,236	3,238	2,850
Rural community facility guaranteed loans	210	210	210
Rural business and industry guaranteed loans	2,383	733	733
Defense—Military:			
Defense export loan guarantee	14,980	14,980	14,980
Housing and Urban Development:			
Indian housing loan guarantee fund	72	234	234
Title VI Indian Federal guarantees	53	53	17
Native Hawaiian housing loan guarantee fund	....	40	40
Community development loan guarantees	1,258	609	275
FHA-general and special risk	21,000	21,000	21,000
FHA-mutual mortgage insurance	160,000	160,000	160,000

Table 9–8. APPROPRIATIONS ACTS LIMITATIONS ON CREDIT LOAN LEVELS [1]—Continued

(Dollar amounts in millions)

Agency and Program	Enacted		Proposed
	2001	2002	2003
Interior:			
Indian guaranteed loan	60	75	72
Transportation:			
Minority business resource center	14	18	18
Transportation infrastructure finance and innovation program loan guarantee	200	200	100
Treasury:			
Air transportation stabilization	....	10,000	....
Small Business Administration:			
Business loans	13,990	22,458	16,350
Total, limitations on loan guarantee commitments	219,643	237,287	220,054
ADDENDUM: SECONDARY GUARANTEED LOAN COMMITMENT LIMITATIONS			
Housing and Urban Development:			
Guarantees of mortgage-backed securities	200,000	200,000	200,000
Total, limitations on secondary guaranteed loan commitments	200,000	200,000	200,000

[1] Data represent loan level limitations enacted or proposed to be enacted in appropriation acts. For information on actual and estimated loan levels supportable by new subsidy budget authority requested, see Tables 9–4 and 9–5.

Table 9–9. DIRECT LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT

(In millions of dollars)

Agency and Account	2001 Actual	Estimate	
		2002	2003
Department of Agriculture			
Farm Service Agency			
Agricultural credit insurance fund liquidating account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–604	–638	–608
Outstandings	4,463	3,825	3,217
Farm storage facility direct loan financing account:			
Obligations	81	125	125
Loan disbursements	48	156	125
Change in outstandings	46	120	89
Outstandings	78	198	287
Apple loans direct loan financing account:			
Obligations	12	....	....
Loan disbursements	11	1	....
Change in outstandings	11	–3	–4
Outstandings	11	8	4
Agricultural credit insurance fund direct loan financing account:			
Obligations	1,066	1,003	902
Loan disbursements	1,072	1,011	917
Change in outstandings	404	296	8
Outstandings	4,313	4,609	4,617
Emergency boll weevil direct loan financing account:			
Obligations	10	....	....
Loan disbursements	10	....	....
Change in outstandings	10	–1	–1
Outstandings	10	9	8
Commodity Credit Corporation fund:			
Obligations	8,267	10,624	8,844
Loan disbursements	8,267	10,624	8,844
Change in outstandings	–1,188	689	–489
Outstandings	2,276	2,965	2,476
Rural Utilities Service			
Rural communication development fund liquidating account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–1	–1	....
Outstandings	5	4	4
Distance learning and telemedicine direct loan financing account:			
Obligations	100	380	130
Loan disbursements	15	12	24
Change in outstandings	14	11	22
Outstandings	16	27	49
Rural development insurance fund liquidating account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–201	–188	–177
Outstandings	3,068	2,880	2,703
Rural electrification and telecommunications direct loan financing account:			
Obligations	3,051	4,466	3,016
Loan disbursements	2,151	2,416	2,618
Change in outstandings	1,941	2,210	2,351
Outstandings	9,072	11,282	13,633
Rural telephone bank direct loan financing account:			
Obligations	175	175	....
Loan disbursements	81	129	127
Change in outstandings	70	115	111
Outstandings	338	453	564

Table 9–9. DIRECT LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(In millions of dollars)

Agency and Account	2001 Actual	Estimate 2002	Estimate 2003
Rural water and waste disposal direct loans financing account:			
Obligations	743	893	814
Loan disbursements	694	800	779
Change in outstandings	606	734	703
Outstandings	4,548	5,282	5,985
Rural electrification and telecommunications liquidating account:			
Obligations	....	....	....
Loan disbursements	9	13	13
Change in outstandings	–2,724	–1,676	–1,540
Outstandings	21,009	19,333	17,793
Rural telephone bank liquidating account:			
Obligations	....	....	....
Loan disbursements	7	7	6
Change in outstandings	–129	–71	–72
Outstandings	795	724	652
Rural Housing Service			
Rural housing insurance fund liquidating account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–1,183	–989	–912
Outstandings	16,183	15,194	14,282
Rural housing insurance fund direct loan financing account:			
Obligations	1,276	1,328	1,110
Loan disbursements	1,212	1,290	1,160
Change in outstandings	644	724	527
Outstandings	11,697	12,421	12,948
Rural community facility direct loans financing account:			
Obligations	325	403	250
Loan disbursements	163	264	275
Change in outstandings	124	232	238
Outstandings	988	1,220	1,458
Rural Business—Cooperative Service			
Rural economic development loans liquidating account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–1	....	....
Outstandings	....	....	....
Rural economic development direct loan financing account:			
Obligations	23	15	15
Loan disbursements	16	22	14
Change in outstandings	4	9	–1
Outstandings	73	82	81
Rural development loan fund direct loan financing account:			
Obligations	44	38	40
Loan disbursements	40	42	44
Change in outstandings	31	33	33
Outstandings	313	346	379
Rural business and industry direct loans financing account:			
Obligations	50	....	....
Loan disbursements	27	30	6
Change in outstandings	23	24	....
Outstandings	82	106	106
Rural development loan fund liquidating account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–4	–3	–3
Outstandings	66	63	60

Table 9–9. DIRECT LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(In millions of dollars)

Agency and Account	2001 Actual	Estimate 2002	Estimate 2003
Foreign Agricultural Service			
Expenses, Public Law 480, foreign assistance programs, Agriculture liquidating account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–323	–294	–278
Outstandings	8,219	7,925	7,647
P.L. 480 direct credit financing account:			
Obligations	60	514	132
Loan disbursements	180	119	107
Change in outstandings	121	60	34
Outstandings	2,176	2,236	2,270
P.L. 480 title I food for progress credits, financing account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–39	–56	–56
Outstandings	465	409	353
Debt reduction—financing account:			
Obligations	....	....	....
Loan disbursements	82	....	....
Change in outstandings	75	–7	–7
Outstandings	132	125	118
Department of Commerce			
Economic Development Administration			
Economic development revolving fund liquidating account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–4	–4	–4
Outstandings	33	29	25
National Oceanic and Atmospheric Administration			
Fisheries finance direct loan financing account:			
Obligations	74	24	24
Loan disbursements	24	24	74
Change in outstandings	24	14	66
Outstandings	161	175	241
Department of Defense—Military			
Family Housing			
Family housing improvement direct loan financing account:			
Obligations	....	36	....
Loan disbursements	....	33	110
Change in outstandings	....	33	110
Outstandings	....	33	143
Department of Education			
Office of Postsecondary Education			
College housing and academic facilities loans liquidating account:			
Obligations	....	....	....
Loan disbursements	1	....	....
Change in outstandings	–34	–34	–29
Outstandings	424	390	361
College housing and academic facilities loans financing account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–1	....	–1
Outstandings	25	25	24
Historically black college and university capital financing direct loan financing account:			
Obligations	16	42	40
Loan disbursements	11	39	35
Change in outstandings	10	39	34
Outstandings	31	70	104

Table 9–9. DIRECT LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(In millions of dollars)

Agency and Account	2001 Actual	Estimate 2002	Estimate 2003
Office of Student Financial Assistance			
Student financial assistance:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–9	–10	–18
Outstandings	606	596	578
Federal direct student loan program financing account:			
Obligations	19,219	21,266	19,123
Loan disbursements	18,166	19,805	17,279
Change in outstandings	11,962	14,848	10,479
Outstandings	70,484	85,332	95,811
Department of Energy			
Power Marketing Administration			
Bonneville Power Administration fund:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	....	....	....
Outstandings	2	2	2
Department of Health and Human Services			
Health Resources and Services Administration			
Medical facilities guarantee and loan fund:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–2	–4	–5
Outstandings	9	5	....
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	–70	–70	–70
Outstandings	1,280	1,210	1,140
Community Planning and Development			
Revolving fund (liquidating programs):			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–123	–3	–3
Outstandings	19	16	13
Community development loan guarantees liquidating account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–3	–2	–2
Outstandings	8	6	4
Housing Programs			
Nonprofit sponsor assistance liquidating account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	....	....	....
Outstandings	1	1	1
Flexible subsidy fund:			
Obligations	....	....	....
Loan disbursements	20	12	....
Change in outstandings	–55	–63	–75
Outstandings	648	585	510
FHA-mutual mortgage and cooperative housing insurance funds liquidating account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	....	–3	....
Outstandings	3	....	....

Table 9–9. DIRECT LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(In millions of dollars)

Agency and Account	2001 Actual	Estimate	
		2002	2003
FHA-general and special risk insurance funds liquidating account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–6	–5	–10
Outstandings	38	33	23
FHA-general and special risk direct loan financing account:			
Obligations	....	4	4
Loan disbursements	1	4	4
Change in outstandings	1	....	....
Outstandings	2	2	2
Housing for the elderly or handicapped fund liquidating account:			
Obligations	....	....	....
Loan disbursements	4	5	1
Change in outstandings	–118	–182	–220
Outstandings	7,805	7,623	7,403
FHA-mutual mortgage insurance direct loan financing account:			
Obligations	1	125	50
Loan disbursements	1	125	50
Change in outstandings	1	51	–9
Outstandings	1	52	43
Government National Mortgage Association			
Guarantees of mortgage-backed securities liquidating account:			
Obligations	....	....	....
Loan disbursements	47	46	45
Change in outstandings	1	–20	–15
Outstandings	110	90	75
Department of the Interior			
Bureau of Reclamation			
Bureau of Reclamation loan liquidating account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–13	–4	–3
Outstandings	50	46	43
Water and related resources:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–1	....	....
Outstandings	2	2	2
Bureau of Reclamation direct loan financing account:			
Obligations	27	16	....
Loan disbursements	25	48	9
Change in outstandings	–6	47	6
Outstandings	160	207	213
National Park Service			
Construction and major maintenance:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	....	....	–1
Outstandings	5	5	4
Bureau of Indian Affairs			
Revolving fund for loans liquidating account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–4	–4	–4
Outstandings	35	31	27
Indian direct loan financing account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–4	–3	–3
Outstandings	23	20	17

Table 9–9. DIRECT LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(In millions of dollars)

Agency and Account	2001 Actual	Estimate	
		2002	2003
Insular Affairs			
Payments to the United States territories, fiscal assistance:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–2	–2	–1
Outstandings	13	11	10
Assistance to American Samoa direct loan financing account:			
Obligations	19	....	....
Loan disbursements	13	6	....
Change in outstandings	12	5	–1
Outstandings	12	17	16
Department of State			
Administration of Foreign Affairs			
Repatriation loans financing account:			
Obligations	1	1	1
Loan disbursements	1	1	1
Change in outstandings	....	....	....
Outstandings	4	4	4
Department of Transportation			
Office of the Secretary			
Minority business resource center direct loan financing account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–2	–5	....
Outstandings	5	....	....
Federal Highway Administration			
Transportation infrastructure finance and innovation program direct loan financing account:			
Obligations	874	2,000	1,914
Loan disbursements	....	430	830
Change in outstandings	....	430	830
Outstandings	300	730	1,560
Transportation infrastructure finance and innovation program line of credit financing account:			
Obligations	....	200	100
Loan disbursements	....	....	....
Change in outstandings	....	....	....
Outstandings	....	....	....
Right-of-way revolving fund liquidating account:			
Obligations	....	....	....
Loan disbursements	11	10	10
Change in outstandings	–20	–14	–14
Outstandings	109	95	81
Federal Railroad Administration			
Amtrak corridor improvement loans liquidating account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–1	–1	–1
Outstandings	4	3	2
Alameda corridor direct loan financing account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	15	31	33
Outstandings	503	534	567
Railroad rehabilitation and improvement liquidating account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	....	–9	–4
Outstandings	49	40	36

Table 9–9. DIRECT LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(In millions of dollars)

Agency and Account	2001 Actual	Estimate	
		2002	2003
Railroad rehabilitation and improvement direct loan financing account:			
Obligations	....	210	197
Loan disbursements	....	150	100
Change in outstandings	....	150	92
Outstandings	4	154	246
Department of the Treasury			
Departmental Offices			
Community development financial institutions fund direct loan financing account:			
Obligations	12	11	11
Loan disbursements	9	10	10
Change in outstandings	9	9	9
Outstandings	24	33	42
Department of Veterans Affairs			
Veterans Benefits Administration			
Veterans housing benefit program fund liquidating account:			
Obligations	....	....	....
Loan disbursements	7	6	5
Change in outstandings	–36	–34	–26
Outstandings	128	94	68
Veterans housing benefit program fund direct loan financing account:			
Obligations	1,463	1,809	1,917
Loan disbursements	1,463	1,809	1,917
Change in outstandings	226	101	–298
Outstandings	1,782	1,883	1,585
Miscellaneous veterans housing loans direct loan financing account:			
Obligations	2	3	15
Loan disbursements	2	3	15
Change in outstandings	2	2	14
Outstandings	19	21	35
Miscellaneous veterans programs loan fund direct loan financing account:			
Obligations	3	3	3
Loan disbursements	2	3	3
Change in outstandings	....	....	....
Outstandings	1	1	1
Environmental Protection Agency			
Abatement, control, and compliance direct loan financing account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–4	–5	–5
Outstandings	42	37	32
Federal Emergency Management Agency			
Disaster assistance direct loan liquidating account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–29	....	....
Outstandings	....	....	....
Disaster assistance direct loan financing account:			
Obligations	....	25	25
Loan disbursements	31	25	25
Change in outstandings	29	–8	17
Outstandings	165	157	174
General Services Administration			
Real Property Activities			
Columbia Hospital for Women direct loan financing account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–1	–13	....
Outstandings	13	....	....

Table 9–9. DIRECT LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(In millions of dollars)

Agency and Account	2001 Actual	Estimate	
		2002	2003
International Assistance Programs			
International Security Assistance			
Foreign military loan liquidating account:			
Obligations	....	....	....
Loan disbursements	7	7	7
Change in outstandings	–456	–397	–339
Outstandings	3,767	3,370	3,031
Foreign military financing direct loan financing account:			
Obligations	....	....	....
Loan disbursements	546	339	54
Change in outstandings	173	–114	–402
Outstandings	1,943	1,829	1,427
Military debt reduction financing account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	....	–16	....
Outstandings	19	3	3
Agency for International Development			
Economic assistance loans liquidating account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–613	–526	–487
Outstandings	9,373	8,847	8,360
Debt reduction financing account:			
Obligations	....	....	....
Loan disbursements	68	1	....
Change in outstandings	10	–56	–15
Outstandings	175	119	104
Private sector revolving fund liquidating account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	....	....	....
Outstandings	1	1	1
Microenterprise and small enterprise development credit direct loan financing account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–1	–1	....
Outstandings	1	....	....
Overseas Private Investment Corporation			
Overseas Private Investment Corporation liquidating account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	....	....	–1
Outstandings	1	1	....
Overseas Private Investment Corporation direct loan financing account:			
Obligations	204	73	100
Loan disbursements	44	42	40
Change in outstandings	18	8	6
Outstandings	75	83	89
Small Business Administration			
Business direct loan financing account:			
Obligations	30	25	26
Loan disbursements	53	29	18
Change in outstandings	47	14	3
Outstandings	107	121	124
Disaster direct loan financing account:			
Obligations	951	1,272	795
Loan disbursements	683	1,334	976
Change in outstandings	–1,924	–231	–1,393
Outstandings	3,288	3,057	1,664

Table 9–9. DIRECT LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(In millions of dollars)

Agency and Account	2001 Actual	Estimate	
		2002	2003
Disaster loan fund liquidating account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–437	–132	–116
Outstandings	248	116	....
Business loan fund liquidating account:			
Obligations	....	....	....
Loan disbursements	14	12	11
Change in outstandings	–148	–101	–50
Outstandings	337	236	186
Other Independent Agencies			
Export-Import Bank of the United States			
Export-Import Bank of the United States liquidating account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–308	–268	–232
Outstandings	4,152	3,884	3,652
Debt reduction financing account:			
Obligations	....	....	....
Loan disbursements	50	545	10
Change in outstandings	44	261	–1
Outstandings	146	407	406
Export-Import Bank direct loan financing account:			
Obligations	871	161	179
Loan disbursements	1,738	1,452	560
Change in outstandings	924	721	–248
Outstandings	7,590	8,311	8,063
Farm Credit System Financial Assistance Corporation			
Financial Assistance Corporation assistance fund liquidating account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–15	–16	–40
Outstandings	868	852	812
Federal Communications Commission			
Spectrum auction direct loan financing account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–2,584	–4,395	–97
Outstandings	5,593	1,198	1,101
Federal Deposit Insurance Corporation			
FSLIC resolution fund:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–1	–3	....
Outstandings	3	....	....
National Credit Union Administration			
Community development credit union revolving loan fund:			
Obligations	10	14	15
Loan disbursements	2	7	5
Change in outstandings	–1	4	1
Outstandings	10	14	15
Tennessee Valley Authority			
Tennessee Valley Authority fund:			
Obligations	13	18	19
Loan disbursements	12	18	19
Change in outstandings	–2	6	2
Outstandings	51	57	59

Table 9–9. DIRECT LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(In millions of dollars)

Agency and Account	2001 Actual	Estimate	
		2002	2003
Subtotal, direct loan transactions:			
Obligations	39,073	47,302	39,936
Loan disbursements	37,141	43,316	37,282
Change in outstandings	4,197	11,346	7,427
Outstandings	213,286	224,632	232,059
ADDENDUM: DEFAULTED GUARANTEED LOANS THAT RESULT IN A LOAN RECEIVABLE			
Department of Agriculture			
Farm Service Agency			
Commodity Credit Corporation export guarantee financing account:			
Claim payments	52	334	325
Change in outstandings	21	286	259
Outstandings	485	771	1,030
Commodity Credit Corporation guaranteed loans liquidating account:			
Claim payments	....	....	....
Change in outstandings	–162	–184	–201
Outstandings	3,969	3,785	3,584
Department of Commerce			
National Oceanic and Atmospheric Administration			
Fisheries finance guaranteed loan financing account:			
Claim payments	1	1	1
Change in outstandings	1	–3	–3
Outstandings	13	10	7
Federal ship financing fund fishing vessels liquidating account:			
Claim payments	....	....	....
Change in outstandings	–2	–2	–2
Outstandings	12	10	8
Department of Education			
Office of Student Financial Assistance			
Federal family education loan liquidating account:			
Claim payments	377	58	17
Change in outstandings	–866	–706	–632
Outstandings	14,120	13,414	12,782
Federal family education loan program financing account:			
Claim payments	2,692	3,133	3,655
Change in outstandings	–3	1,479	1,398
Outstandings	5,339	6,818	8,216
Department of Health and Human Services			
Health Resources and Services Administration			
Health education assistance loans financing account:			
Claim payments	14	27	30
Change in outstandings	10	22	24
Outstandings	63	85	109
Health education assistance loans liquidating account:			
Claim payments	12	8	7
Change in outstandings	–3	–33	–34
Outstandings	497	464	430
Department of Housing and Urban Development			
Housing Programs			
FHA-mutual mortgage and cooperative housing insurance funds liquidating account:			
Claim payments	....	35	34
Change in outstandings	–42	–4	....
Outstandings	4	....	....
FHA-general and special risk insurance funds liquidating account:			
Claim payments	618	981	1,235
Change in outstandings	39	447	337
Outstandings	1,999	2,446	2,783

Table 9–9. DIRECT LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(In millions of dollars)

Agency and Account	2001 Actual	Estimate	
		2002	2003
FHA-general and special risk guaranteed loan financing account:			
Claim payments	295	418	460
Change in outstandings	66	32	25
Outstandings	618	650	675
FHA-mutual mortgage insurance guaranteed loan financing account:			
Claim payments	1	377	671
Change in outstandings	–98	–4	....
Outstandings	4	....	....
Department of the Interior			
Bureau of Indian Affairs			
Indian loan guaranty and insurance fund liquidating account:			
Claim payments	....	....	....
Change in outstandings	–1	–4	–4
Outstandings	26	22	18
Indian guaranteed loan financing account:			
Claim payments	....	2	1
Change in outstandings	–13	1	....
Outstandings	24	25	25
Department of Transportation			
Maritime Administration			
Federal ship financing fund liquidating account:			
Claim payments	....	....	....
Change in outstandings	–17	....	....
Outstandings	....	....	....
Department of the Treasury			
Departmental Offices			
Air transportation stabilization guaranteed loan financing account:			
Claim payments	....	577	957
Change in outstandings	....	577	842
Outstandings	....	577	1,419
Department of Veterans Affairs			
Veterans Benefits Administration			
Veterans housing benefit program fund liquidating account:			
Claim payments	30	29	27
Change in outstandings	–12	8	8
Outstandings	274	282	290
Veterans housing benefit program fund guaranteed loan financing account:			
Claim payments	362	129	126
Change in outstandings	335	74	62
Outstandings	344	418	480
International Assistance Programs			
International Security Assistance			
Foreign military loan liquidating account:			
Claim payments	24	23	31
Change in outstandings	24	–13	31
Outstandings	39	26	57
Agency for International Development			
Housing and other credit guaranty programs liquidating account:			
Claim payments	40	40	42
Change in outstandings	–73	15	24
Outstandings	435	450	474
Overseas Private Investment Corporation			
Overseas Private Investment Corporation liquidating account:			
Claim payments	13	2	1
Change in outstandings	6	....	....
Outstandings	19	19	19

Table 9–9. DIRECT LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(In millions of dollars)

Agency and Account	2001 Actual	Estimate	
		2002	2003
Overseas Private Investment Corporation guaranteed loan financing account:			
Claim payments	21	162	45
Change in outstandings	18	148	31
Outstandings	49	197	228
Small Business Administration			
Pollution control equipment fund liquidating account:			
Claim payments	....	....	....
Change in outstandings	....	....	....
Outstandings	49	49	49
Business guaranteed loan financing account:			
Claim payments	645	670	684
Change in outstandings	149	258	252
Outstandings	966	1,224	1,476
Business loan fund liquidating account:			
Claim payments	16	12	11
Change in outstandings	–141	–70	–29
Outstandings	381	311	282
Subtotal, defaulted guaranteed loans that result in a loan receivable:			
Claim payments	5,213	7,018	8,360
Change in outstandings	–764	2,324	2,388
Outstandings	29,729	32,053	34,441
Total:			
Obligations	39,073	47,302	39,936
Loan disbursements	42,354	50,334	45,642
Change in outstandings	3,433	13,670	9,815
Outstandings	243,015	256,685	266,500

Table 9–10. GUARANTEED LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT

(In millions of dollars)

Agency and Account	2001 Actual	Estimate 2002	Estimate 2003
Department of Agriculture			
Farm Service Agency			
Agricultural credit insurance fund liquidating account:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	–60	–67	–52
Outstandings	411	344	292
Agricultural credit insurance fund guaranteed loan financing account:			
Commitments	2,315	3,220	3,000
New guaranteed loans	2,200	2,988	3,025
Change in outstandings	510	1,312	1,302
Outstandings	9,111	10,423	11,725
Commodity Credit Corporation export guarantee financing account:			
Commitments	3,227	3,926	4,225
New guaranteed loans	2,183	3,926	4,225
Change in outstandings	–1,568	–153	–80
Outstandings	4,915	4,762	4,682
Natural Resources Conservation Service			
Agricultural resource conservation demonstration guaranteed loan financing account:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	....	....	–10
Outstandings	24	24	14
Rural Utilities Service			
Rural communication development fund liquidating account:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	....	....	....
Outstandings	4	4	4
Rural development insurance fund liquidating account:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	–13	–12	–10
Outstandings	99	87	77
Rural electrification and telecommunications guaranteed loans financing account:			
Commitments	59	100	100
New guaranteed loans	35	68	113
Change in outstandings	35	65	109
Outstandings	203	268	377
Rural water and waste water disposal guaranteed loans financing account:			
Commitments	5	75	75
New guaranteed loans	....	43	72
Change in outstandings	–8	41	69
Outstandings	11	52	121
Local television loan guarantee financing account:			
Commitments	....	258	....
New guaranteed loans	....	52	116
Change in outstandings	....	52	114
Outstandings	....	52	166
Rural electrification and telecommunications liquidating account:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	–24	–23	–21
Outstandings	358	335	314
Rural Housing Service			
Rural housing insurance fund liquidating account:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	–2	–2	–1
Outstandings	18	16	15

Table 9–10. GUARANTEED LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(In millions of dollars)

Agency and Account	2001 Actual	Estimate	
		2002	2003
Rural housing insurance fund guaranteed loan financing account:			
Commitments	2,342	3,250	2,850
New guaranteed loans	2,171	2,817	2,751
Change in outstandings	1,374	1,915	1,698
Outstandings	12,673	14,588	16,286
Rural community facility guaranteed loans financing account:			
Commitments	139	210	210
New guaranteed loans	15	155	179
Change in outstandings	2	137	155
Outstandings	227	364	519
Rural Business—Cooperative Service			
Rural business and industry guaranteed loans financing account:			
Commitments	1,076	1,152	733
New guaranteed loans	809	1,777	1,294
Change in outstandings	324	1,453	908
Outstandings	3,504	4,957	5,865
Department of Commerce			
Departmental Management			
Emergency oil and gas guaranteed loan financing account:			
Commitments	3	2	....
New guaranteed loans	3	2	....
Change in outstandings	3	....	....
Outstandings	3	3	3
Emergency steel guaranteed loan financing account:			
Commitments	110	236	....
New guaranteed loans	110	236	....
Change in outstandings	109	131	–62
Outstandings	109	240	178
Economic Development Administration			
Economic development revolving fund liquidating account:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	–1	....	....
Outstandings	....	....	....
National Oceanic and Atmospheric Administration			
Fisheries finance guaranteed loan financing account:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	–11	–11	–11
Outstandings	51	40	29
Federal ship financing fund fishing vessels liquidating account:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	–4	–4	–3
Outstandings	39	35	32
Department of Defense—Military			
Operation and Maintenance			
Defense export loan guarantee financing account:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	–4	–4	–4
Outstandings	8	4	....
Procurement			
Arms initiative guaranteed loan financing account:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	....	–1	–1
Outstandings	28	27	26

Table 9–10. GUARANTEED LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(In millions of dollars)

Agency and Account	2001 Actual	Estimate	
		2002	2003
Family Housing			
Family housing improvement guaranteed loan financing account:			
Commitments	48	221	....
New guaranteed loans	41	70	88
Change in outstandings	41	69	86
Outstandings	70	139	225
Department of Education			
Office of Student Financial Assistance			
Federal family education loan liquidating account:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	–2,030	–1,921	–1,135
Outstandings	4,493	2,572	1,437
Federal family education loan program financing account:			
Commitments	34,705	38,750	39,559
New guaranteed loans	30,537	34,255	34,732
Change in outstandings	15,873	11,981	8,651
Outstandings	154,807	166,788	175,439
Department of Health and Human Services			
Health Resources and Services Administration			
Health education assistance loans financing account:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	–22	–35	–39
Outstandings	1,513	1,478	1,439
Health education assistance loans liquidating account:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	–54	–50	–50
Outstandings	668	618	568
Health center guaranteed loan financing account:			
Commitments	7	21	17
New guaranteed loans	7	21	17
Change in outstandings	7	21	17
Outstandings	12	33	50
Medical facilities guarantee and loan fund:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	–5	–6	–6
Outstandings	19	13	7
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	–278	–278	–278
Outstandings	2,464	2,186	1,908
Indian housing loan guarantee fund financing account:			
Commitments	13	20	20
New guaranteed loans	10	20	23
Change in outstandings	6	11	12
Outstandings	66	77	89
Title VI Indian Federal guarantees financing account:			
Commitments	10	26	40
New guaranteed loans	9	23	36
Change in outstandings	9	20	33
Outstandings	10	30	63

Table 9–10. GUARANTEED LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(In millions of dollars)

Agency and Account	2001 Actual	Estimate	
		2002	2003
Native Hawaiian housing loan guarantee fund financing account:			
Commitments	....	....	10
New guaranteed loans	....	....	1
Change in outstandings	....	....	1
Outstandings	....	....	1
Community Planning and Development			
Community development loan guarantees financing account:			
Commitments	244	609	275
New guaranteed loans	335	400	400
Change in outstandings	195	200	200
Outstandings	1,887	2,087	2,287
Community development loan guarantees liquidating account:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	–26	–29	–6
Outstandings	81	52	46
Housing Programs			
FHA-mutual mortgage and cooperative housing insurance funds liquidating account:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	–7,656	–6,624	–3,272
Outstandings	39,963	33,339	30,067
FHA-general and special risk insurance funds liquidating account:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	–4,391	–1,989	–2,174
Outstandings	25,370	23,381	21,207
FHA-general and special risk guaranteed loan financing account:			
Commitments	21,000	21,000	21,000
New guaranteed loans	15,238	17,027	19,892
Change in outstandings	4,248	2,622	12,601
Outstandings	73,376	75,998	88,599
FHA-loan guarantee recovery fund financing account:			
Commitments	2	4	....
New guaranteed loans	2	4	....
Change in outstandings	1	1	–3
Outstandings	4	5	2
FHA-mutual mortgage insurance guaranteed loan financing account:			
Commitments	134,841	147,339	142,441
New guaranteed loans	107,449	133,557	121,674
Change in outstandings	17,353	33,174	60,342
Outstandings	419,313	452,487	512,829
Government National Mortgage Association			
Guarantees of mortgage-backed securities liquidating account:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	–12	–12	–12
Outstandings	134	122	110
Guarantees of mortgage-backed securities financing account:			
Commitments	161,657	238,343	200,000
New guaranteed loans	153,798	120,000	120,000
Change in outstandings	1,568	23,310	47,832
Outstandings	604,309	627,619	675,451
Department of the Interior			
Bureau of Indian Affairs			
Indian loan guaranty and insurance fund liquidating account:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	–12	–8	–6
Outstandings	17	9	3

Table 9–10. GUARANTEED LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(In millions of dollars)

Agency and Account	2001 Actual	Estimate 2002	Estimate 2003
Indian guaranteed loan financing account:			
Commitments	60	75	72
New guaranteed loans	52	65	55
Change in outstandings	22	38	29
Outstandings	184	222	251
Department of Transportation			
Office of the Secretary			
Minority business resource center guaranteed loan financing account:			
Commitments	14	18	18
New guaranteed loans	7	18	18
Change in outstandings	7	17	11
Outstandings	7	24	35
Federal Highway Administration			
Transportation infrastructure finance and innovation program loan guarantee financing account:			
Commitments	....	200	100
New guaranteed loans	....	160	183
Change in outstandings	....	160	183
Outstandings	....	160	343
Maritime Administration			
Federal ship financing fund liquidating account:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	–66	–60	–55
Outstandings	182	122	67
Maritime guaranteed loan (title XI) financing account:			
Commitments	729	800	....
New guaranteed loans	729	800	....
Change in outstandings	543	–42	–224
Outstandings	4,738	4,696	4,472
Department of the Treasury			
Departmental Offices			
Air transportation stabilization guaranteed loan financing account:			
Commitments	....	5,000	5,000
New guaranteed loans	....	5,000	5,000
Change in outstandings	....	3,910	3,046
Outstandings	....	3,910	6,956
Department of Veterans Affairs			
Veterans Benefits Administration			
Veterans housing benefit program fund liquidating account:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	–3,558	–2,571	–1,876
Outstandings	9,182	6,611	4,735
Veterans housing benefit program fund guaranteed loan financing account:			
Commitments	31,948	33,286	34,364
New guaranteed loans	31,948	33,286	34,364
Change in outstandings	16,137	11,138	11,963
Outstandings	227,705	238,843	250,806
International Assistance Programs			
International Security Assistance			
Foreign military loan liquidating account:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	–357	–350	–348
Outstandings	4,194	3,844	3,496

Table 9–10. GUARANTEED LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(In millions of dollars)

Agency and Account	2001 Actual	Estimate	
		2002	2003
Agency for International Development			
Loan guarantees to Israel financing account:			
Commitments			
New guaranteed loans			
Change in outstandings		–20	–157
Outstandings	9,226	9,206	9,049
Development credit authority guaranteed loan financing account:			
Commitments	35	265	109
New guaranteed loans	33	136	142
Change in outstandings	33	116	121
Outstandings	39	155	276
Housing and other credit guaranty programs liquidating account:			
Commitments			
New guaranteed loans			
Change in outstandings	–140	–96	–96
Outstandings	1,596	1,500	1,404
Microenterprise and small enterprise development guaranteed loan financing account:			
Commitments	36	31	
New guaranteed loans	5	24	22
Change in outstandings	–28	4	10
Outstandings	36	40	50
Urban and environmental credit guaranteed loan financing account:			
Commitments			
New guaranteed loans		22	17
Change in outstandings	–31	–12	–18
Outstandings	514	502	484
Overseas Private Investment Corporation			
Overseas Private Investment Corporation liquidating account:			
Commitments			
New guaranteed loans			
Change in outstandings	–18	–7	–9
Outstandings	26	19	10
Overseas Private Investment Corporation guaranteed loan financing account:			
Commitments	1,024	666	765
New guaranteed loans	470	525	525
Change in outstandings	252	163	280
Outstandings	3,350	3,513	3,793
Small Business Administration			
Pollution control equipment fund liquidating account:			
Commitments			
New guaranteed loans			
Change in outstandings	–23	–7	–4
Outstandings	16	9	5
Business guaranteed loan financing account:			
Commitments	13,990	22,458	16,350
New guaranteed loans	10,963	9,111	10,111
Change in outstandings	3,368	3,068	1,910
Outstandings	35,107	38,175	40,085
Business loan fund liquidating account:			
Commitments			
New guaranteed loans			
Change in outstandings	–509	–325	–255
Outstandings	1,501	1,176	921
Other Independent Agencies			
Export-Import Bank of the United States			
Export-Import Bank of the United States liquidating account:			
Commitments			
New guaranteed loans			
Change in outstandings	–163	–351	–229
Outstandings	941	590	361

Table 9–10. GUARANTEED LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(In millions of dollars)

Agency and Account	2001 Actual	Estimate	
		2002	2003
Export-Import Bank guaranteed loan financing account:			
Commitments	8,370	10,239	11,321
New guaranteed loans	7,504	6,965	8,384
Change in outstandings	906	990	–1,934
Outstandings	29,584	30,574	28,640
National Credit Union Administration			
Credit union share insurance fund:			
Commitments	4	3	4
New guaranteed loans	4	3	4
Change in outstandings	3	2	–2
Outstandings	7	9	7
Presidio Trust			
Presidio Trust guaranteed loan financing account:			
Commitments	....	....	100
New guaranteed loans	....	....	50
Change in outstandings	....	....	49
Outstandings	....	....	49
Subtotal, Guaranteed loans (gross)			
Commitments	418,013	531,803	482,758
New guaranteed loans	366,667	373,556	367,513
Change in outstandings	41,855	81,051	139,289
Outstandings	1,688,507	1,769,558	1,908,847
Less, secondary guaranteed loans: [1]			
GNMA guarantees of FmHA/VA/FHA pools:			
Commitments	–161,657	–238,343	–200,000
New guaranteed loans	–153,798	–120,000	–120,000
Change in outstandings	–1,556	–23,298	–47,820
Outstandings	–604,443	–627,741	–675,561
Total, primary guaranteed loans: [2]			
Commitments	256,356	293,460	282,758
New guaranteed loans	212,869	253,556	247,513
Change in outstandings	40,299	57,753	91,469
Outstandings	1,084,064	1,141,817	1,233,286

[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 9–11. LENDING AND BORROWING BY GOVERNMENT-SPONSORED ENTERPRISES (GSEs) [1]

(In millions of dollars)

Enterprise	2001 Actual	Estimate 2002	Estimate 2003
LENDING			
Student Loan Marketing Association:			
Net change	3,819	–373	–3,644
Outstandings	41,032	40,659	37,015
Federal National Mortgage Association:			
Portfolio programs:			
Net change	112,884	117,677	125,227
Outstandings	700,484	818,161	943,388
Mortgage-backed securities:			
Net change	116,278	141,037	139,874
Outstandings	822,382	963,419	1,103,293
Federal Home Loan Mortgage Corporation:			
Portfolio programs:			
Net change	109,226	71,370	77,117
Outstandings	470,850	542,220	619,337
Mortgage-backed securities:			
Net change	76,602	38,787	56,656
Outstandings	635,844	674,631	731,287
Farm Credit System:			
Agricultural credit bank:			
Net change	318	745	823
Outstandings	19,588	20,333	21,156
Farm credit banks:			
Net change	5,752	2,566	2,477
Outstandings	52,445	55,011	57,488
Federal Agricultural Mortgage Corporation:			
Net change	1,576	1,106	....
Outstandings	4,894	6,000	6,000
Federal Home Loan Banks:			
Net change	44,908	....	....
Outstandings	489,413	489,413	489,413
Subtotal GSE lending (gross):			
Net change	471,363	372,915	398,530
Outstandings	3,236,932	3,609,847	4,008,377
Less guaranteed loans purchased by:			
Student Loan Marketing Association:			
Net change	3,819	–373	–3,644
Outstandings	41,032	40,659	37,015
Federal National Mortgage Association:			
Net change	–336	....	....
Outstandings	62,599	62,599	62,599
Other:			
Net change	1,784	....	....
Outstandings	23,615	23,615	23,615
Total GSE lending (net):			
Net change	466,096	373,288	402,174
Outstandings	3,109,686	3,482,974	3,885,148
BORROWING			
Student Loan Marketing Association:			
Net Change	5,820	–2,640	–4,776
Outstandings	47,321	44,681	39,905
Federal National Mortgage Association:			
Portfolio programs:			
Net Change	119,953	122,184	133,147
Outstandings	726,992	849,176	982,323
Mortgage-backed securities:			
Net Change	116,278	141,037	139,874
Outstandings	822,382	963,419	1,103,293

Table 9–11. LENDING AND BORROWING BY GOVERNMENT-SPONSORED ENTERPRISES (GSEs) [1]— Continued

(In millions of dollars)

Enterprise	2001 Actual	Estimate	
		2002	2003
Federal Home Loan Mortgage Corporation:			
Portfolio programs:			
Net Change	124,518	74,072	71,836
Outstandings	531,312	605,384	677,220
Mortgage-backed securities:			
Net Change	76,602	38,787	56,656
Outstandings	635,844	674,631	731,287
Farm Credit System:			
Agricultural credit bank:			
Net Change	304	808	894
Outstandings	21,275	22,083	22,977
Farm credit banks:			
Net Change	5,895	3,232	3,168
Outstandings	58,010	61,242	64,410
Federal Agricultural Mortgage Corporation:			
Net Change	9	204	–10
Outstandings	2,870	3,074	3,064
Federal Home Loan Banks:			
Net Change	34,281	....	....
Outstandings	611,338	611,338	611,338
Subtotal GSE borrowing (gross):			
Net change	483,660	377,684	400,789
Outstandings	3,457,344	3,835,028	4,235,817
Less borrowing from other GSEs:			
Net Change	61,565	....	....
Outstandings	181,909	181,909	181,909
Less purchase of Federal debt securities:			
Net Change	1,506	–32	–141
Outstandings	3,126	3,094	2,953
Less borrowing to purchase loans guaranteed by:			
Student Loan Marketing Association:			
Net Change	3,819	–373	–3,644
Outstandings	41,032	40,659	37,015
Federal National Mortgage Association:			
Net Change	–336	....	....
Outstandings	62,599	62,599	62,599
Other:			
Net Change	1,784	....	....
Outstandings	23,615	23,615	23,615
Total GSE borrowing (net):			
Net change	415,322	378,089	404,574
Outstandings	3,145,063	3,523,152	3,927,726

[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 offficial GSE forecasts of future activity, nor are they reviewed by the President. The data for all years include programs of mortgage-backed securities. In cases where a GSE owns securities issued by the same GSE, including mortgage-backed securities, the borrowing and lending data for that GSE are adjusted to remove double-counting.

Table 9–12. GOVERNMENT-SPONSORED ENTERPRISE PARTICIPATION IN THE CREDIT MARKET [1]

(Dollar amounts in billions)

	Actual												
	1965	1970	1975	1980	1985	1990	1995	1996	1997	1998	1999	2000	2001
Total net lending in credit market	66.8	88.2	169.6	336.9	829.3	705.2	702.5	716.4	724.1	985.2	1,110.4	933.4	1,008.0
Government-sponsored enterprise loans [2]	1.2	4.9	5.3	21.4	57.9	115.4	125.7	141.5	112.8	293.1	284.0	245.6	466.1
GSE lending participation rate (percent)	1.8	5.6	3.1	6.4	7.0	16.4	17.9	19.8	15.6	29.8	25.6	26.3	46.2
Total net borrowing in credit market	66.8	88.2	169.6	336.9	829.3	705.2	702.5	716.4	724.1	985.2	1,110.4	933.4	1,008.0
Government-sponsored enterprise borrowing [2]	1.4	5.2	5.5	24.1	60.7	90.0	68.2	161.2	107.9	276.2	346.8	277.9	415.3
GSE borrowing participation rate (percent)	2.1	5.9	3.2	7.2	7.3	12.8	9.7	22.5	14.9	28.0	31.2	29.8	41.2

[1] Government-sponsored enterprises (GSEs) are financial intermediaries. GSE borrowing (lending) is nevertheless compared with total credit market borrowing (lending) by nonfinancial sectors, because GSE borrowing (lending) is a proxy for the borrowing (lending) by nonfinancial sectors that the GSEs assist through intermediation. The GSEs assist the ultimate nonfinancial borrower by purchasing its loans from the initial, direct lender or by other methods, which they finance by issuing securities themselves in the credit market. Borrowing and lending include mortgage-backed securities, because the GSEs assist nonfinancial borrowers through this type of intermediation as well as by types of intermediation that involve financial instruments recognized on the GSEs' balance sheets. The data for this table are adjusted, with some degree of approximation, to remove double counting in making a comparison with other Federal and federally guaranteed transactions. GSE borrowing and lending are calculated net of transactions between components of GSEs and transactions in guaranteed loans; GSE borrowing is also calculated net of borrowing from other GSEs and purchases of Federal debt securities.

[2] Total net borrowing (or lending) in credit market by domestic nonfinancial sectors, excluding equities. Credit market borrowing (lending) is the acquisition (loan) of funds other than equities through formal credit channels. Financial sectors are omitted from the series used in this table to avoid double counting, since financial intermediaries borrow in the credit market primarily in order to finance lending in the credit market. Equities, trade credit, security credit, and other sources of funds are also excluded from this series. Source: Federal Reserve Board flow of funds accounts. Estimates for 2002 and 2003 are not available.

Table 9–13. BORROWING BY FINANCING VEHICLES [1]

(In millions of dollars)

Financing Vehicle	2001 Actual	Estimate	
		2002	2003
Financing Corporation (FICO):			
Net change	1	2	1
Outstandings	8,148	8,150	8,151
Resolution Funding Corporation (REFCORP):			
Net change	–2	–2	–2
Outstandings	30,062	30,060	30,058
Subtotal, gross borrowing:			
Net change	–1	....	–1
Outstandings	38,210	38,210	38,209
Less purchases of Federal debt securities:			
Net change	594	644	698
Outstandings	7,763	8,407	9,105
Total, net borrowing:			
Net change	–595	–644	–699
Outstandings	30,447	29,803	29,104

[1] Financing vehicles are Government corporations established pursuant to law in order to provide financing for a Federal program but excluded from the on-budget and off-budget totals. FICO and REFCORP borrowed from the public in the past but have not loaned to the public. During the period covered by this table, the change in debt outstanding is due solely to the amortization of discounts and premiums. No sale or redemption of debt securities occurred in 2001 or is estimated to occur in 2002 or 2003.

10. 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 $317.2 billion in 2001 and are estimated to increase to $346.5 billion in 2002 and $376.4 billion in 2003.

Grant outlays for payments for individuals, such as Medicaid, are estimated to be 64.3 percent of total grants in 2003; for physical capital investment, 15.2 percent; and for all other purposes, largely education, training, and social services, 20.5 percent.

Federal aid to State and local governments is also provided through tax expenditures. Tax expenditures are the result of special exclusions, exemptions, deductions, credits, deferrals, or tax rates in the Federal tax laws.

The two major tax expenditures benefitting 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 public purpose bonds from Federal taxation. These provisions, on an outlay equivalent basis, are estimated to be $80.1 billion in 2002 and $82.9 billion in 2003. 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 6, “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 6–5 in that chapter.

Table 10–1. FEDERAL GRANT OUTLAYS BY AGENCY

(In billions of dollars)

Agency	2001 Actual	2002 Estimate	2003 Proposed
Department of Agriculture	20.2	21.8	22.4
Department of Commerce	0.4	0.8	0.6
Department of Education	24.0	28.1	33.0
Department of Energy	0.2	0.3	0.4
Department of Health and Human Services	183.1	201.2	220.1
Department of Housing and Urban Development	26.2	28.0	29.4
Department of the Interior	2.7	2.6	2.7
Department of Justice	6.2	4.3	7.2
Department of Labor	7.7	8.9	8.6
Department of Transportation	36.7	38.7	38.4
Department of the Treasury	0.5	0.5	0.4
Department of Veterans Affairs	0.4	0.5	0.5
Environmental Protection Agency	3.8	3.7	4.0
Federal Emergency Management Agency	3.2	4.8	6.7
Other agencies	1.8	2.3	2.1
Total	317.2	346.5	376.4

Table 10–1 shows the distribution of grants by agency. Grant outlays for the Department of Health and Human Services are estimated to be $220.1 billion in 2003, 58.5 percent of total grants, more than five times as much as 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 working with State and local governments to make the Federal system more efficient and effective and to improving the design, administration, and financial management of Federal grant programs. One way the Administration will do this is by expanding a government-wide effort to use electronic processing in the administration of grant programs, which includes interagency work on standard and streamlined forms and processes. Each of the Federal grant-making agencies is responsible for working individually and collectively under the auspices of the Federal Financial Assistance Management Improvement Act of 1999 (P.L. 106–107) to simplify grants and provide an electronic option for grantees to conduct business with the Federal government.

Highlights of grants to State and local governments follow. For additional information on grants, see the

[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, loan subsidies, and tax expenditures.

detailed Table 10–3 in this Chapter, and discussions in the *Budget* volume.

Federal Emergency Management Agency

The budget provides the Federal Emergency Management Agency (FEMA) with $3.5 billion in budget authority in 2003 to create a grant program to improve State and local terrorism preparedness. While State and local jurisdictions will have discretion to tailor the assistance to meet local needs, it is anticipated that more than one-third of the funds will be used to improve communications. It is further assumed that an additional one-third will be used to equip State and local first responders and that the remainder will be used for training, planning, technical assistance and administration. The First Responder State/Local Preparedness grant program would consolidate several existing programs, including a first responder grant previously funded within the Department of Justice (funded at $635 million in 2002). As part of this consolidation, FEMA will take over the functions of Justice's Office of Domestic Preparedness. The program would also encompass the recently created FEMA FIRE grant program (funded at $360 million in 2002).

Education

The budget requests $36.1 billion in 2003 budget authority for the Department of Education for grants to States and local governments for education, an increase of $2.0 billion above the 2002 amount of $34.1 billion. The education proposals in this budget will help States improve accountability for school and student performance, increase flexibility, and support proven programs.

The Department of Education seeks to ensure equal access to education and promote educational excellence for all students throughout the Nation. It promotes educational excellence and access in elementary and secondary education by providing formula and competitive grants to States and local educational agencies in areas of national priority.

The budget requests $11.4 billion for Title I grants to school districts to help raise student achievement in the Nation's most impoverished communities. At this level, funding will have increased 85 percent since 1993. Major reform is underway for Title I grants which have fallen short in meeting their objectives. Historically, Title I has done little to raise student achievement as measured by test scores of low-income students. For instance, reading scores of at-risk students have remained flat over this period. However, in light of this year's legislative reforms, the Administration believes that the program now holds promise for improving performance by the schools and for the students who face the most challenges. Schools that receive Title I funds must show academic progress each year, both for students overall and for each student group, to ensure that all groups of students are proficient in reading and math within 12 years. If a school that receives Title I funds does not improve for three consecutive years, parents can use Federal funds for outside educational assistance from a public or private tutor of their choice. The budget builds a foundation for success by investing $1.0 billion in 2003 in the Reading First program, a $100 million increase over 2002. Reading is the foundation skill for all other learning. The President's goal is to ensure that all students can read at grade level by the end of the third grade. The Reading First program, initiated through the new Elementary and Secondary Education Act (ESEA), will provide funds to States to support only the most proven reading practices. The budget includes $75 million for Early Reading First, the same level as 2002, to develop model programs to help children in high-poverty communities prepare for school. The budget also proposes $387 million for the second year of Federal support of States' development of annual reading and math assessments for grades 3 through 8. These assessments will be used to monitor the yearly progress of schools under the new requirements of ESEA.

The budget proposes $665 million for performance-based grants to States to promote English language acquisition. Under the new law, students served by this program must also show adequate yearly progress, thus giving States a strong incentive to improve student performance on annual assessments.

The budget proposes $2.9 billion for the Teacher Quality State Grants program to recruit, train, and retain qualified teachers. This funding should assist States in ensuring that all new teachers in schools receiving Title I funds are highly qualified as required by the new ESEA.

Children with disabilities are among those at greatest risk of being left behind. The Individuals with Disabilities Education Act (IDEA) establishes the right of children with disabilities to a free and appropriate public education. To help States and localities meet their responsibilities toward children with disabilities, the budget proposes $9.4 billion for the Special Education grant to States program for 2003, a $1.0 billion increase. This total includes $437 million for States to identify and serve infants and toddlers with disabilities, a $20 million increase. In many cases, this early intervention can reduce or even eliminate the need for special education as children grow up.

As part of the President's initiative to tie budget decisions to program performance, this budget will launch a multi-year effort to reform job training programs across the Federal government, target resources to programs with documented effectiveness, and eliminate funding for ineffective, duplicative, and overlapping programs. As part of this initiative, the budget proposes a new $30 million incentive grant, which will be allocated to State Vocational Rehabilitation (VR) agencies based on their performance in helping individuals with disabilities obtain competitive jobs. While nationwide State VR agency performance has improved in recent years, there is still wide variation among States.

Training and Employment

The budget reflects the Administration's continued efforts to reform the Nation's workforce development system and provide job training opportunities to help workers succeed in the economy of the 21st Century.

The Workforce Investment Act (WIA) of 1998 took full effect on July 1, 2000, as the Job Training Partnership Act (JTPA) was repealed and all States began to fully implement the WIA requirements. However, the WIA's authorization will expire in 2003, providing the Administration an opportunity to evaluate critically the current program structure, financing, and performance. The Administration will undertake that work in the coming year, and the 2004 Budget will outline a proposal to further consolidate training programs. In 2003, estimates indicate that more than $9.3 billion will be available for investments in job training and other dislocated worker services, including $5 billion in new budget authority and $4.3 billion in unspent resources carried forward into 2003.

The Administration is proposing short- and longer-term legislative reforms to promote flexibility and strengthen the Unemployment Insurance (UI) and Employment Service (ES) programs. Near-term reforms are designed to meet the immediate needs of unemployed workers during the current economic slowdown. Longer-term reforms will enable more workers to receive extended UI benefits; reduce employers' Federal payroll taxes, spurring economic growth; and allow States to control their own administrative funding. The budget also includes two proposals to strengthen financial management of the UI program and help States cut wasteful benefit overpayments. These proposals would enable the Inspector General to uncover fraudulent benefits schemes and train States to detect and reduce overpayments; and assist States in their efforts to use existing databases to eliminate fraudulent payments to ineligible claimants. The budget proposes $12 million for these efforts.

The Administration also is encouraging greater competition and participation by faith-based and community organizations in Federal grant programs. To this end, the Department of Labor has scrutinized its grant program applications to remove barriers. For example, it discovered that under the Women in Apprenticeship and Non-traditional Occupations (WANTO) program, applicants were required to demonstrate a "history of commitment to economic and social justice." The Department of Labor dropped this restrictive language, and received 37 applications, more than twice the average received in recent years. Of the 11 actual grant recipients, 4 were new applicants who never had received a WANTO grant.

Social Services

The Head Start program gives low-income children a comprehensive approach to child development, stressing language and cognitive development, health, nutrition, and social competency. Head Start is administered by the Administration for Children and Families (ACF) in the Department of Health and Human Services. The Administration requests $6.7 billion for Head Start for 2003, a $130 million increase above 2002. The President has proposed to reform Head Start and return it to its original focus getting children ready to learn. The Department of Health and Human Services and the Department of Education have formed a taskforce to assess ways to improve Head Start and lay the groundwork for the proposed transfer to the Department of Education as part of the program's reauthorization.

The budget requests $1.7 billion for the Social Services Block Grant for 2003. This program provides flexible funds to States for social services for low-income individuals and families.

Income Support

Food and nutrition assistance.—This budget requests $7.5 billion in budget authority for grants for the National School Lunch and School Breakfast Programs, which provide free or low-cost nutritious meals to children in participating schools. In 2003, the programs will serve an estimated 26.3 million lunches and 7.7 million breakfasts daily. The Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) provides vouchers for nutritious supplemental food packages, nutrition education and counseling, and health and immunization referrals to low-income women, infants, and children. The budget provides $4.8 billion in 2003 for WIC, including a $150 million contingency fund. The request is sufficient to serve 7.8 million persons monthly and the contingency fund will ensure that the program can expand to serve an increasing number of eligible persons should that be necessary for any reason.

Other income security.—The Child Care and Development Fund provides grants to States for the purposes of providing low-income families with financial assistance for child care, improving the quality and availability of child care, and establishing, expanding, or conducting early childhood development programs and before- and after-school programs. The Child Care Development Fund is funded through both the Child Care and Development Block Grant ($2.1 billion proposed for 2003) and the Child Care Entitlement to States ($2.7 billion proposed for 2003).

Health

This budget proposes $172.0 billion in outlays for 2003 grants to State and local governments for health, $16.4 billion more than for 2002.

Transitional Medicare Low-Income Drug Assistance.—The Administration proposes to begin to phase in comprehensive drug coverage for lower-income Medicare beneficiaries up to 150 percent of poverty, as envisioned in all major prescription drug proposals. This proposal would allow States to expand drug coverage to Medicare beneficiaries up to 100 percent of poverty—about $12,000 for a family of two—at current Medicaid matching rates, much like existing programs that subsidize Medicare premiums and cost-sharing for low-income Medicare beneficiaries. Further, as an added incentive for States to expand coverage up to 150 percent of poverty—about $17,000 for a family of two—the Federal government would pay 90 percent of the States' costs of expansion above 100 percent of poverty with States being responsible for the remaining 10 percent. This policy eventually would expand drug coverage for up to 3 million beneficiaries currently without prescription drug assistance.

Medicaid.—Medicaid is the largest grant program, with outlays projected to be $160.1 billion in 2003, including the changes proposed in this budget. In 2001, this Federal-State health care program served about 37 million low-income Americans, primarily children, pregnant women, the elderly, and those with disabilities. The Federal Government spent $129.4 billion, 57 percent of the total program in 2001, while States spent $98.4 billion or 43 percent. Medicaid covers one-fourth of the Nation's children and is the largest single purchaser of maternity care and nursing home and other long-term care services. The elderly and disabled made up one-third of Medicaid enrollees in 2001, but accounted for approximately two-thirds of spending on benefits. Medicaid pays for over one-third of the Nation's long-term care services.

The Administration proposes several Medicaid initiatives. One initiative would extend for one year Transitional Medicaid Assistance, which provides health insurance coverage to former welfare recipients who would otherwise lose Medicaid eligibility due to earnings from employment. The Administration also proposes to strengthen management and enforcement of Federal payment policies for hospital, nursing home, and school-based health services. The General Accounting Office and the Department of Health and Human Services' Inspector General have identified questionable Medicaid claiming practices for these services, and have recommended increased Federal oversight.

State Children's Health Insurance Program.—The State Children's Health Insurance Program (SCHIP) was established in 1997 in the Balanced Budget Act to make available approximately $40 billion over 10 years for States to provide health care coverage to low-income, uninsured children. The Balanced Budget Act of 1997 authorized annual allotments that are available to States for three years; remaining funds were then to be redistributed among the States and available for one additional year before returning to the Treasury. According to current estimates, $3.2 billion in funds will return to the Treasury at the end of 2002 and 2003. The Administration proposes to extend the availability of these expiring funds until 2006. According to current estimates, this extension will allow every State to retain some funds. This proposal will enable more States to maintain their current coverage levels as well as provide additional health insurance coverage to more Americans under the Administration's Health Insurance Flexibility and Accountability (HIFA) initiative. SCHIP gives States broad flexibility in program design while protecting beneficiaries through basic Federal standards. Approximately 4.6 million children were enrolled in SCHIP programs in 2001.

Health Insurance Flexibility and Accountability Initiative.—In August 2001, the Administration introduced the HIFA demonstration initiative, which gives States the flexibility they need to design innovative ways to increase access to health insurance coverage for the uninsured. The HIFA initiative:

- Encourages States to develop comprehensive health insurance coverage approaches that utilize available Medicaid and SCHIP funding to address insurance coverage for individuals with incomes less than twice the official poverty level.
- Gives States the programmatic flexibility to increase health insurance coverage through support of private group health coverage.
- Simplifies the waiver application process by providing clear guidance and data templates.
- Increases accountability in the State and Federal partnership by ensuring that Medicaid and SCHIP funds are effectively being used to increase health insurance coverage.

The Administration will continue to build on the HIFA initiative to give States the flexibility they need to extend coverage to more of the neediest residents and reduce the number of uninsured.

Bioterrorism.—The budget requests over $1.4 billion to assist States and localities prepare for, identify and respond to acts of bioterrorism. The President's proposal will improve the ability of State public health laboratories to identify dangerous agents, allow hospitals to conduct training exercises with the State public health and emergency departments, improve coordination between hospitals on a regional basis and allow them to purchase better equipment, and improve the communication between State public health and emergency response systems in the case of an attack.

Community Health Centers.—This budget requests Federal spending to assist State and local governments in increasing access to health care by increasing the number of community health center sites. Community health centers (CHCs) provide family-oriented, preventive and primary health care to over 11 million patients through a network of over 3,400 health centers sites. CHCs are successfully improving the health status of the Nation's underserved populations. The budget builds on the 2002 Community Health Centers Presidential Initiative to increase the number of health center sites by 1,200 to serve an additional 6.1 million patients by 2006.

Natural Resources and Environment

The Administration requests over $900 million for the Land and Water Conservation Fund (LWCF), of which $575 million is for grants and assistance programs. Traditionally, funds from the LWCF have been used to acquire and conserve lands in national parks, forests, refuges, and public lands, and provide grants to States for broad conservation and outdoor recreation purposes. Last year, the LWCF funded two of the President's priorities, both of which recognize that Federal acquisition is not always the best or only way to conserve land and other natural resources. These programs, which include the Landowner Incentive Grants and Private Stewardship Grants, provide new ways to cooperate with private landowners to enhance habitat for imperiled species and encourage conservation efforts on private lands.

The budget funds the Cooperative Conservation Initiative (CCI) by allocating $100 million in matching funds for natural resource conservation projects. Projects can range from working with The Nature Conservancy to removing invasive species from Channel Islands National Park, to working with local communities to reclaim abandoned mine sites. Half of these funds would be allocated through cost-shared programs between non-Federal partners and the Department of Interior's National Park Service, Fish and Wildlife Service, and Bureau of Land Management. The other half would be distributed to States as part of the LWCF State Grant program.

The Administration's focus on endangered species involves working with partners to prevent species from being on the endangered species list in the first place and to recover those already listed. The President's budget provides over $200 million in 2003 for such activities through various grant programs, including the Cooperative Endangered Species Conservation Fund, State and Tribal Wildlife Grant, Landowner Incentive Grant and Private Stewardship Grant programs. These programs emphasize working with and encouraging States and landowners to protect a variety of species and their habitat, thereby garnering matching funds and their support of these conservation efforts.

The Administration also proposes $171 million in grant funding in 2003 under the recent Brownfields authorizing legislation. This fully funds, at the authorized level of $50 million, the new grant program to establish State response programs for oversight of private clean-up activities. This also provides $121 million in grants to States, tribes and municipalities for Brownfields clean-up activities. These grants will be used to characterize and assess the contamination of properties, capitalize revolving loan funds used for clean-up, and provide job training, among other activities.

Administration of Justice

The budget increases funding for counter-terrorism and homeland security measures by reducing grants and other programs that have accomplished their mission, failed to demonstrate a clear impact on crime, or have been extensively earmarked by Congress. Despite spending billions of dollars since 1994, virtually no evidence links the Department of Justice's grant programs to the Nation's falling crime rate, and most lack verifiable measures of performance. The President's proposal continues to support flexible grant funding for State and local law enforcement by merging Byrne Grants, Local Law Enforcement Block Grants, and the Community Oriented Policing Services Hiring Grants into a new $800 million Justice Assistance Grant Program. While Department of Justice grants are reduced by a net total of $1.2 billion, this is more than offset by the budget's proposal for $3.5 billion in the Federal Emergency Management Agency assistance to improve the terrorism preparedness and crisis response capabilities of State and local first responders, including police, fire, and rescue personnel.

Transportation

Grant outlays for transportation are estimated to be $38.4 billion in 2003 to assist with transportation infrastructure and related programs, including highways, transit, airports and other areas.

Highways and Transit.—The budget requests $22.1 billion in budgetary resources in 2003 for the Federal-aid highways program to maintain and improve surface transportation infrastructure, along with improvements in the physical condition and safety of the facilities.

Under the Transportation Equity Act for the 21st Century (TEA–21), highway spending is adjusted each year according to a formula in law that reflects the most recent data on highway-related receipts. In 2000, 2001, and 2002 highway spending was increased significantly by these annual adjustments. However, for 2003 this formula will produce a reduction in the amount of new commitments of highway spending, due in large part to a previous overestimate of actual receipts in 2001. Even so, in 2003 actual spending on highway construction, including the continuation of prior-year projects, will fall less than three percent from its all-time high in 2002. Highway spending in 2003 will be 40 percent higher than in 1998, the first year of TEA–21. These infrastructure programs help reduce congestion and expand travel options. The Department of Transportation also has several programs that regulate highway and pipeline safety to reduce accidents and fatalities.

The budget requests $7.1 billion in budgetary resources in 2003 to assist State and local governments with mass transit programs.

Airports.—The budget requests $3.4 billion in budgetary resources in 2003 for the Airport Improvement Program (AIP), which will enhance the Nation's airport system through increasing safety and security, reducing system delays and providing new capacity to meet anticipated demands. Of this amount, $83 million is for the essential air service program.

Community and Regional Development

Community development.—Community Development Block Grants (CDBG) provide funds for various community development activities directed primarily at low-and moderate-income persons. This budget requests $4.7 billion in budget authority for 2003 in CDBG grants for improving housing, public works and services, promoting economic development, and acquiring or clearing land. While it favors poorer communities, the current distribution of CDBG formula funds includes many grants to higher-income cities and counties. The budget proposes a legislative change to reduce grants to the wealthiest one-percent of eligible communities. These savings allow for the funding of a $16 million initiative to improve housing and economic conditions in the Colonias, which are communities within 150 miles of the U.S.-Mexican border that lack adequate infrastructure and other basic services. In addition, the CDBG formula program grows by $95 million in 2003, giving communities an increase in their annual CDBG allocations. As 2000 Census data become available the Department of Housing and Urban Development will develop proposals for a new CDBG allocation formula and process, to allocate more to those who need these funds and will use them effectively.

The budget proposes to streamline the Department of Housing and Urban Development's efforts to promote community and economic development by eliminating two Community Planning and Development programs—the Rural Housing and Economic Development grants and Round II Empowerment Zones (EZs) grants. Since 1999, these three programs have received over $430 million. Evaluations and other performance information provide no convincing evidence that these are effective programs. The savings from eliminating these programs will be reinvested in the CDBG program.

The budget supports approaches for increasing affordable housing. There is a $100 million increase for the HOME block grant, a flexible program that localities can tailor to their particular housing needs. This program will produce about 23,000 new affordable rental units in 2003 and rehabilitate another 23,000.

Area and regional development.—The budget provides flexible funding to meet the needs of rural areas through the Rural Community Advancement Program (RCAP). RCAP provides grants, loans, and loan guarantees to stimulate economic development and help build rural community facilities such as fire stations and medical centers, and water and wastewater systems. Under RCAP, States have increased flexibility within the three funding streams for Water and Wastewater, Community Facilities, and Business and Industry. Department of Agriculture State Directors have the authority to transfer up to 25 percent of the funding among any of these programs to tailor RCAP assistance to the specific rural economic development needs of individual States. The budget proposes $2.8 billion in loans and grants for RCAP for 2003.

Other Functions

Discussions of these and other Federal aid programs can be found in the main budget volume in Section III, and elsewhere. As noted earlier, a detailed listing of budget authority and outlays for all grants to State and local governments is in Table 10–3 in this chapter.

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 10–2 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, social security, and the veterans benefits and services functions are combined in the "other functions" line in the table.

Federal grants for transportation increased to $3.0 billion, or 43 percent of all Federal grants, in 1960 after initiation of aid to States to build the Interstate Highway System in the late 1950s.

By 1970 there had been significant increases in the relative amounts for education, training, employment, social services, and health (largely Medicaid).

In the early and mid-1970s, major new grants were created for natural resources and environment (construction of sewage treatment plants), community and regional development (community development block grants), and general government (general revenue sharing).

Since the late 1970s changes in the relative amounts among functions reflect steady growth of grants for health (Medicaid) and income security. The functions with the largest amount of grants are health; income security; education, training, employment, and social services; and transportation, with combined estimated grant outlays of $344.8 billion or 92 percent of total grant outlays in 2003.

The increase in total outlays for grants overall since 1990 has been driven by increases in grants for health, which more than tripled from $43.9 billion in 1990 to an estimated $172.0 billion in 2003. The income security; education, training, employment, and social services; and transportation functions also increased substantially, but at a slower rate than the increase for health.

Section B of the Table shows the distribution of grants divided into mandatory and discretionary spending.

Funding required for grant programs classified as mandatory occurs in authorizing legislation. Funding levels for mandatory programs can only be changed by changing eligibility criteria or benefit formulas established in law and are usually not limited by the

Table 10–2. TRENDS IN FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS

(Outlays; dollar amounts in billions)

	Actual										Estimate					
	1960	1965	1970	1975	1980	1985	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007
A. Distribution of grants by function:																
Natural resources and environment	0.1	0.2	0.4	2.4	5.4	4.1	3.7	4.0	4.6	4.9	5.3	5.5	5.6	5.6	5.6	5.5
Agriculture	0.2	0.5	0.6	0.4	0.6	2.4	1.3	0.8	0.7	0.8	0.9	0.8	0.9	0.9	0.9	0.9
Transportation	3.0	4.1	4.6	5.9	13.0	17.0	19.2	25.8	32.2	36.7	38.7	38.4	35.6	34.9	35.2	36.4
Community and regional development	0.1	0.6	1.8	2.8	6.5	5.2	5.0	7.2	8.7	9.5	11.6	14.2	14.9	14.3	12.6	12.4
Education, training, employment, and social services	0.5	1.1	6.4	12.1	21.9	17.1	21.8	30.9	36.7	40.1	45.9	51.6	54.2	55.2	55.8	56.8
Health	0.2	0.6	3.8	8.8	15.8	24.5	43.9	93.6	124.8	139.3	155.6	172.0	185.2	200.6	217.9	237.7
Income security	2.6	3.5	5.8	9.4	18.5	27.9	36.8	58.4	68.7	76.1	80.0	82.8	84.4	84.9	85.7	86.0
Administration of justice	....	....	*	0.7	0.5	0.1	0.6	1.2	5.3	6.6	4.7	7.6	8.5	5.5	5.0	5.0
General government	0.2	0.2	0.5	7.1	8.6	6.8	2.3	2.3	2.1	2.4	2.6	2.2	3.4	2.2	2.3	2.2
Other	*	0.1	0.1	0.2	0.7	0.8	0.8	0.8	0.9	1.0	1.2	1.3	1.3	1.3	1.4	1.4
Total	7.0	10.9	24.1	49.8	91.4	105.9	135.3	225.0	284.7	317.2	346.5	376.4	394.0	405.4	422.6	444.4
B. Distribution of Grants by BEA Category:																
Discretionary	N/A	2.9	10.2	21.0	53.3	55.5	63.3	94.0	116.7	131.1	143.7	155.4	156.8	154.5	153.7	154.8
Mandatory	N/A	8.0	13.9	28.8	38.1	50.4	72.0	131.0	168.0	186.2	202.8	221.0	237.1	250.9	268.9	289.5
Total	7.0	10.9	24.1	49.8	91.4	105.9	135.3	225.0	284.7	317.2	346.5	376.4	394.0	405.4	422.6	444.4
C. Composition:																
Current dollars:																
Payments for individuals [1]	2.5	3.7	8.7	16.8	32.6	50.1	77.3	144.4	182.6	203.9	223.2	242.1	256.6	272.9	291.6	313.3
Physical capital [1]	3.3	5.0	7.1	10.9	22.6	24.9	27.2	39.6	48.7	53.4	56.8	57.2	55.5	53.7	54.0	54.2
Other grants	1.2	2.2	8.3	22.2	36.2	30.9	30.9	41.0	53.4	59.9	66.5	77.2	81.8	78.8	77.0	76.8
Total.	7.0	10.9	24.1	49.8	91.4	105.9	135.3	225.0	284.7	317.2	346.5	376.4	394.0	405.4	422.6	444.4
Percentage of total grants:																
Payments for individuals [1]	35.3%	34.1%	36.2%	33.6%	35.7%	47.3%	57.1%	64.2%	64.1%	64.3%	64.4%	64.3%	65.1%	67.3%	69.0%	70.5%
Physical capital [1]	47.3%	45.7%	29.3%	21.9%	24.7%	23.5%	20.1%	17.6%	17.1%	16.8%	16.4%	15.2%	14.1%	13.3%	12.8%	12.2%
Other grants	17.4%	20.2%	34.5%	44.5%	39.6%	29.2%	22.8%	18.2%	18.8%	18.9%	19.2%	20.5%	20.8%	19.4%	18.2%	17.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Constant (FY 1996) dollars:																
Payments for individuals [1]	11.3	15.9	31.7	45.4	60.2	70.7	90.8	147.4	169.9	185.7	199.8	211.9	219.6	228.2	238.2	249.9
Physical capital [1]	15.8	22.4	25.2	23.9	36.1	31.8	30.3	40.4	45.4	48.6	50.6	49.7	47.1	44.5	43.6	42.7
Other grants	8.3	12.8	36.1	67.2	72.2	44.5	36.8	42.0	46.8	51.0	55.3	62.7	64.9	60.9	58.0	56.5
Total	35.3	51.2	92.9	136.5	168.5	147.0	157.9	229.8	262.2	285.3	305.8	324.3	331.6	333.7	339.8	349.1
D. Total grants as a percent of:																
Federal outlays:																
Total	7.6%	9.2%	12.3%	15.0%	15.5%	11.2%	10.8%	14.8%	15.9%	17.0%	16.9%	17.7%	18.0%	17.8%	17.8%	18.0%
Domestic programs [2]	18.0%	18.3%	23.2%	21.7%	22.2%	18.2%	17.1%	21.6%	22.0%	22.9%	22.2%	23.2%	23.4%	23.2%	23.1%	23.2%
State and local expenditures	19.2%	20.1%	24.1%	27.1%	30.4%	24.2%	21.0%	25.1%	24.4%	25.2%	N/A	N/A	N/A	N/A	N/A	N/A
Gross domestic product	1.4%	1.6%	2.4%	3.2%	3.3%	2.6%	2.4%	3.1%	2.9%	3.1%	3.3%	3.4%	3.4%	3.3%	3.3%	3.3%
E. As a share of total State and local gross investments:																
Federal capital grants	24.6%	25.5%	25.4%	25.9%	35.4%	30.2%	21.9%	25.8%	22.1%	23.0%	N/A	N/A	N/A	N/A	N/A	N/A
State and local own-source financing	75.4%	74.5%	74.6%	74.1%	64.6%	69.8%	78.1%	74.2%	77.9%	77.0%	N/A	N/A	N/A	N/A	N/A	N/A
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	N/A	N/A	N/A	N/A	N/A	N/A

N/A = Not available.

* 50 million 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.

annual appropriations process. Outlays for mandatory grant programs are estimated to be $221.0 billion in 2003. The three largest mandatory grant programs are Medicaid, with estimated outlays of $160.1 billion in 2003, Temporary Assistance for Needy Families, $19.4 billion in 2003, and Food Stamp grants for State administration and child nutrition programs, with combined outlays of $14.6 billion in 2003.

The funding level for discretionary grant programs is determined annually through appropriations acts. Outlays for discretionary grant programs are estimated to be $155.4 billion in 2003. Table 10–3 at the end of this chapter identifies discretionary and mandatory grant programs separately. For more information on the Budget Enforcement Act and these categories, see

Chapter 25 "Budget System and Concepts and Glossary" in this volume.

Section C of Table 10–2 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 57.1 percent of the total in 1990 to 64.3 percent of the total in 2001. While payments for individuals will comprise the same percent of grants in 2003 as 2001, they are estimated to increase to an estimated 70.5 percent of the total by 2007.

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. Temporary Assistance for Needy Families, Food Stamps administration, child nutrition programs, and housing assistance are also large grants in this category.

Grants for physical capital assist States and localities with construction and other physical capital activities. The major capital grants are for highways, but there are also grants for airports, mass transit, sewage treatment plant construction, community development, and other facilities. Grants for physical capital were almost half of total grants in 1960, shortly after grants began for construction of the Interstate Highway System. The relative share of these outlays has declined, as payments for individuals have grown. In 2003, grants for physical capital are estimated to be 15.2 percent of total grants.

The other grants are primarily for education, training, employment, and social services. These grants increased to 44.5 percent of total grants by 1975, and are projected to be 20.5 percent of total grants in 2003.

Section C of Table 10–2 also shows these three categories in constant dollars. In constant 1996 dollars, total grants increase from $157.9 billion in 1990 to an estimated $324.3 billion in 2003, an average increase of 5.7 percent per year. During this same period, grants for payments to individuals are estimated to increase an average of 6.7 percent per year; grants for physical capital an average of 3.9 percent per year, and other grants an average of 4.2 percent per year.

In contrast to these increases, outlays for total grants in constant 1996 dollars decreased during the 1980s, from $168.5 billion in 1980 to $157.9 billion in 1990.

Section D of this table shows grants as a percentage of Federal outlays, State and local expenditures, and gross domestic product. Grants have increased as a percentage of total Federal outlays from 10.8 percent in 1990 to an estimated 17.7 percent in 2003. Grants as a percentage of domestic spending are estimated to be 23.2 percent in 2003.

As a percentage of total State and local expenditures, grants have increased from 21.0 percent in 1990 to 25.2 percent in 2001.

Section E shows the relative contribution of physical capital grants in assisting States and localities with gross investment. After a slight increase to 25.8 percent in 1995, Federal capital grants have declined to 23.0 percent of State and local gross investment in 2001.

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 7, "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, provide information on how to apply for Federal aid, or display information about audits.

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 17, "National Income and Product Accounts."

The *Budget Information for States* (BIS) report 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

[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.

and local governments. The document is prepared by the Office of Management and Budget soon after the budget is released.

Federal Aid to States, a report prepared by the Bureau of the Census, shows Federal spending by State for grants 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 prepared by the Bureau of the Census.

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 prepared 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.

The Federal Audit Clearinghouse maintains an online database *(http://harvester.census.gov/sac)* that provides access to summary information about audits conducted under OMB Circular A–133, "Audits to States, Local Governments, and Non-Profit Organizations." Information is available for each audited entity, including the amount of Federal money expended by program and whether there were audit findings.

DETAILED FEDERAL AID TABLE

Table 10–3, "Federal Grants to State and Local Governments-Budget Authority and Outlays," provides detailed budget authority and outlay data for grants. This table displays discretionary and mandatory grant programs separately.

Table 10–3. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS

(in millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2001 Actual	2002 Estimate	2003 Estimate	2001 Actual	2002 Estimate	2003 Estimate
NATIONAL DEFENSE						
Discretionary:						
Federal Emergency Management Agency:						
Emergency management planning and assistance	47	91	71	47	91	71
Total, discretionary	**47**	**91**	**71**	**47**	**91**	**71**
Total, national defense	**47**	**91**	**71**	**47**	**91**	**71**
ENERGY						
Discretionary:						
Department of Energy:						
Energy Programs:						
Energy conservation	195	275	361	177	250	350
Total, discretionary	**195**	**275**	**361**	**177**	**250**	**350**
Mandatory:						
Tennessee Valley Authority:						
Tennessee Valley Authority fund	315	329	338	315	329	338
Total, mandatory	**315**	**329**	**338**	**315**	**329**	**338**
Total, energy	**510**	**604**	**699**	**492**	**579**	**688**
NATURAL RESOURCES AND ENVIRONMENT						
Discretionary:						
Department of Agriculture:						
Natural Resources Conservation Service:						
Watershed rehabilitation program	....	2	....	....	1	....
Resource conservation and development	....	....	....	1	1	....
Emergency watershed protection	82	34	41	66	64	75
Forest Service:						
State and private forestry	236	221	133	131	215	160
Management of national forest lands for subsistence uses	6	5	5	6	5	5
Department of Commerce:						
National Oceanic and Atmospheric Administration:						
Operations, research, and facilities	5	5	5	3	3	3
Pacific coastal salmon recovery	110	157	110	35	290	110
Department of the Interior:						
Office of Surface Mining Reclamation and Enforcement:						
Regulation and technology	51	57	52	51	57	56
Abandoned mine reclamation fund	196	185	157	146	117	116
Bureau of Reclamation:						
Bureau of Reclamation loan subsidy	12	7	....	13	12	3
United States Fish and Wildlife Service:						
Commercial salmon fishery capacity reduction	....	....	....	....	5	....
State and tribal wildlife grants	50	60	60	....	20	38
Federal aid in wildlife restoration	50	....	....	50	....	....
Cooperative endangered species conservation fund	105	96	91	20	63	100
Wildlife conservation and appreciation fund	1	....	....	1	....	....
Stewardship grants	....	10	10	....	2	5
Landowner incentive program	....	40	50	....	6	16
Miscellaneous permanent appropriations	3	3	3	2	3	2
National Park Service:						
Urban park and recreation fund	30	30	....	1	8	21
National recreation and preservation	1	1	....	1	1	....
Land acquisition and State assistance	90	144	200	10	23	55
Historic preservation fund	94	74	67	55	127	89
Environmental Protection Agency:						
State and tribal assistance grants [1]	3,671	3,738	3,464	3,548	3,466	3,737
Hazardous substance superfund	171	171	175	141	170	170
Leaking underground storage tank trust fund	64	63	62	61	65	71
Total, discretionary [1]	**5,028**	**5,103**	**4,685**	**4,342**	**4,724**	**4,832**

Table 10–3. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(in millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2001 Actual	2002 Estimate	2003 Estimate	2001 Actual	2002 Estimate	2003 Estimate
Mandatory:						
Department of the Interior:						
Bureau of Land Management:						
Miscellaneous permanent payment accounts	7	15	27	7	15	26
Minerals Management Service:						
National forests fund, Payment to States	4	3	3	4	3	3
Leases of lands acquired for flood control, navigation, and allied purposes	2	1	1	2	1	1
United States Fish and Wildlife Service:						
Federal aid in wildlife restoration	289	213	226	223	232	276
Sport fish restoration	301	357	338	291	311	331
Departmental Management:						
Everglades watershed protection	....	....	....	6	6	6
Everglades restoration account	2	....	....	2	3	1
Department of the Treasury:						
Financial Management Service:						
Payment to terrestrial wildlife habitat restoration trust fund	5	5	5	5	5	5
Total, mandatory	**610**	**594**	**600**	**540**	**576**	**649**
Total, natural resources and environment [1]	**5,638**	**5,697**	**5,285**	**4,882**	**5,300**	**5,481**
AGRICULTURE						
Discretionary:						
Department of Agriculture:						
Departmental Administration:						
Outreach for socially disadvantaged farmers	3	3	3	2	3	3
Cooperative State Research, Education, and Extension Service:						
Extension activities	454	465	448	449	502	455
Research and education activities	246	252	242	232	246	247
Integrated activities	19	15	15	3	11	14
Agricultural Marketing Service:						
Payments to States and possessions	1	1	1	1	1	1
Farm Service Agency:						
State mediation grants	3	3	3	2	2	3
Total, discretionary	**726**	**739**	**712**	**689**	**765**	**723**
Mandatory:						
Department of Agriculture:						
Office of the Secretary:						
Fund for rural America	10	....	....	11	4	11
Farm Service Agency:						
Commodity Credit Corporation fund	56	117	107	56	117	107
Total, mandatory	**66**	**117**	**107**	**67**	**121**	**118**
Total, agriculture	**792**	**856**	**819**	**756**	**886**	**841**
COMMERCE AND HOUSING CREDIT						
Mandatory:						
Department of Commerce:						
National Oceanic and Atmospheric Administration:						
Promote and develop fishery products and research pertaining to American fisheries	5	11	4	6	11	8
Total, mandatory	**5**	**11**	**4**	**6**	**11**	**8**
Total, commerce and housing credit	**5**	**11**	**4**	**6**	**11**	**8**
TRANSPORTATION						
Discretionary:						
Department of Transportation:						
Coast Guard:						
Boat safety	....	....	....	1	....	....
Federal Aviation Administration:						
Grants-in-aid for airports (Airport and airway trust fund) [1]	3	3	4	2,020	2,801	3,273

Table 10–3. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(in millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2001 Actual	2002 Estimate	2003 Estimate	2001 Actual	2002 Estimate	2003 Estimate
Federal Highway Administration:						
State infrastructure banks		–6		3	7	5
Appalachian development highway system		200		83	92	106
Highway-related safety grants					1	
Appalachian development highway system (Highway trust fund)	254			9	111	67
Federal-aid highways [1]	23	24	24	27,098	28,040	27,297
Miscellaneous appropriations	605	148		58	408	257
Miscellaneous highway trust funds	1,210	100		71	306	309
Federal Motor Carrier Safety Administration:						
National motor carrier safety program	160	191	173	110	180	183
Motor carrier safety		5	10		4	9
Border enforcement program			18			16
National Highway Traffic Safety Administration:						
Highway traffic safety grants	202	212	214	196	218	222
Federal Railroad Administration:						
Emergency railroad rehabilitation and repair				4		
Local rail freight assistance				1	1	
Alaska railroad rehabilitation	30	20		28	25	37
Railroad research and development	3	4	2	2	2	3
Conrail commuter transition assistance				2	1	
Federal Transit Administration:						
Research, training, and human resources				1	1	1
Job access and reverse commute grants	100	125	150	39	67	95
Interstate transfer grants-transit				3	3	2
Washington Metropolitan Area Transit Authority				116	54	36
Formula grants [1]	4,517	3,565	3,839	4,078	3,713	3,535
Capital investment grants [1]	2,695	2,991	3,036	1,902	1,771	2,366
Transit planning and research	156	101	105	102	132	139
Discretionary grants (Highway trust fund, mass transit account)				722	714	386
Research and Special Programs Administration:						
Pipeline safety	22	19	19	14	19	19
Total, discretionary [1]	**9,980**	**7,702**	**7,594**	**36,663**	**38,671**	**38,363**
Mandatory:						
Department of Transportation:						
Federal Aviation Administration:						
Grants-in-aid for airports (Airport and airway trust fund) [1]	2,594	3,173	3,400			
Federal Highway Administration:						
Federal-aid highways [1]	32,632	34,822	30,855			
Research and Special Programs Administration:						
Emergency preparedness grants	17	13	13	10	15	13
Total, mandatory [1]	**35,243**	**38,008**	**34,268**	**10**	**15**	**13**
Total, transportation [1]	**45,223**	**45,710**	**41,862**	**36,673**	**38,686**	**38,376**
COMMUNITY AND REGIONAL DEVELOPMENT						
Discretionary:						
Department of Agriculture:						
Rural Development:						
Rural community advancement program	1,090	710	696	803	684	673
Rural Utilities Service:						
Distance learning and telemedicine program	27	49	31	10	16	27
Rural Business—Cooperative Service:						
Rural cooperative development grants	33	8	9	3	26	14
Forest Service:						
Southeast Alaska economic disaster fund	5			7	7	1
Department of Commerce:						
Economic Development Administration:						
Economic development assistance programs	443	353	335	356	479	450
Department of Housing and Urban Development:						
Public and Indian Housing Programs:						
Moving to work				3	3	
Community Planning and Development:						
Community development block grants [1]	5,112	7,000	4,732	4,939	5,235	5,878

Table 10–3. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(in millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2001 Actual	2002 Estimate	2003 Estimate	2001 Actual	2002 Estimate	2003 Estimate
Urban development action grants	....	....	....	1	10	10
Community development loan guarantees subsidy	30	15	7	7	11	15
Brownfields redevelopment	25	25	25	4	26	31
Empowerment zones/enterprise communities	185	45	....	31	89	104
Office of Lead Hazard Control and Healthy Homes:						
Lead hazard reduction	100	110	126	86	95	101
Department of the Interior:						
Bureau of Indian Affairs:						
Operation of Indian programs	149	153	149	125	146	149
Indian guaranteed loan subsidy	5	6	5	4	6	5
Federal Emergency Management Agency:						
Emergency management planning and assistance [1]	267	499	3,629	217	380	1,904
Disaster relief [1]	3,055	5,498	1,546	2,734	4,122	4,567
National pre-disaster mitigation fund	....	....	300	....	....	75
Disaster assistance for unmet needs	....	....	....	46	54	19
National flood mitigation fund	20	20	20	13	21	23
Appalachian Regional Commission	70	64	59	86	105	87
Delta Regional Authority	19	9	9	....	1	9
Denali Commission	55	91	30	11	90	76
Total, discretionary [1]	**10,690**	**14,655**	**11,708**	**9,486**	**11,606**	**14,218**
Mandatory:						
Department of the Interior:						
Bureau of Indian Affairs:						
Indian direct loan subsidy	....	4	....	1	4	....
Total, mandatory	....	**4**	....	**1**	**4**	....
Total, community and regional development [1]	**10,690**	**14,659**	**11,708**	**9,487**	**11,610**	**14,218**
EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES						
Discretionary:						
Department of Commerce:						
National Telecommunications and Information Administration:						
Public telecommunications facilities, planning and construction	30	29	32	15	27	33
Information infrastructure grants	22	6	....	9	20	20
Department of Education:						
Office of Elementary and Secondary Education:						
Reading excellence	277	195	....	124	263	258
Indian education	113	117	117	76	110	116
Impact aid	987	1,136	1,133	1,021	1,146	1,116
Chicago litigation settlement	....	....	....	1	1	....
Education reform	611	....	....	987	888	241
Education for the disadvantaged	9,102	11,650	13,325	8,619	9,353	11,783
School improvement programs [1]	4,432	6,959	6,501	2,721	4,269	5,992
Office of English Language Acquisition:						
English language acquisition	353	622	622	344	477	570
Office of Special Education and Rehabilitative Services:						
Special education	5,817	8,371	9,391	5,552	6,625	7,895
Rehabilitation services and disability research	137	181	207	118	236	198
American Printing House for the Blind	12	14	14	11	19	14
Office of Vocational and Adult Education:						
Vocational and adult education	1,777	1,893	1,863	1,651	1,756	1,843
Office of Postsecondary Education:						
Higher education	377	365	365	300	443	374
Office of Student Financial Assistance:						
Student financial assistance	55	67	....	43	63	54
Office of Educational Research and Improvement:						
Education research, statistics, and assessment	150	....	....	86	216	40
Department of Health and Human Services:						
Administration for Children and Families:						
Promoting safe and stable families	3	68	223	3	17	88
Children and families services programs	7,607	8,080	8,130	6,614	7,403	7,967
Administration on Aging:						
Aging services programs	1,104	1,201	1,342	949	1,137	1,295

Table 10–3. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(in millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2001 Actual	2002 Estimate	2003 Estimate	2001 Actual	2002 Estimate	2003 Estimate
Department of the Interior:						
Bureau of Indian Affairs:						
Operation of Indian programs	243	271	251	230	270	251
Department of Labor:						
Employment and Training Administration:						
Training and employment services [1]	4,090	3,827	3,399	3,132	4,025	4,201
Community service employment for older Americans	97	101	97	102	99	100
State unemployment insurance and employment service operations [1]	193	167	156	119	201	217
Unemployment trust fund	1,049	1,052	874	1,100	896	890
Corporation for National and Community Service:						
Domestic volunteer service programs, operating expenses	74	81	100	70	81	92
National and community service programs, operating expenses	242	213	339	239	228	275
Corporation for Public Broadcasting	360	375	390	360	375	390
District of Columbia:						
District of Columbia General and Special Payments:						
Federal payment for resident tuition support	17	17	17	17	17	17
Institute of American Indian and Alaska Native Culture and Arts:						
Payment to the institute	....	....	1	....	....	1
National Endowment for the Arts:						
National Endowment for the Arts: grants and administration	34	34	34	32	38	36
Challenge America arts fund	3	7	7	1	6	7
Institute of Museum and Library Services:						
Office of Museum Services: grants and administration	23	24	25	22	33	33
Office of Library Services: grants and administration	203	193	175	167	226	226
Total, discretionary [1]	**39,594**	**47,316**	**49,130**	**34,835**	**40,964**	**46,633**
Mandatory:						
Department of Education:						
Office of Special Education and Rehabilitative Services:						
Rehabilitation services and disability research	2,400	2,482	2,533	2,389	2,258	2,515
Department of Health and Human Services:						
Administration for Children and Families:						
Job opportunities and basic skills training program	....	....	....	4	4	3
Promoting safe and stable families	300	305	305	258	281	284
Social services block grant	1,725	1,700	1,700	1,852	1,803	1,793
Department of Labor:						
Employment and Training Administration:						
Training and employment services	....	....	–138	....	....	–4
Welfare to work jobs	....	....	....	659	491	120
State unemployment insurance and employment service operations	....	....	138	....	....	84
Federal unemployment benefits and allowances	132	132	132	141	131	132
Total, mandatory	**4,557**	**4,619**	**4,670**	**5,303**	**4,968**	**4,927**
Total, education, training, employment, and social services [1]	**44,151**	**51,935**	**53,800**	**40,138**	**45,932**	**51,560**
HEALTH						
Discretionary:						
Department of Agriculture:						
Food Safety and Inspection Service:						
Salaries and expenses	47	43	43	43	43	43
Department of Health and Human Services:						
Food and Drug Administration:						
Salaries and expenses	1	1	1	1	1	1
Health Resources and Services Administration:						
Health resources and services	2,218	2,538	2,499	1,820	2,283	2,492
Centers for Disease Control and Prevention:						
Disease control, research, and training [1]	2,536	2,660	2,496	2,106	2,356	2,745
Substance Abuse and Mental Health Services Administration:						
Substance abuse and mental health services	2,156	2,289	2,307	2,098	2,229	2,234
Department of Labor:						
Occupational Safety and Health Administration:						
Salaries and expenses	88	90	90	88	90	90
Mine Safety and Health Administration:						
Salaries and expenses	8	8	8	8	8	8

Table 10–3. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(in millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2001 Actual	2002 Estimate	2003 Estimate	2001 Actual	2002 Estimate	2003 Estimate
Total, discretionary [1]	**7,054**	**7,629**	**7,444**	**6,164**	**7,010**	**7,613**
Mandatory:						
Department of Health and Human Services:						
Centers for Medicare and Medicaid Services:						
Grants to States for medicaid	129,504	144,816	160,070	129,434	144,926	160,070
State children's health insurance fund	6,283	3,115	3,175	3,699	3,689	4,322
State grants and demonstrations	62	67	72	2	18	30
Total, mandatory	**135,849**	**147,998**	**163,317**	**133,135**	**148,633**	**164,422**
Total, health [1]	**142,903**	**155,627**	**170,761**	**139,299**	**155,643**	**172,035**
INCOME SECURITY						
Discretionary:						
Department of Agriculture:						
Food and Nutrition Service:						
Food donations programs	151	151	1	134	150	45
Commodity assistance program	140	150	145	136	159	147
Special supplemental nutrition program for women, infants, and children (WIC) [1]	4,044	4,387	4,751	4,085	4,426	4,727
Child nutrition programs	13	7	7	7	5	5
Department of Health and Human Services:						
Administration for Children and Families:						
Low income home energy assistance	2,000	2,000	1,700	2,161	1,830	1,692
Refugee and entrant assistance	324	353	344	345	351	385
Payments to States for the child care and development block grant	1,993	2,093	2,093	1,369	1,910	2,055
Payments to States for foster care and adoption assistance	....	....	60	....	....	9
Department of Housing and Urban Development:						
Public and Indian Housing Programs:						
Public housing operating fund	3,235	3,495	3,530	3,137	3,385	3,458
Drug elimination grants for low-income housing	309	–11	....	309	312	247
Revitalization of severely distressed public housing (HOPE VI)	574	574	574	487	552	608
Native Hawaiian Housing Block Grant	....	....	10	....	....	1
Public housing capital fund	2,993	2,843	2,426	3,550	3,656	3,553
Native American housing block grant	649	649	647	684	711	740
Housing certificate fund	8,798	10,618	12,156	9,530	10,130	10,453
Community Planning and Development:						
Homeless assistance grants	1,023	1,123	1,130	965	1,062	1,199
Home investment partnership program	1,796	1,846	2,084	1,424	1,551	1,600
Youthbuild program	....	....	....	....	1	....
Emergency food and shelter program	....	....	153	....	....	153
Housing opportunities for persons with AIDS	257	277	292	241	250	260
Rural housing and economic development	25	25	....	17	25	25
Housing Programs:						
Homeownership and opportunity for people everywhere grants (HOPE grants)	–3	....	....	21	25	1
Housing for special populations	994	1,024	1,024	774	847	885
Department of Labor:						
Employment and Training Administration:						
State unemployment insurance and employment service operations	4	4	....	....	8	....
Unemployment trust fund	2,439	2,793	2,734	2,364	2,793	2,734
Federal Emergency Management Agency:						
Emergency food and shelter program	140	140	....	140	140	....
Total, discretionary [1]	**31,898**	**34,541**	**35,861**	**31,880**	**34,279**	**34,982**
Mandatory:						
Department of Agriculture:						
Agricultural Marketing Service:						
Funds for strengthening markets, income, and supply (section 32)	717	888	640	776	696	640
Food and Nutrition Service:						
Food stamp program	3,874	3,899	3,698	3,664	3,833	3,900
Child nutrition programs	9,466	9,932	10,407	9,409	10,167	10,665
Department of Health and Human Services:						
Administration for Children and Families:						
Payments to States for child support enforcement and family support programs	3,517	3,908	3,978	3,706	4,018	4,074
Contingency fund	....	....	2,000	....	....	45

Table 10–3. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(in millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2001 Actual	2002 Estimate	2003 Estimate	2001 Actual	2002 Estimate	2003 Estimate
Payments to States for foster care and adoption assistance	6,401	6,622	6,609	5,710	6,098	6,422
Child care entitlement to States	2,565	2,710	2,710	2,336	2,529	2,730
Temporary assistance for needy families	16,689	16,689	17,008	18,583	18,334	19,354
Total, mandatory	**43,229**	**44,648**	**47,050**	**44,184**	**45,675**	**47,830**
Total, income security [1]	**75,127**	**79,189**	**82,911**	**76,064**	**79,954**	**82,812**
SOCIAL SECURITY						
Discretionary:						
Social Security Administration:						
Federal disability insurance trust fund	4	14	16	....	11	15
Total, discretionary	**4**	**14**	**16**	....	**11**	**15**
Total, social security	**4**	**14**	**16**	....	**11**	**15**
VETERANS BENEFITS AND SERVICES						
Discretionary:						
Department of Veterans Affairs:						
Veterans Health Administration:						
Medical care	328	367	406	328	367	406
Construction:						
Grants for construction of State extended care facilities	100	100	100	60	91	95
Grants for the construction of State veterans cemeteries	25	25	32	17	21	25
Total, discretionary	**453**	**492**	**538**	**405**	**479**	**526**
Total, veterans benefits and services	**453**	**492**	**538**	**405**	**479**	**526**
ADMINISTRATION OF JUSTICE						
Discretionary:						
Department of Health and Human Services:						
Administration for Children and Families:						
Violent crime reduction programs	....	....	....	84	25	4
Department of Housing and Urban Development:						
Fair Housing and Equal Opportunity:						
Fair housing activities	46	46	46	39	37	46
Department of Justice:						
Office of Justice Programs:						
Justice assistance [1]	580	1,025	443	290	643	1,041
State and local law enforcement assistance [1]	2,907	2,636	1,537	585	1,706	3,906
Juvenile justice programs	300	318	263	263	230	423
Community oriented policing services	1,040	1,051	1,382	1,356	1,057	1,015
Violent crime reduction programs, State and local law enforcement assistance	....	....	....	3,092	....	....
Executive Office of the President:						
Emergency response fund (primarily mass transit) [1]	710	....	....	....	....	....
Equal Employment Opportunity Commission:						
Salaries and expenses	30	30	30	30	30	30
Federal Drug Control Programs:						
High-intensity drug trafficking areas program [1]	171	226	206	136	182	218
State Justice Institute:						
State Justice Institute: salaries and expenses	7	3	....	7	2	....
Total, discretionary [1]	**5,791**	**5,335**	**3,907**	**5,882**	**3,912**	**6,683**
Mandatory:						
Department of Justice:						
Legal Activities and U.S. Marshals:						
Assets forfeiture fund	228	203	215	200	214	190
Office of Justice Programs:						
Crime victims fund	484	558	592	437	450	668
Department of the Treasury:						
Departmental Offices:						
Treasury forfeiture fund	94	88	88	94	88	88

Table 10–3. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(in millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2001 Actual	2002 Estimate	2003 Estimate	2001 Actual	2002 Estimate	2003 Estimate
Total, mandatory	**806**	**849**	**895**	**731**	**752**	**946**
Total, administration of justice [1]	**6,597**	**6,184**	**4,802**	**6,613**	**4,664**	**7,629**
GENERAL GOVERNMENT						
Discretionary:						
Department of the Interior:						
Bureau of Land Management:						
Payments in lieu of taxes	199	210	165	197	210	165
Insular Affairs:						
Trust Territory of the Pacific Islands	....	....	....	1	2	2
Department of Labor:						
Employment and Training Administration:						
Workers compensation programs	....	175	....	....	140	35
Department of the Treasury:						
Internal Revenue Service:						
Processing, assistance, and management	10	11	11	10	11	11
District of Columbia:						
District of Columbia Courts:						
Federal payment to the District of Columbia courts	105	112	159	95	112	154
Defender services in District of Columbia courts	34	34	32	28	34	32
Crime victims compensation fund	18	....	....	....	18	....
Federal payment for family court act	....	24	....	....	21	3
District of Columbia Corrections:						
Payment to the District of Columbia corrections trustee, operations	134	30	....	144	69	....
District of Columbia General and Special Payments:						
Federal support for economic development and management reforms in the District	49	31	1	22	56	1
Federal payment for emergency planning and security cost in the District of Columbia [1]	....	216	15	....	216	15
Total, discretionary [1]	**549**	**843**	**383**	**497**	**889**	**418**
Mandatory:						
Department of Agriculture:						
Forest Service:						
Forest Service permanent appropriations	322	393	398	200	393	398
Department of Energy:						
Energy Programs:						
Payments to States under Federal Power Act	3	3	3	3	3	3
Department of the Interior:						
Bureau of Land Management:						
Miscellaneous permanent payment accounts	13	114	115	9	108	115
Minerals Management Service:						
Mineral leasing and associated payments	1,045	666	670	1,045	666	670
United States Fish and Wildlife Service:						
National wildlife refuge fund	17	21	21	18	21	21
Insular Affairs:						
Assistance to territories	78	79	70	87	71	78
Payments to the United States territories, fiscal assistance	106	106	106	105	106	106
Department of the Treasury:						
Bureau of Alcohol, Tobacco and Firearms:						
Internal revenue collections for Puerto Rico	334	246	235	334	246	235
United States Customs Service:						
Refunds, transfers, and expenses of operation, Puerto Rico	90	105	107	90	105	107
Corps of Engineers—Civil Works:						
Permanent appropriations	....	8	8	....	8	8
Total, mandatory	**2,008**	**1,741**	**1,733**	**1,891**	**1,727**	**1,741**
Total, general government [1]	**2,557**	**2,584**	**2,116**	**2,388**	**2,616**	**2,159**
Total, Grants	**334,697**	**363,653**	**375,392**	**317,250**	**346,462**	**376,419**
Discretionary	112,009	124,735	122,410	131,067	143,651	155,427
Mandatory	222,688	238,918	252,982	186,183	202,811	220,992

[1] Includes funding for the Emergency Response Fund enacted in response to the events of September 11, 2001. For additional information on this funding, see the 2003 *Budget* volume.

11. FEDERAL EMPLOYMENT AND COMPENSATION

This section provides information on civilian and military employment, and personnel compensation and benefits in the Executive, Legislative, and Judicial branches. A comparison of Federal employment levels, State and local government employment, and the United States population appears in the Historical Tables.

Measuring Federal Civilian Employment

Civilian employment 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.

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 11–1 provides Executive Branch FTE totals from 1999 through 2003. Table 11–2 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 11–3 shows total Federal employment as measured on an FTE basis. Due to the terrorist attacks of September 11 2001, Federal employment levels are estimated to increase by over 68,000 FTEs by 2003. The largest increase (over 40,000 FTEs) is in the Department of Transportation and is primarily the result of converting commercial airline security personnel to Federal employees.

Personnel Compensation and Benefits

Table 11–4 displays personnel compensation and benefits (in millions of dollars) for all branches of Government, as well as for military personnel.

Direct compensation of the Federal work force includes base pay and premium pay, such as overtime. In addition, it includes other cash components, such as geographic pay differentials (i.e., locality pay, and special pay adjustments for law enforcement officers), recruitment and relocation bonuses, retention allowances, performance awards, and cost-of-living and overseas allowances. In the case of military personnel, compensation includes basic pay, special and incentive pays (including enlistment and reenlistment bonuses), and allowances for clothing, housing, and subsistence.

Related compensation in the form of personnel benefits for current employees consists of the cost to Government agencies (as an employer) primarily for health insurance, life insurance, Social Security (old age, survivors, disability, and health insurance) and contributions to the retirement funds to finance future retirement benefits. Compensation for former personnel includes outlays for retirement pay benefits, and the Government's share of the cost of health and life insurance.

In addition, the Administration proposed legislation to require agencies, beginning in FY 2003, to pay the full Government share of the accruing cost of retirement for current CSRS, CIA and Foreign Service employees, and the Cost Guard, Public Health Service and NOAA Commissioned Corps. The legislation also requires agencies to pay the full accruing cost of post-retirement health benefits for current civilian employees who are enrolled in the Federal Employees Health Benefits Program and the post-retirement health costs of Medicare eligible retirees (and their dependents/survivors) of the Uniformed Services (DoD, Coast Guard, Public Health Service, and NOAA Commissioned Corps).

Table 11–1. FEDERAL EMPLOYMENT IN THE EXECUTIVE BRANCH

(Civilian employment as measured by Full-Time Equivalents, in thousands)

Agency	Actual			Estimate		Change: 1999 to 2003	
	1999	2000	2001	2002	2003	FTE's	Percent [1]
Cabinet agencies:							
Agriculture	95.5	95.1	96.9	99.0	98.8	3.3	3.4%
Commerce	47.3	113.3	36.7	36.9	40.0	–7.3	–15.4%
Defense-military functions	681.0	660.3	649.9	634.7	627.4	–53.6	–7.9%
Education	4.5	4.6	4.6	4.7	4.6	0.1	1.8%
Energy	15.9	15.6	15.6	16.9	16.4	0.5	3.1%
Health and Human Services	58.9	60.5	61.8	65.1	65.7	6.7	11.4%
Housing and Urban Development	10.0	10.1	10.1	10.3	10.3	0.3	3.4%
Interior	67.0	67.3	68.7	69.7	68.8	1.8	2.7%
Justice	121.3	122.8	124.2	135.8	141.5	20.2	16.7
Labor	16.3	16.3	16.5	17.4	17.2	0.9	5.3%
State	26.9	27.3	27.7	29.0	29.8	2.9	10.6%
Transportation	63.7	63.0	63.4	81.9	107.5	43.8	68.7%
Treasury	143.7	143.7	145.0	150.5	152.2	8.6	6.0%
Veterans Affairs	205.5	202.6	206.9	207.0	207.9	2.4	1.2%
Other agencies—excluding Postal Service:							
Agency for International Development	2.5	2.4	2.3	2.4	2.4	–0.1	–4.1%
Broadcasting Board of Governors	2.4	2.4	2.4	2.5	2.5	0.1	4.5%
Corps of Engineers—Civil Works	24.7	24.8	24.7	24.8	23.2	–1.6	–6.4%
Environmental Protection Agency	18.1	17.7	17.5	17.6	17.6	–0.5	–2.6%
EEOC	2.6	2.9	2.7	2.9	2.8	0.2	8.0%
FEMA	5.2	4.6	4.9	5.0	5.1	–0.1	–1.6%
FDIC/RTC	7.4	7.1	6.4	6.6	6.3	–1.1	–14.8%
General Services Administration	14.1	14.0	14.0	14.2	14.1	0.1	0.6%
NASA	18.5	18.4	18.7	19.0	19.1	0.6	3.1%
National Archives and Records Admin.	2.4	2.5	2.6	2.8	2.8	0.4	16.0%
National Labor Relations Board	1.8	1.9	2.0	2.0	2.0	0.1	7.1%
National Science Foundation	1.2	1.2	1.2	1.2	1.3	0.1	7.1%
Nuclear Regulatory Commission	2.8	2.8	2.8	2.9	2.9	0.1	1.9%
Office of Personnel Management	2.8	2.8	2.8	3.0	2.9	0.2	6.4%
Peace Corps	1.1	1.0	1.0	1.2	1.2	0.2	17.8%
Railroad Retirement Board	1.3	1.2	1.2	1.2	1.1	–0.2	–12.6%
Securities and Exchange Commission	2.8	2.8	2.9	3.0	3.0	0.2	7.9%
Small Business Administration	4.7	4.3	4.1	4.6	4.5	–0.2	–4.1%
Smithsonian Institution	5.1	5.0	4.9	5.5	5.6	0.5	10.3%
Social Security Administration	63.0	62.4	62.7	63.5	63.5	0.5	0.8%
Tennessee Valley Authority	13.5	13.2	13.2	13.1	13.2	–0.3	–2.0%
All other small agencies	23.1	16.4	14.7	15.8	15.9	2.1	15.1%
Total, Executive Branch civilian employment [1]	**1,778.4**	**1,814.3**	**1,737.8**	**1,773.6**	**1,801.1**	**22.7**	**1.3%**
Subtotal, Defense	681.0	660.3	649.9	634.7	627.4	–53.6	–7.9%
Subtotal, Non-Defense	1,097.4	1,154.0	1,087.9	1,138.8	1,173.7	76.3	7.0%

[1] Totals and percentages were calculated on whole numbers prior to conversion to thousands and rounding.

Table 11–2. TOTAL FEDERAL EMPLOYMENT

(As measured by total positions filled)

Description	Actual as of September 30			Change: 1999 to 2001	
	1999	2000	2001	Positions	Percent
Executive branch civilian employment:					
All agencies except Postal Service and Postal Rate Commission:					
Full–time permanent	1,603,944	1,584,338	1,601,828	–2,116	–0.1%
Other than full–time permanent	216,353	199,643	196,009	–20,344	–9.4%
Subtotal	1,820,297	1,783,981	1,797,837	–22,460	–1.2%
Postal Service: [1]					
Full–time permanent	670,272	666,528	661,452	–8,820	–1.3%
Other than full–time permanent	196,121	194,249	186,418	–9,703	–4.9%
Subtotal	866,393	860,777	847,870	–18,523	–2.1%
Subtotal, Executive branch civilian employment	2,686,690	2,644,758	2,645,707	–40,983	–1.5%
Military personnel on active duty: [2]					
Department of Defense	1,385,703	1,384,338	1,385,116	–587	0.0%
Department of Transportation (Coast Guard)	35,740	36,157	36,580	840	2.4%
Subtotal, military personnel	1,421,443	1,420,495	1,421,696	253	0.0%
Subtotal, Executive Branch	4,108,133	4,065,253	4,067,403	–40,730	–1.0%
Legislative branch:					
Full–time permanent	12,183	11,970	11,856	–327	–2.7%
Other than full-time permanent	18,170	19,187	18,583	413	2.3%
Subtotal, Legislative Branch	30,353	31,157	30,439	86	0.3%
Judicial Branch:					
Full-time permanent	28,875	28,938	30,478	1,603	5.6%
Other than full-time permanent	3,321	3,248	3,332	11	0.3%
Subtotal, Judicial Branch	32,196	32,186	33,810	1,614	5.0%
Grand total [3]	**4,170,682**	**4,128,596**	**4,131,652**	**–39,030**	**–0.9%**
ADDENDUM					
Executive branch civilian personnel (excluding Postal Service):					
DOD civilians-Military functions	665,679	651,247	647,048	–18,631	–2.8%
All other executive branch	1,154,618	1,132,734	1,150,789	–3,829	–0.3%
Total	**1,820,297**	**1,783,981**	**1,797,837**	**–22,460**	**–1.2%**

[1] Includes Postal Rate Commission.
[2] Excludes reserve components.
[3] Includes Summer Aides, Stay-in-school, Junior Fellowship, Worker-Trainee Opportunity, and disadvantage youth programs.

Table 11–3. TOTAL FEDERAL EMPLOYMENT

(As measured by Full-Time Equivalents)

Description	2001 actual	Estimate		Change: 2001 to 2003	
		2002	2003	FTE's	Percent
Executive branch civilian personnel:					
All agencies except Postal Service and Defense	1,087,865	1,138,822	1,173,690	85,825	7.9%
Defense-Military functions (civilians)	649,891	634,733	627,430	–22,461	–3.5%
Subtotal, excluding Postal Service	1,737,756	1,773,555	1,801,120	63,364	3.6%
Postal Service [1]	830,516	826,000	820,872	–9,644	–1.2%
Subtotal, Executive Branch civilian personnel	2,568,272	2,599,555	2,621,992	53,720	2.1%
Executive branch uniformed personnel: [2]					
Department of Defense	1,387,400	1,385,599	1,397,249	9,849	0.7%
Department of Transportation (Coast Guard)	35,963	36,580	37,249	1,286	3.6%
Subtotal, uniformed military personnel	1,423,363	1,422,179	1,434,498	11,135	0.8%
Subtotal, Executive Branch	3,991,635	4,021,734	4,056,490	64,855	1.6%
Legislative Branch: [3]	33,182	33,978	34,473	1,291	3.9%
Judicial branch: Total FTE	32,183	33,219	34,896	2,713	8.4%
Grand total	**4,057,000**	**4,088,931**	**4,125,859**	**68,859**	**1.7%**

[1] Includes Postal Rate Commission.
[2] Military personnel on active duty. Excludes reserve components. Data shown for Department of Defense are average strengths, not FTEs.
[3] 2001 FTE data not available for the Senate (positions filled were used).

TABLE 11–4. PERSONNEL COMPENSATION AND BENEFITS

(In millions of dollars)

Description	2001 actual	Estimate		Change: 2001 to 2003	
		2002	2003	Dollars	Percent [4]
Civilian personnel costs:					
Executive Branch (excluding Postal Service):					
Direct compensation:					
DOD—military functions	33,574	34,508	35,596	2,022	6.0%
All other executive branch	64,229	69,340	71,876	7,647	11.9%
Subtotal, direct compensation	97,803	103,848	107,472	9,669	9.9%
Personnel benefits:					
DOD—military functions	10,619	11,065	11,957	1,338	12.6%
All other executive branch	31,203	33,423	46,127	14,924	47.8%
Subtotal, personnel benefits	41,822	44,488	58,084	16,262	38.9%
Subtotal, executive branch	139,625	148,336	165,556	25,931	18.6%
Postal Service:					
Direct compensation	37,979	38,459	39,429	1,450	3.8%
Personnel benefits	11,629	13,041	13,304	1,675	14.4%
Subtotal	49,608	51,500	52,733	3,125	6.3%
Legislative Branch: [1]					
Direct compensation	1,420	1,590	1,691	271	19.1%
Personnel benefits	431	495	545	114	26.5%
Subtotal	1,851	2,085	2,236	385	20.8%
Judicial Branch:					
Direct compensation	2,037	2,347	2,534	497	24.4%
Personnel benefits	640	718	780	140	21.9%
Subtotal	2,677	3,065	3,314	637	23.8%
Total, civilian personnel costs	193,761	204,986	223,839	30,078	15.5%
Military personnel costs:					
DOD—Military Functions:					
Direct compensation	54,477	57,535	61,655	7,178	13.2%
Personnel benefits	19,415	21,024	29,526	10,111	52.1%
Subtotal	73,892	78,559	91,181	17,289	23.4%
All other executive branch, uniformed personnel:					
Direct compensation	1,405	1,561	1,707	302	21.5%
Personnel benefits	446	475	16,735	16,289	3,652.2%
Subtotal	1,851	2,036	18,442	16,591	896.3%
Total, military personnel costs [2]	75,743	80,595	109,623	33,880	44.7%
Grand total, personnel costs [3]	**269,504**	**285,581**	**333,462**	**63,958**	**23.7%**
ADDENDUM					
Former Civilian Personnel:					
Retired pay for former personnel	48,381	50,932	53,775	5,394	11.1%
Government payment for Annuitants:					
Employee health benefits	5,530	6,129	6,613	1,083	19.6%
Employee life insurance	32	34	34	2	6.3%
Total Former Civilian Personnel	53,943	57,095	60,422	6,479	12.0%
Former Military personnel:					
Retired pay for former personnel	34,876	36,295	37,111	2,235	6.4%
Military annuitants health benefits	....	....	5,777	5,777	....

[1] Excludes members and officers of the Senate.

[2] Excludes reserve components.

[3] Includes transfers from general revenues in addition to employing agency's contributions for the cost of employee benefits. The transfers amounted to $9,548 million in 2001 and are estimated to be $9,771 million in 2002 and $37,400 million in 2003.

[4] The 2003 increase reflects the Administration's legislative proposal to fully accrue employee pension and annuitant health benefits. For more information, please see Chapter 14, "Preview Report."

12. STRENGTHENING FEDERAL STATISTICS

Economic statistics are valuable tools that economists, policy makers, business leaders, and individual investors use to understand changes in our economy. The ability of our government, our citizens, and our businesses to make appropriate decisions about work, investments, taxes, and a host of other important issues depends critically on the relevance, accuracy, and timeliness of Federal statistics. Data on real Gross Domestic Product (GDP), the Consumer Price Index (CPI), and the trade deficit, for example, have a major impact on government spending, budget projections, and the allocation of Federal funds. They also are critical inputs to monetary, fiscal, trade, and regulatory policy. 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 obtains a mortgage.

Recent events provide two dramatic examples of why relevant, accurate, and timely economic data are so important. The shocking terrorist attacks last September and the subsequent ramp-up of security across the whole spectrum of American life raised many questions about the immediate and longer-term impacts on the economy. An equally important issue, which existed even before September 11, was the uncertainty over whether the economy was in, or about to enter, a recession. During turning points in the economy such as an economic slowdown, the accuracy and timeliness of data are especially critical. It is during these periods that fiscal and monetary policy can be most useful in correcting the path of the economy, but appropriate action depends on accurate, timely data. Thus the budget proposes essential increases to strengthen and update these key indicators of our Nation's economic performance to keep pace with changes in our economy's complexity, growth, and structure.

Similarly, current, comparable data on the characteristics of the U.S. population are essential to monitor significant societal changes. Of great import in 2003 will be the continuing delivery of Census 2000 data products used to allocate locally each year nearly $200 billion in Federal funds alone. The Census Bureau continues to streamline the complex decennial census process and to introduce key innovations, some of which directly address concerns about the quality of data historically provided once a decade via the census "long-form." The plan for the next decade is to completely re-engineer the 2010 Census in order to reduce operational risks, improve accuracy, provide more relevant data, and contain costs. This approach has three major components:

- a simplified 2010 Census and more timely data based on eliminating the decennial long form through implementation of the American Community Survey (ACS);
- a central, continuously updated address universe and associated geographical products employing satellite and Global Positioning System technology for use in all decennial census and demographic survey programs; and
- a well-tested and planned 2010 Census design produced through systematic development well before mid-decade operational testing.

The American Community Survey is a revolutionary, structural initiative of the statistical system that will provide community profiles similar to those from the decennial census on a far more current basis. For geographic areas with populations greater than 65,000, these profiles will be available every year beginning in 2004. For smaller areas, beginning in 2005 the ACS will accumulate or average data over several years to obtain annual estimates similar in quality and reliability to those currently available only once each decade. Thus, every jurisdiction ultimately will have annual information that portrays change over time. (The official counts of the population will continue to come from the decennial census and the intercensal estimates program.)

Under the aegis of the congressionally-mandated Interagency Council on Statistical Policy (ICSP), the principal statistical agencies continue to extend their collaborative endeavors in other areas as well in order to improve the overall performance and efficiency of the Federal statistical system. For example, the ICSP continues to support FedStats *(www.fedstats.gov),* the "one-stop shopping" Internet site for Federal statistics that permits easy access via an initial point of entry to the wide array of statistical information available to the public from more than 100 Federal agencies. The FedStats team has updated its home page based on recommendations from a usability work group, and enhanced its MapStats section to provide an interactive map-based application to access a variety of data at the State, county, congressional district, and Federal judicial district levels as well as to offer thematic maps with population-based concepts for States and counties.

The statistical system is also working effectively to enhance the quality of data the agencies produce. For example, statistical agencies have developed proposed data sharing legislation that would permit limited sharing of confidential data among selected agencies solely for statistical purposes. Enactment of this legislation will create a framework for statistical agencies to compare and improve the quality of their data.

Despite these accomplishments, rapid changes in our economy and society, and funding levels that challenge statistical agencies to keep pace with them, can threaten the relevance, accuracy, and timeliness of our Nation's key statistics. Any growing inability of our statistical system to mirror accurately our economy and society, including the unprecedented growth of electronic commerce, could undermine core government activities, such as the accurate allocation of scarce Federal funds. Fortunately, the most serious shortcomings of our statistical infrastructure would be substantially mitigated by four programs supported in the Administration's budget coupled with a legislative initiative. In particular, these activities would:

- develop an integrated statistical base for analysis of the effects of E-business across our Nation's products and industries, including changes in the structure of investment, pricing, and distribution practices (Bureau of Economic Analysis and Bureau of the Census);
- support the tabulation, analysis, and dissemination of Census 2000 data in order to reap the benefits of Census 2000 investments (Bureau of the Census);
- support early planning for the 2010 Census predicated on a fundamental re-engineering of the census process (Bureau of the Census);
- continue implementation of the American Community Survey program to produce far more timely data for States and local areas that will be used for various purposes, including the distribution of nearly $200 billion in Federal funds annually (Bureau of the Census); and
- provide new statutory authority for the limited sharing of data among designated Federal agencies solely for statistical purposes. The proposed changes would permit these statistical agencies to manage information in many important respects as if they were part of a single agency, thereby increasing the accuracy of statistical estimates and the efficiency of Federal data collection.

In addition, the statistical system is poised to play a significant role in the Nation's response to terrorism and demands to strengthen homeland security. Thus, the 2003 budget includes, for example:

- development of national data series based on administrative data from State and local units of government to estimate the incidence, prevalence, and consequences of terrorism including injuries, deaths, and other health consequences; to measure economic impacts including unemployment, workplace changes, and security expenses; and to develop information for other policy-relevant issues and responses (Bureau of Justice Statistics, National Center for Health Statistics, Bureau of Labor Statistics);
- support for national data on the incidence and consequences of cyber-related disruptions and attacks on the electronic infrastructure associated with both national and international access to networks and systems of records (Bureau of Justice Statistics, National Infrastructure Protection Center, Federal Trade Commission, Bureau of Economic Analysis); and
- initiatives to address the implications of the war on terrorism with respect to confidentiality of individual data reports, security of data systems, and contingency plans for continuing operations under emergency circumstances.

More broadly, the programs that provide essential statistical information for use by governments, businesses, researchers, and the public are carried out by some 70 agencies spread across every department and several independent agencies. Approximately 40 percent of the funding for these programs provides resources for ten agencies that have statistical activities as their principal mission. (Please see Table 12–1.) The remaining funding supports work in 60-plus agencies that carry out statistical activities in conjunction with other missions such as providing services or enforcing regulations. More comprehensive budget and program information about the Federal statistical system will be available in OMB's annual report, *Statistical Programs of the United States Government, Fiscal Year 2003,* when it is published this summer. The following highlights elaborate on the Administration's proposals to strengthen the programs of the principal Federal statistical agencies.

HIGHLIGHTS OF 2003 PROGRAM PROPOSALS FOR PRINCIPAL STATISTICAL AGENCIES

Bureau of Economic Analysis: Funding is requested to move forward with critical improvements to the Nation's economic accounts that will: (1) accelerate the release of BEA's major economic statistics, which will dramatically increase the usefulness of these data, particularly for government and business decision makers; (2) upgrade the computer processing systems for the economic accounts, which will increase the efficiency and reliability of these critical systems and ensure that BEA's data are accurate, complete, and released on schedule; and (3) incorporate into the economic accounts the new, internationally developed North American Industry Classification System (NAICS), which will require BEA to integrate source data from statistical agencies that are converting to NAICS on variable time schedules.

Bureau of Justice Statistics: Funding is requested to maintain BJS's core statistical programs, including: (1) the National Crime Victimization Survey, the Nation's primary source of information on criminal victimization; (2) the Cybercrime Statistical Program, initiated in 2001 to measure changes in the incidence, magnitude, and consequences of electronic or cybercrime; (3) law enforcement data from over 3,000 agencies on the organization and administration of police and sheriffs' departments; (4) nationally representative prosecution data on resources, policies, and practices of local prosecutors; (5) court and sentencing data; and (6) data on correctional populations and facilities from Federal, State, and local governments.

Bureau of Labor Statistics: Funding is requested to: (1) modernize the computing systems for monthly processing of the Producer Price Index (PPI) and U.S. Import and Export Price Indexes, improve index accuracy, and produce new data outputs such as experimental PPIs for goods and services that will provide the first economy-wide measures of changes in producer prices; (2) proceed with a significant change in the way the Consumer Price Index (CPI) is revised and updated by instituting a process for continuous improvement in place of the periodic major revisions that were undertaken about every ten years; and (3) continue to enhance the BLS information technology security program and replace its decade-old local area network (LAN) infrastructure with a more current and capable LAN system (through a central Department of Labor appropriation).

Bureau of the Census: Funding is requested for Census 2000, 2010 Census Planning, and the Census Bureau's economic and demographic programs. For Census 2000, funding is requested to: (1) complete dissemination of data products; (2) respond to concerns from local and tribal governments about the accuracy of the census counts; and (3) complete evaluations of census operations. For 2010 Census Planning, funding is requested to continue work to re-engineer the 2010 Census to reduce operational risks, improve accuracy, provide more relevant data, and contain costs by: (1) establishing an early design and testing infrastructure to allow complete testing of all major elements of the 2010 Census design; (2) fully implementing the American Community Survey to collect data historically collected on the decennial census "long form;" and (3) continuing to replace the MAF/TIGER system with one that uses Global Positioning System technology and satellite mapping imagery to update and improve address information. For the Census Bureau's economic and demographic programs, funding is requested to: (1) support the data collection phases of the 2002 Economic Censuses and Census of Governments; (2) improve measurement of services in the new economy, mainly by the introduction of a quarterly service industry survey; (3) gather new information on business investment in information technology and on changes occurring in supply chain relationships; (4) improve and accelerate the release of trade statistics; and (5) redesign samples based on Census 2000 data for ongoing Federal household surveys that gather data on topics such as crime, employment, and health.

Bureau of Transportation Statistics: Funding is requested to: (1) annualize the collection of freight flow data to keep pace with a rapidly changing industry; (2) improve the collection and analysis of aviation data, particularly data related to airline security and financial conditions; (3) enhance TranStats (the Intermodal Transportation Data Base) and expand the National Transportation Library, which provides access to the Nation's transportation research and planning literature via the Internet; and (4) work on the Safety Data Action Plan, a series of projects to improve the accuracy, comparability, and timeliness of transportation safety data.

Economic Research Service: Funding is requested to: (1) support the Economic Research Service's share of re-engineering the Agricultural Resource Management Survey (ARMS), USDA's primary vehicle for collection of information on a broad range of issues about agricultural resource use and costs and farm financial conditions, to improve the quality of key economic indicators of the farm sector derived from the survey, improve the coverage of commodities surveyed, provide ARMS data for key farm states in addition to the Nation as a whole, integrate ARMS with other USDA data collections, and improve the dissemination of ARMS data over the Internet; and (2) examine economic issues with respect to invasive crop pests and livestock diseases within the context of increasingly global agricultural markets.

Energy Information Administration: Funding is requested to: (1) continue updating and overhauling EIA's 20-year-old energy consumption surveys to base them on Census 2000 data; (2) complete the overhaul of electric power surveys and data systems to accommodate changes in the industry brought on by deregulation and restructuring; (3) continue improving data quality and accuracy in several key energy surveys (including petroleum, natural gas and electricity); (4) begin development of additional regional energy information; and (5) initiate a weekly survey of natural gas underground storage to replace one that the American Gas Association plans to discontinue.

National Agricultural Statistics Service: Funding is requested to: (1) conduct the 2002 Census of Agriculture, which includes mailing three million questionnaires, capturing and editing data, providing assistance to respondents, conducting analyses of census returns, and summarizing census results; (2) enhance computer security protection to ensure confidentiality for reported data and to prevent unauthorized access to market sensitive data prior to public release; (3) develop and implement e-Gov strategies, including capabilities for electronic data reporting and enhanced services to the public; (4) develop an annual integrated locality-based county estimates program; and (5) in cooperation with the Economic Research Service, expand the Agricultural Resource Management Survey (discussed above).

National Center for Education Statistics: Funding is requested to: (1) support the National Assessment of Educational Progress (NAEP) program, including administration of the State-level NAEP assessments that are an integral part of the accountability provisions included in the No Child Left Behind Act, (2) continue data collection, analysis, and reporting for a variety of surveys, including the Schools and Staffing Survey, the National Assessment of Adult Literacy, the National Household Education Survey, and the National Study of Faculty and Students; (3) enhance longitudinal surveys, including the Early Childhood Longitudinal

Study kindergarten and birth cohort data collections; and (4) continue work to enhance electronic data collection and dissemination.

National Center for Health Statistics: Funding is requested to: (1) continue a multi-year effort to retool and improve national health data systems, including the Vital Statistics System, in order to more fully reflect data needs and utilize state-of-the-art technologies; and (2) provide information critical to monitoring the dynamics of health and health care, and provide the underpinnings for biomedical research, health policy, and public health practice through support of the National Health Interview Survey, the National Health and Nutrition Examination Survey, the National Vital Statistics System, and the National Health Care Survey.

TABLE 12–1. 2001–2003 BUDGET AUTHORITY FOR PRINCIPAL STATISTICAL AGENCIES [1]

(in millions of dollars)

	2001 actual	2002 estimate	2003 estimate
Bureau of Economic Analysis	$50	$59	$70
Bureau of Justice Statistics	29	32	34
Bureau of Labor Statistics	464	489	511
Bureau of the Census	[2]478	[2]535	757
Periodic Censuses and Programs	[2]292	[2]336	522
Salaries and Expenses	186	199	235
Bureau of Transportation Statistics	31	32	35
Economic Research Service	69	70	[3]82
Energy Information Administration	79	82	83
National Agricultural Statistics Service [4]	106	119	[3]149
National Center for Education Statistics	120	[5]197	191
Statistics	80	85	95
Assessment	36	[5]108	91
National Assessment Governing Board	4	4	5
National Center for Health Statistics	126	131	130
PHS Evaluation Funds	72	23	47
Budget Authority	54	108	83

[1] The budget data for each fiscal year are adjusted to include the full share of accruing employee pensions and annuitants' health benefits. For more information, please see Chapter 14, "Preview Report," in this volume.

[2] Does not include an offset to the appropriation of unobligated balances available.

[3] Beginning in 2003, ERS and NASS, rather than a central USDA account, will be responsible for paying their own rent. Therefore, the 2003 level includes an additional $2.8 million and $5.9 million, respectively, for these activities.

[4] Includes funds for the periodic Census of Agriculture and Special Studies of $15.0, $25.4, and $42.3 million in 2001, 2002, and 2003, respectively.

[5] Includes $17.0 million in administrative contract costs not necessary in 2003, consistent with the biennial assessment plan authorized in the No Child Left Behind Act.

FEDERAL BORROWING AND DEBT

13. FEDERAL BORROWING AND DEBT

Debt is the largest legally binding obligation of the Federal Government. At the end of 2001, the Government owed $3,320 billion of principal to the people who had loaned it the money to pay for past deficits. During that year, the Government paid the public around $215 billion of interest on this debt.

After many years of deficits financed mainly by borrowing from the public, the Government had unified budget surpluses in the past four years. As a result, it reversed the long period of debt accumulation and repaid $453 billion of publicly held debt, $90 billion of it in 2001. During 2001 and 2002, however, the recession and the response to the terrorist attacks have decreased receipts and increased outlays. The budget therefore estimates a deficit in 2002 and 2003, with a return to surplus in 2004 or 2005. Even though debt held by the public will temporarily increase, it is estimated to continue falling as a percentage of the gross domestic product (GDP) after 2002.

Trends in Debt Since World War II

Table 13–1 depicts trends in Federal debt held by the public from World War II to the present and estimates from the present to 2007. (It is supplemented for earlier years by tables 7.1–7.3 in *Historical Tables*,

Table 13–1. TRENDS IN FEDERAL DEBT HELD BY THE PUBLIC

(Dollar amounts in billions)

Fiscal year	Debt held by the public		Debt held by the public as a percent of:		Interest on the debt held by the public as a percent of: [3]	
	Current dollars	FY 1996 dollars [1]	GDP	Credit market debt [2]	Total outlays	GDP
1946	241.9	1,728.3	108.6	N/A	7.4	1.8
1950	219.0	1,270.7	80.1	53.3	11.4	1.8
1955	226.6	1,154.9	57.3	43.2	7.6	1.3
1960	236.8	1,070.7	45.6	33.8	8.5	1.5
1965	260.8	1,102.4	37.9	26.9	8.1	1.4
1970	283.2	994.2	28.0	20.8	7.9	1.5
1975	394.7	1,020.6	25.3	18.4	7.5	1.6
1980	711.9	1,271.6	26.1	18.5	10.6	2.3
1985	1,507.4	2,051.0	36.4	22.3	16.2	3.7
1986	1,740.8	2,313.1	39.5	22.6	16.1	3.6
1987	1,889.9	2,444.1	40.7	22.3	16.0	3.5
1988	2,051.8	2,569.3	40.9	22.2	16.2	3.4
1989	2,191.0	2,641.9	40.5	22.0	16.5	3.5
1990	2,411.8	2,803.0	42.1	22.6	16.2	3.5
1991	2,689.3	3,008.3	45.3	24.1	16.2	3.6
1992	3,000.1	3,270.0	48.2	25.7	15.5	3.4
1993	3,248.8	3,458.8	49.5	26.6	14.9	3.2
1994	3,433.4	3,577.9	49.4	26.8	14.4	3.0
1995	3,604.8	3,676.8	49.2	26.7	15.8	3.3
1996	3,734.5	3,734.5	48.5	26.2	15.8	3.2
1997	3,772.8	3,700.6	46.1	25.2	15.7	3.1
1998	3,721.6	3,599.6	43.0	23.3	15.1	2.9
1999	3,632.9	3,468.5	39.8	21.3	13.8	2.6
2000	3,410.1	3,190.0	35.0	18.9	13.0	2.4
2001	3,320.0	3,035.6	32.7	17.4	11.6	2.1
2002 estimate	3,477.5	3,111.3	33.6	N/A	9.1	1.8
2003 estimate	3,570.3	3,137.9	32.7	N/A	9.0	1.8
2004 estimate	3,599.6	3,110.6	31.2	N/A	9.3	1.8
2005 estimate	3,547.7	3,011.6	29.2	N/A	9.1	1.7
2006 estimate	3,470.0	2,890.7	27.1	N/A	8.8	1.6
2007 estimate	3,378.9	2,762.3	25.1	N/A	8.4	1.5

N/A = Not Available.

[1] Debt in current dollars deflated by the GDP chain-type price index with fiscal year 1996 equal to 100.

[2] Total credit market debt owed by domestic nonfinancial sectors, modified in some years to be consistent with budget concepts for the measurement of Federal debt. Financial sectors are omitted to avoid double counting, since financial intermediaries borrow in the credit market primarily in order to finance lending in the credit market. Source: Federal Reserve Board flow of funds accounts. Projections are not available

[3] Interest on debt held by the public is estimated as the interest on Treasury debt securities less the "interest received by trust funds" (subfunction 901 less subfunctions 902 and 903). The estimate of interest on debt held by the public does not include the comparatively small amount of interest paid on agency debt or the offsets for interest on Treasury debt received by other Government accounts (revolving funds and special funds).

which is published as a separate volume of the budget.) As this table shows, Federal debt peaked at 108.6 percent of GDP in 1946, just after the end of the war. From then until the 1970s, Federal debt grew gradually, but, due to inflation, it declined in real terms. Because of an expanding economy as well as inflation, Federal debt as a percentage of GDP decreased almost every year. With households borrowing large amounts to buy homes and consumer durables, and with businesses borrowing large amounts to buy plant and equipment, Federal debt also decreased almost every year as a percentage of the total credit market debt outstanding. The cumulative effect was impressive. From 1950 to 1975, debt held by the public declined from 80.1 percent of GDP to 25.3 percent, and from 53.3 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 Federal debt relative to GDP and credit market debt stopped declining after the middle of the decade. The growth of Federal debt accelerated in the 1980s, and the ratio of Federal debt to GDP grew sharply. The ratio of Federal debt to credit market debt also rose, though to a much lesser extent. Interest outlays on debt held by the public, calculated as a percentage of either total Federal outlays or GDP, increased as well.

The growth of Federal debt held by the public was decelerating by the mid-1990s, however, and the debt has declined markedly relative to both GDP and total credit market debt. It fell from 49.5 percent of GDP in 1993 to 32.7 percent in 2001; and it fell more unevenly from 26.6 percent of total credit market debt in 1993 to 17.4 percent in 2001. Interest on this debt, relative to total outlays and GDP, has been declining as well. Interest as a share of outlays peaked at 16.5 percent in 1989 and then fell to 11.6 percent by 2001. Interest as a percentage of GDP has fallen in a similar proportion.

The current recession and response to the terrorist attacks have temporarily interrupted the downward trend in debt. The recession reduced tax receipts, and spending increased for war and homeland needs. The Government is estimated to have a deficit in 2002 but to return to surplus by 2005. As a result, table 13–1 shows a rise in publicly held debt for three years. Even during this period, however, debt as a percentage of GDP is estimated to increase only in 2002. By 2007, debt as a percentage of GDP is estimated to fall to 25.1 percent, significantly below the level in 2001 and the lowest level since the mid-1970s. Interest as a percentage of outlays is estimated to fall to 8.4 percent, also well below the level in 2001.

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 to finance the Federal deficit.[1] 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 sometimes 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 of 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. Federal borrowing thereby competes with the borrowing of other sectors for financial resources in the credit market, and tends to increase interest rates and reduce private capital accumulation. Borrowing from the public thus affects the size and composition of assets held by the private sector and the perceived wealth of the public. It also increases 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.[3]

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, interest receipts, and other collections compared to their spending. The interest on the debt compensates these funds—and the members of the public who pay earmarked taxes or user fees into these funds—for spending some of the funds' collec-

[1] 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.) When the measurement was changed, the data in *Historical Tables* were revised as far back as feasible, which was 1956. 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*, pages E-5 to E-8, although some of the practices it describes have been revised. In 1997 Treasury began to sell inflation-indexed notes and bonds. The recorded value of these securities includes a periodic adjustment for inflation.

[2] The term "agency debt" is defined more narrowly in the budget than customarily in the securities market, where it includes not only the debt of the Federal agencies listed in table 13–3 but also the debt of the Government-sponsored enterprises listed in table 9–11 at the end of chapter 9 and certain Government-guaranteed securities.

[3] The Federal sector of the national income and product accounts provides a measure of the current surplus or deficit that can be used to analyze the effect of Federal fiscal policy on national saving within the framework of an integrated set of measures of aggregate U.S. economic activity. The Federal sector and its differences from the budget are discussed in chapter 17 of this volume, "National Income and Product Accounts." Also see chapter 7 of this volume, Part III, the section on the analysis of saving and investment.

Table 13–2. FEDERAL GOVERNMENT FINANCING AND DEBT

(In billions of dollars)

	Actual 2001	Estimate					
		2002	2003	2004	2005	2006	2007
Financing:							
Unified budget surplus (+)/ deficit (–)	127.1	–106.2	–80.2	–13.7	61.1	86.2	104.0
Financing other than the change in debt held by the public:							
Premiums paid (–) on buybacks of Treasury securities [1]	–10.7	–2.8	....	....	....	....	....
Net purchases (–) of non-Federal securities by the National Railroad Retirement Investment Trust	....	–15.4	–0.9	–*	*	0.2	0.3
Changes in: [2]							
Treasury operating cash balance	8.4	–15.8	....	–5.0	....	....	–5.0
Checks outstanding, deposit funds, etc. [3]	–12.7	–1.4	–0.5	....	....	....	....
Seigniorage on coins	1.3	0.9	1.1	1.2	1.2	1.2	1.2
Less: Net financing disbursements:							
Direct loan financing accounts	–19.1	–15.3	–15.4	–14.5	–14.7	–14.9	–14.7
Guaranteed loan financing accounts	–4.2	–1.6	3.0	2.8	4.3	5.0	5.4
Total, financing other than the change in debt held by the public	–37.0	–51.3	–12.6	–15.6	–9.2	–8.5	–12.9
Total, amount available to repay debt held by the public	90.1	–157.5	–92.8	–29.4	52.0	77.7	91.1
Change in debt held by the public	–90.1	157.5	92.8	29.4	–52.0	–77.7	–91.1
Debt Subject to Statutory Limitation, End of Year:							
Debt issued by Treasury	5,743.2	6,109.9	6,499.4	6,866.8	7,182.3	7,481.9	7,780.2
Adjustment for Treasury debt not subject to limitation and agency debt subject to limitation [4]	–15.3	–15.3	–15.3	–15.3	–15.3	–15.3	–15.3
Adjustment for discount and premium [5]	4.9	4.9	4.9	4.9	4.9	4.9	4.9
Total, debt subject to statutory limitation [6]	5,732.8	6,099.5	6,489.0	6,856.4	7,171.9	7,471.5	7,769.8
Debt Outstanding, End of Year:							
Gross Federal debt: [7]							
Debt issued by Treasury	5,743.2	6,109.9	6,499.4	6,866.8	7,182.3	7,481.9	7,780.2
Debt issued by other agencies	27.0	27.2	26.5	25.7	24.6	23.9	23.1
Total, gross Federal debt	5,770.3	6,137.1	6,525.9	6,892.5	7,206.9	7,505.8	7,803.3
Held by:							
Debt securities held by Government accounts	2,450.3	2,659.6	2,955.6	3,292.9	3,659.2	4,035.8	4,424.4
Debt securities held by the public [8]	3,320.0	3,477.5	3,570.3	3,599.6	3,547.7	3,470.0	3,378.9

* $50 million or less.

[1] Includes only premiums paid on buybacks through December 2001. Estimates are not made for subsequent buybacks.

[2] A decrease in the Treasury operating cash balance (which is an asset) would be a means of financing a 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 a deficit and therefore would also have a positive sign.

[3] Besides checks outstanding and deposit funds, 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 $5,950 billion.

[7] Treasury securities held by the public and zero-coupon bonds held by Government accounts are almost all measured at sales price plus amortized discount or less amortized premium. Agency debt securities are almost all measured at face value. Treasury securities in the Government account series are measured at face value less unrealized discount (if any).

[8] At the end of 2001, the Federal Reserve Banks held $534.1 billion of Federal securities and the rest of the public held $2,785.9 billion. Debt held by the Federal Reserve Banks is not estimated for future years.

tions at a later time than when they receive the money. The debt securities are a liability of the general fund to the fund that holds the securities and are a mechanism for that fund to accumulate interest on its balances. These invested balances provide the fund with authority to draw upon the U.S. Treasury in later years to make future payments on its behalf to the public. 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 of the Government, made between two accounts that are both within the Government itself. It is not a current transaction of the Government with the public; it does not draw upon private saving and compete with the private sector for available funds in the credit market; it does not provide the account with resources other than a legal claim on the U.S. Treasury, which itself obtains real resources by taxation and borrowing; its interest does not have to be financed by taxes or other means; 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 for either the current participants in the program or the larger group of current participants plus the expected future participants over some stated time period. The future transactions of Federal social insurance and employee retirement programs, which own 91 percent of the debt held by Government accounts, are important in their own right and need to be considered separately. This can be done through information published in actuarial and financial reports for these programs.[4] 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 and payable as of the end of the month but, according to statute, are paid during the next month; loan guarantee liabilities are incurred 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 current compensation for the services performed by Federal civilian and military employees in producing Government outputs. Like debt securities sold in the credit market, these liabilities have their own distinctive effects on the economy. Federal liabilities are analyzed within the broader conceptual framework of Federal resources and responsibilities in chapter 3 of this volume, "Stewardship: Toward a Federal Balance Sheet." The different types of liabilities are reported annually in the financial statements of the major Federal agencies and in *the Financial Report of the United States Government*, prepared by the Treasury Department.

Government Surpluses or Deficits and the Change in Debt

Table 13–2 summarizes Federal borrowing and debt from 2001 through 2007. In 2001 the Government repaid $90 billion of debt held by the public, so that the debt outstanding decreased to $3,320 billion. The debt held by Government accounts increased $231 billion, and gross Federal debt increased by $141 billion to a level of $5,770 billion.

Debt held by the public.—The Federal Government primarily finances deficits by borrowing from the public, and it primarily uses surpluses to repay debt held by the public. Table 13–2 shows the relationship between the Federal surplus or deficit and the change in debt held by the public. The borrowing or debt repayment depends on the Federal Government's expenditure programs and tax laws, on the economic conditions that influence tax receipts and outlays, and on debt management policy. The sensitivity of the budget to economic conditions is analyzed in chapter 2 of this volume.

The total or unified budget surplus consists of two parts: the on-budget surplus or deficit; and the surplus 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.[5] The off-budget totals are virtually the same as social security, which had a large surplus in 2001 and is estimated to have large and growing surpluses throughout the projection period. The on-budget and off-budget surpluses or deficits are added together to determine the Government's financing needs.

The Government's need to borrow, or its ability to repay debt held by the public, has always depended on several other factors besides the unified budget surplus or deficit, such as the change in the Treasury operating cash balance. As shown in table 13–2, these other factors—which in this table are called "financing other than the change in debt held by the public"—can either increase or decrease the Government's need to borrow or its ability to repay debt. (An increase in its ability to repay debt is represented by a positive sign, like a surplus; a decrease is represented by a negative sign, like a deficit.) In 2001 the total surplus was $127 billion and the "financing other than the change in debt held by the public" was –$37 billion. As a result, the Government was able to repay $90 billion of publicly held debt.

When the surplus or deficit is large, it is usually a good approximation to say that "the surplus is used to repay debt held by the public" or "the deficit is financed by borrowing from the public." Over the last 15 years, the cumulative deficit was $1,432 billion and the increase in debt held by the public was $1,579 billion. The other factors added a total of $147 billion of borrowing, an average of $10 billion per year. The variation was wide, ranging from additional borrowing (or lower repayment) of $37 billion to reduced borrowing of $19 billion. The other factors that affect borrowing do not depend on the size of the surplus or deficit. Thus, when a surplus or deficit is moderate in size, the other factors that affect borrowing may account for a large proportion of the change in Federal debt held by the public.

Some of these other factors are small in most years compared to borrowing from the public, even when the surplus or deficit is relatively small. This is because they are limited by their own nature. Decreases in cash balances, for example, while they may occasionally be large, are inherently limited by past accumulations, which themselves required financing when they were built up. Increases in cash balances are limited because it is more efficient to pay off debt.

However, a special factor in the financing will have a large one-time effect in 2002, and two other factors may be significant for extended periods.

The first of these factors will be net purchases of non-Federal securities by the National Railroad Retirement Investment Trust. This trust fund was established by the Railroad Retirement and Survivors' Improvement Act of 2001. Under this Act, most of the assets in the Railroad Retirement Board trust funds are transferred to the new trust fund, which is expected to invest

[4] Extensive actuarial analyses of the social security and medicare programs are published in the annual reports of the boards of trustees of these funds. Annual actuarial reports are also prepared for Federal employee retirement funds. A summary of actuarial estimates for these and other programs is included annually in the *Financial Report of the United States Government*, prepared by the Treasury Department.

[5] For further explanation of the off-budget Federal entities, see chapter 20, "Off-Budget Federal Entities and Non-Budgetary Activities."

primarily in private stocks and bonds. The Act ordered special treatment of the purchase or sale of non-Federal assets by this trust fund, treating such purchases as a means of financing rather than an outlay. Therefore, the increased need to borrow from the public to finance the purchase of non-Federal assets is masked as part of the "financing other than the change in debt held by the public" rather than included as an increase in the deficit. The budget estimates that this will increase borrowing and publicly held debt by $15 billion in 2002. Net purchases or sales in subsequent years are estimated to be relatively small. [6]

The second factor is premiums on debt buybacks—the excess of the price paid over the book value. The Treasury Department is buying back some outstanding bonds as part of its management of the publicly held debt. The premiums at present are the result of interest rates having fallen since the bonds were sold, as a result of which the market value of the bonds is much higher than their book value. The premiums are recorded outside the budget totals as a separate entry in the "financing other than the change in debt held by the public." It is important to note, however, that the volume of buybacks to date has been small relative to the outstanding stock of debt. The premiums were $5.5 billion in 2000 on bonds with a book value of $21.2 billion and were $10.7 billion in 2001 on bonds with a book value of $33.8 billion.

Estimates for 2002 include only premiums paid on buybacks through December 2001. Treasury has announced that future decisions about buyback operations will be part of the regular quarterly refunding announcements. Treasury has also said that there are likely to be periods in which they do not conduct buyback operations and other periods in which they do conduct such operations. The reason for classification as a means of financing is discussed in a section of chapter 25, "Budget System and Concepts and Glossary." (Discounts would be recorded in the same way, if interest rates were to rise above the rates at the time of sale.) [7]

The third major factor was created by the Federal Credit Reform Act of 1990. Budget outlays for direct loans and loan guarantees consist of the estimated subsidy cost of the loans or guarantees at the time when the direct loans or guaranteed loans are disbursed. The cash flows to and from the public resulting from these loans and guarantees are not costs to the Government except for those costs already included in budget outlays. Therefore, they are non-budgetary in nature and are recorded as transactions of the non-budgetary financing account for each credit program. [8] The net cash flows of the financing accounts, including intragovernmental transactions as well as transactions with the public, are called "net financing disbursements." They are defined in the same way as the "outlays" of a budgetary account and therefore affect the ability to repay debt held by the public, or the requirement for borrowing from the public, in the same way as the surplus or deficit.

The net financing disbursements are partly due to intragovernmental transactions with budgetary accounts (the receipt of subsidy payment and the receipt or payment of interest), and partly due to transactions with the public (disbursement and repayment of loans, receipt of interest and fees, payment of default claims, and so forth). The intragovernmental transactions do not affect Federal borrowing from the public. Although the surplus or deficit changes, the net financing disbursement changes in an equal amount with the opposite sign, so the effects cancel out on a net basis. On the other hand, financing account disbursements to the public increase the requirement for borrowing from the public in the same way as an increase in budget outlays that are disbursed to the public in cash. Financing account receipts from the public can be used to finance the payment of the Government's obligations, and therefore reduce the requirement for Federal borrowing from the public in the same way as an increase in budget receipts.

The impact of the financing accounts became large in the middle 1990s. By 2001 they required $23 billion of financing, and thus reduced the repayment of debt by this amount. They are estimated to require additional financing of $17 billion in 2002 and around $10 billion in each of the following few years. A major part is normally due to the direct student loan program. Since direct loans require cash disbursements equal to the full amount of the loans when the loans are made, Federal borrowing requirements are initially increased. Later, when the loans are repaid, Federal borrowing requirements will decrease.

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 2001. In 2001, for example, the total trust fund surplus was $228 billion, and Government accounts invested $231 billion in Federal securities. The difference is mainly because some revolving funds and special funds also hold Federal debt. In addition, the trust funds may change the amount of their cash assets not currently invested. A new reason, starting in 2002, is that the National Railroad Retirement Investment Trust will be invested largely in private securities. The amounts of debt held in major accounts and the annual investments are shown in table 13–4.

Agency Debt

Several Federal agencies, shown in table 13–3, sell debt securities to the public and at times in the past have sold securities to other Government accounts. Dur-

---

[6] The budget treatment of this fund is further discussed in chapter 25, "Budget System and Concepts and Glossary."

[7] For a detailed explanation, see "Budget System and Concepts and Glossary," chapter 24 in *Analytical Perspectives, Budget of the United States Government, Fiscal Year 2001*, pages 457–58.

[8] The Federal Credit Reform Act of 1990 (sec. 505(b)) requires that the financing accounts be non-budgetary. As explained in chapter 20, "Off-Budget Federal Entities and Non-Budgetary Activities," they are non-budgetary in concept because they do not measure cost. For additional discussion of credit reform, see chapter 25 of this volume, "Budget System and Concepts and Glossary," and the other references cited in chapter 20.

ing 2001, agencies repaid $0.6 billion to the public. Agency debt is only one percent of Federal debt held by the public. Agency borrowing and repayment of debt is estimated to remain small in 2002 and 2003.

The reasons for issuing agency debt differ considerably from one agency to another. The predominant agency borrower is the Tennessee Valley Authority, which had borrowed $25 billion from the public as of the end of 2001, or 94 percent of the total debt of all agencies. TVA sells debt primarily to finance capital expenditures.

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 debentures are therefore classified as agency debt. The borrowing by FHA and a few other agencies that have engaged in similar transactions is thus inherent in the way that their programs operate.[9]

Some types of lease-purchase contracts are equivalent to direct Federal construction financed by Federal borrowing. A number of years ago, the Federal Government guaranteed the debt used to finance the construction of buildings for the National Archives and the Architect of the Capitol, and has subsequently 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 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 without substantial private 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 according to an amortization schedule by a portion of the annual lease payments. This rule was effective starting in 1991.[10] The new budgetary treatment was reviewed in connection with the Balanced Budget Act of 1997. Some clarifications were made, but there were no substantive changes from previous practice.

The Tennessee Valley Authority recently signed a contract to outlease and lease-back some newly constructed power plants from private investors. The Office of Management and Budget has determined that the arrangement is a "lease-purchase without substantial

[9] The debt securities of the FSLIC Resolution fund 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.

[10] The rule addressed all lease-purchases and capital leases from the public, not just those without substantial private risk. For all such contracts, the rule required that budget authority be recorded up front for the present value of the lease payments. See OMB Circular No. A–11, Appendix B. Also see the section on "outlays" in chapter 25, "Budget System and Concepts and Glossary."

Table 13–3. AGENCY DEBT

(In millions of dollars)

	Borrowing or repayment (–) of debt			Debt end of 2003 estimate
	2001 Actual	2002 Estimate	2003 Estimate	
Borrowing from the public:				
Housing and Urban Development:				
Federal Housing Administration	5	....	....	231
Small Business Administration:				
Participation certificates: Section 505 development company	....	....	....	7
Architect of the Capitol	–2	–3	–2	166
Farm Credit System Financial Assistance Corporation	....	....	–450	325
Federal Communications Commission	....	....	....	125
Federal Deposit Insurance Corporation:				
FSLIC Resolution Fund	....	–63	....	....
National Archives	–6	–7	–7	251
Tennessee Valley Authority:				
Bonds and Notes	–607	–56	–252	25,073
Lease obligations	....	296	–9	287
Total, borrowing from the public	–610	167	–720	26,465
Borrowing from other funds:				
Postal Service Fund[1]	–51	....	....	....
Total, borrowing from other funds	**–51**	....	....	....
Total, agency borrowing	**–661**	**167**	–720	**26,465**

[1] The Postal Service debt held by other funds is the result of the FFB swapping Postal Service securities with the Civil Service Retirement and Disability trust fund during 1996 in exchange for Treasury securities having an equal present value. See the narrative for further explanation.

private risk," and therefore the budget records outlays and budget authority in 2002. Agency debt in the form of a lease obligation is recorded as the means of financing this outlay. The amount of the lease obligation is shown in table 13–3 separately from TVA bonds and notes. The obligation is $296 million at the end of 2002 and declines steadily as it is amortized.

The amount of agency securities sold to the public has been reduced by borrowing from the Federal Financing Bank (FFB). The FFB is an entity within the Treasury Department, one of whose purposes is to substitute Treasury borrowing for agency borrowing from the public. It has the authority to purchase agency debt and finance these purchases by borrowing from the Treasury. Agency borrowing from the FFB is not included in gross Federal debt. It would be double counting to add together (a) the agency borrowing from the FFB and (b) the Treasury borrowing from the public that was needed to provide the FFB with the funds to lend to the agencies.

The debt of the agencies that borrow from the FFB is not subject to the statutory debt limitation. This enabled Treasury to raise additional cash to avoid default during the dispute with Congress over the budget and the debt limit six years ago. In February 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. These securities have been redeemed, the last amount—$51 million of Postal Service securities—in 2001. The securities are shown in table 13–3 as amounts that agencies borrowed from other funds and in table 13–4 as agency debt held by Government accounts. [11]

Debt Held by Government Accounts

Trust funds, and some special funds and public enterprise revolving funds, accumulate cash in excess of current requirements in order to meet future obligations. These cash surpluses are invested in Treasury debt.

Investment by trust funds and other Government accounts has risen greatly over the past two decades. It was $231 billion in 2001, as shown in table 13–4, and is estimated to be $296 billion in 2003. The holdings of Federal securities by Government accounts are estimated to grow to $2,956 billion by the end of 2003, or 45 percent of the gross Federal debt. This percentage is estimated to rise further in the following years, as the budget surpluses reduce the debt held by the public and as the trust funds and several major Federal funds continue to accumulate surpluses. By 2007, debt held by Government accounts is estimated to be 57 percent of the gross Federal debt.

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 $497 billion during 2001–03, which is 68 percent of the total estimated investment by Government accounts. The two medicare trust funds hospital insurance and supplementary medical insurance—account for another 13 percent of the total estimated investment.

Apart from these four large funds, the largest investment is by the Federal employee retirement and disability trust funds. The principal trust fund for Federal civilian employees is the civil service retirement and disability trust fund, which accounts for 14 percent of the total investment by Government accounts during 2001–03. The military retirement trust fund accounts for 2 percent. Altogether, social security, medicare, and these two retirement funds account for 97 percent of the investment by all Government accounts during this period. At the end of 2003, they are estimated to own 88 percent of the total debt held by Government accounts.

[11] For further discussion of the debt limit dispute and the swap of securities between the FFB and CSRDF, see *Analytical Perspectives, Budget of the United States Government, Fiscal Year 1998*, pages 222 and 225.

Table 13–4. DEBT HELD BY GOVERNMENT ACCOUNTS [1]

(In millions of dollars)

Description	Investment or disinvestment (–)			Holdings end of 2003 estimate
	2001 Actual	2002 Estimate	2003 Estimate	
Investment in Treasury debt:				
Defense-Military:				
Uniformed Services Retiree Health Care Fund	....	....	18,982	18,982
Energy:				
Nuclear waste disposal fund	1,737	448	....	11,420
Uranium enrichment decontamination fund	393	486	573	3,615
Health and Human Services:				
Federal hospital insurance trust fund	28,278	35,355	38,825	271,317
Federal supplementary medical insurance trust fund	–3,097	–2,036	–1,077	38,865
Vaccine Injury compensation fund	51	65	100	1,793
Housing and Urban Development:				
Federal Housing Administration mutual mortgage fund	23	7,000	4,500	28,782
Other HUD	386	262	273	7,117
Interior: Abandoned Mine Reclamation fund	19	117	146	2,129
Labor:				
Unemployment trust fund	2,239	–12,109	–3,313	73,216
Pension Benefit Guaranty Corporation	1,076	1,318	1,370	14,263
State: Foreign Service retirement and disability trust fund	534	542	551	12,285
Transportation:				
Highway trust fund	–6,908	132	–2,012	22,235
Airport and airway trust fund	563	–893	274	13,041
Oil spill liability trust fund	–71	–88	–115	925
Aquatic resources trust fund	112	–24	26	1,306
Treasury: Exchange stabilization fund	–1,015	17	....	10,031
Veterans Affairs:				
National service life insurance trust fund	–166	–233	–307	11,099
Other trust funds	40	29	16	1,925
Federal funds	–18	–17	–19	490
Defense-Civil:				
Military retirement trust fund	7,630	3,162	6,767	166,907
Harbor maintenance trust fund	134	66	–38	1,833
Environmental Protection Agency:				
Hazardous substance trust fund	–496	–375	–420	2,835
Leaking underground storage tank trust fund	35	279	223	2,206
International Assistance Programs:				
Overseas Private Investment Corporation	223	251	228	3,829
Office of Personnel Management:				
Civil Service retirement and disability trust fund [3]	30,622	30,354	40,871	613,833
Employees life insurance fund	1,317	2,546	1,056	27,292
Employees health benefits fund [4]	662	642	11,798	19,091
Social Security Administration:				
Federal old-age and survivors insurance trust fund [2]	140,594	140,336	157,507	1,331,957
Federal disability insurance trust fund [2]	22,134	17,211	19,628	172,681
Farm Credit System Insurance Corporation:				
Farm Credit System Insurance fund	79	102	111	1,813
Federal Deposit Insurance Corporation:				
Bank Insurance fund	1,352	–1,363	....	29,314
FSLIC Resolution fund	142	320	....	2,970
Savings Association Insurance fund	–93	333	....	10,987
National Credit Union Administration: Share insurance fund	197	373	405	5,321
Postal Service fund [2]	172	–415	....	843
Railroad Retirement Board trust funds [1]	1,818	–14,746	–615	4,959
Other Federal funds	315	362	–90	7,388
Other trust funds	35	–473	–224	6,565
Unrealized discount [1]	372	....	....	–1,858
Total, investment in Treasury debt [1]	**231,421**	**209,336**	**296,000**	**2,955,602**
Investment in agency debt:				
Office of Personnel Management:				
Civil Service retirement and disability trust fund [3]	–51	....	....	....
Total, investment in agency debt	**–51**	....	....	....
Total, investment in Federal debt [1]	**231,370**	**209,336**	**296,000**	**2,955,602**

Table 13–4. DEBT HELD BY GOVERNMENT ACCOUNTS [1]—Continued

(In millions of dollars)

Description	Investment or disinvestment (–)			Holdings end of 2003 estimate
	2001 Actual	2002 Estimate	2003 Estimate	
MEMORANDUM				
Investment by Federal funds (on-budget) [4]	4,815	10,007	38,277	177,542
Investment by Federal funds (off-budget)	172	–415	....	843
Investment by trust funds (on-budget) [4]	63,282	42,195	80,588	1,274,437
Investment by trust funds (off-budget)	162,729	157,548	177,135	1,504,638
Unrealized discount [1]	372	....	....	–1,858

[1] Debt held by Government accounts is measured at face value except for the Treasury zero-coupon bonds held by the Nuclear Waste Disposal fund and the Railroad Retirement Board (Rail Industry Pension Fund), which are recorded at market or redemption price; and the unrealized discount on Government account series, which is not distributed by account. Changes are not estimated in the unrealized discount. If recorded at face value, the debt held by the Nuclear Waste Disposal fund would be $11.0 billion higher than recorded in this table at the end of 2001 and the debt held by the Railroad Retirement Board would be $6.5 billion higher.

[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 agency securities having an equal present value.The result is shown in this table as an "investment in agency debt" by CSRDF.

[4] The Employees Health Benefits Fund is proposed to be reclassified from a trust fund to a special fund as of 2003 The transfer of Federal securities from one group of funds to another group is not treated as a disinvestment by the trust fund group or an investment by the Federal funds group.

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 were traditionally recorded at par in the OMB and Treasury reports on Federal debt. However, there are two kinds of exceptions. First, in 1991, Treasury began to issue zero-coupon bonds to a very few Government accounts. Because the purchase price is a small fraction of par value and the amounts are large, the holdings are recorded in table 13–4 at par value less unamortized discount. The only two Government accounts that currently hold zero-coupon bonds are the Nuclear Waste Disposal fund in the Department of Energy and the Rail Industry Pension fund under the Railroad Retirement Board. The total unamortized discount of these zero-coupon bonds was –$16.6 billion at the end of 2001.

Second, in September 1993 Treasury 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 zero-coupon bonds or for any debt held by the public, the unrealized discount is the discount at the time of issue and is not amortized over the term of the security. In table 13–4 it is shown as a separate item at the end of the table and not distributed by account. The amount was –$1.9 billion at the end of 2001.

Limitations on Federal Debt

Definition of debt subject to limit.—Statutory limitations have usually 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. This last 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 middle part of table 13–2 compares total Treasury debt with the amount of Federal debt that is subject to the limit. Most of the Treasury debt not subject to limit was issued by the FFB (Federal Financing Bank). The FFB 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 $231 million at the end of 2001. 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.

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 measurement differs between gross Federal debt (and its components) and the statutory definition of debt subject to limit. An adjustment is needed to derive debt subject to limit (as defined by law) from Treasury debt, and this adjustment is defined in footnote 9 to table 13–2. The amount is relatively small: $4.9 billion at the end of 2001 compared to the total unamortized discount (less premium) of $64.2 billion on all Treasury securities.

Changes in the debt limit.—The statutory debt limit has been changed many times. Since 1960, Congress has passed 68 separate acts to raise the limit, extend the duration of a temporary increase, or revise the definition. For a long period up to mid-1990, the debt limit was also changed frequently. Since then, however, the debt limit has been increased three times by amounts large enough to last for two years or more. These large increases were all part of major deficit reduction packages. [12]

Major increases in the debt limit were enacted as part of the deficit reduction packages in the Omnibus Budget Reconciliation Acts of 1990 and 1993. Both changes in law were preceded by one or more temporary increases in the limit before agreement was reached on the debt and the deficit reduction measures together. Both increases in the debt limit were large enough to last over two years without a further change in law, the longest times without an increase since the period from 1946 to 1954.

The debt again approached the limit in 1995, and the limit again became part of the larger issue of deficit reduction. During an extended period of dispute between the President and the Congress, the Treasury Department took a number of administrative actions to keep within the limit and the Congress passed two acts providing temporary exemptions from the limit. In March 1996, although agreement had not been reached on deficit reduction, Congress passed an act that increased the debt limit from $4,900 billion to $5,500 billion.

During 1997, unlike 1996, the President and the Congress reached agreement on a plan to balance the budget. This included a sufficient increase in the debt limit to accommodate Government finances for longer than possible under the limit enacted in the previous year, even though the amount of debt at that time was considerably under the limit. As a result, the Balanced Budget Act of 1997, which the President signed into law on August 5, 1997, increased the debt limit to $5,950 billion.

This limit has now been in effect for over four years. As tables 13–2 and 13–5 show, however, the estimated debt subject to limit at the end of this year will be $6,099, much higher than allowed by current law. An increase in the debt limit will be needed during this fiscal year to permit the Federal Government to meet its obligations—to borrow the additional cash that is needed to pay bills as they come due, and to invest the surpluses of trust funds and other Government accounts in Treasury securities as generally required by law.

[12] The Acts and the statutory limits since 1940 are enumerated in *Historical Tables, Budget of the United States Government,* table 7.3.

Table 13–5. FEDERAL FUNDS FINANCING AND CHANGE IN DEBT SUBJECT TO STATUTORY LIMIT

(In billions of dollars)

Description	2000 Actual	Estimate 2002	2003	2004	2005	2006	2007
Federal funds surplus or deficit (–)	–101.3	–318.8	–337.5	–303.3	–253.5	–234.8	–224.9
Means of financing other then borrowing:							
Premiums paid (–) on buybacks of Treasury securities [1]	–10.7	–2.8	....	....	....	....	....
Net purchases (–) of non-Federal securities by the National Railroad Retirement Investment Trust	....	–15.4	–0.9	–*	*	0.2	0.3
Change in: [2]							
Treasury operating cash balances	8.4	–15.8	....	–5.0	....	....	–5.0
Checks outstanding, deposit funds, etc [3]	–10.3	11.5	–0.9	....	....	....	....
Seignorage on coins	1.3	0.9	1.1	1.2	1.2	1.2	1.2
Less: Net financing disbursements:							
Direct loan financing accounts	–19.1	–15.3	–15.4	–14.5	–14.7	–14.9	–14.7
Guaranteed loan financing accounts	–4.2	–1.6	3.0	2.8	4.3	5.0	5.4
Total, means of financing other than borrowing	**–34.6**	**–38.5**	**–13.0**	**–15.6**	**–9.2**	**–8.5**	**–12.9**
Decrease or increase (–) in Federal debt held by Federal funds	–5.0	–9.6	–38.3	–47.7	–51.7	–55.6	–59.8
Increase or decrease (–) in Federal debt not subject to limit	–0.7	0.2	–0.7	–0.8	–1.1	–0.7	–0.8
Total, requirement for Federal funds borrowing subject to debt limit	**141.5**	**366.7**	**389.5**	**367.4**	**315.5**	**299.6**	**298.3**
Adjustment for change in discount and premium [4]	–0.4	....	....	....	....	....	....
Increase in debt subject to limit	**141.2**	**366.7**	**389.5**	**367.4**	**315.5**	**299.6**	**298.3**
ADDENDUM							
Debt subject to statutory limit [5]	5,732.8	6,099.5	6,489.0	6,856.4	7,171.9	7,471.5	7,769.8

* $50 million or less.

[1] Includes only premiums paid on buybacks through December 2001. Estimates are not made for subsequent buybacks.

[2] A decrease in the Treasury operating cash balances (which is an asset) would be a means of financing the deficit and therefore has a positive sign. An Increase in checks outstanding or deposit fund balances (which are liabilities) would also be a means of financing the deficit and would therefore also have a positive sign.

[3] Besides checks outstanding and deposit funds, 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 the sale of gold.

[4] 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.

[5] The statutory debt limit is $5,950 billion.

Federal funds financing and the change in debt subject to limit.—The change in debt held by the public, as shown in table 13–2, is determined primarily by the total Government deficit or surplus. The debt subject to limit, however, includes not only debt held by the public but also debt held by Government accounts. The change in debt subject to limit is therefore determined both by the factors that determine the total Government deficit or surplus and by the factors that determine the change in debt held by Government accounts.

The budget is composed of two groups of funds, Federal funds and trust funds. The Federal funds, in the main, are derived from tax receipts and borrowing and are used for the general purposes of the Government. The trust funds, on the other hand, are financed by taxes or other collections earmarked by law for specified purposes, such as paying social security benefits or making grants to State governments for highway construction. [13]

A Federal funds deficit must generally be financed by borrowing, which can be done either by selling securities to the public or by issuing securities to Government accounts that are not within the Federal funds group. Federal funds borrowing consists almost entirely of Treasury securities that are subject to the statutory debt limit. Very little debt subject to statutory limit has been issued in past years for reasons other than financing the Federal funds deficit. The change in debt subject to limit is therefore determined primarily by the Federal funds deficit, which is equal to the difference between the total Government surplus and the trust fund surplus. Trust fund surpluses are almost entirely invested in securities subject to the debt limit, and trust funds hold most of the debt held by Government accounts.

Table 13–5 derives the change in debt subject to limit. In 2001 the Federal funds deficit was $101 billion, and other factors increased the requirement to borrow subject to limit by $40 billion. The largest of these other factors ($19 billion) was the net financing disbursements of the direct loan financing accounts. As explained in an earlier section, they are excluded from the budget by law because they are not a cost to the Government, but they have to be financed and in most years they are sizable. The next largest single factor was the premiums paid on buybacks of Treasury securities ($11 billion). As a net result of all these factors, debt subject to limit *increased* by $141 billion, while debt held by the public *decreased* by $90 billion.

The debt subject to limit is estimated to increase to $6,099 billion by the end of 2002, which is much more than the present statutory limit of $5,950 billion. This is led by a sharp rise in the Federal funds deficit, supplemented by the other factors shown in table 13–5 including especially the net financing disbursements of the direct loan financing accounts, an increase in the end-of-year operating cash balance to the desired level, and the purchase of non-Federal securities by the National Railroad Retirement Investment Trust. During subsequent years the Federal funds continue to have large deficits, even after the budget returns to surplus, and other factors add to the requirement to borrow subject to the debt limit. Investment by special funds and revolving funds, especially the new special funds for retirement benefits, is the largest one of the other factors, although it has a much smaller effect than the Federal funds deficit. As a result, while debt held by the public increases by $59 billion during 2002–07, debt subject to limit increases by $2,037 billion.

Debt Held by Foreign Residents

During most of American history, the Federal debt was held almost entirely by individuals and institutions within the United States. In the late 1960s, as shown in table 13–6, foreign holdings were just over $10.0 billion, less than 5 percent of the total Federal debt held by the public.

Foreign holdings began to grow significantly starting in 1970. This increase has been almost entirely due to decisions by foreign central banks, corporations, and individuals, rather than the direct marketing of these securities to foreign residents. At the end of fiscal year 2001 foreign holdings of Treasury debt were $1,170 billion, which was 35 percent of the total debt held by the public. [14] Foreign central banks owned 49 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 Federal debt held by foreign residents grew greatly over this period, the proportion that foreign residents own, after growing abruptly in the very early 1970s, did not change much again until the mid-1990s. During 1995–97, however, foreign holdings increased on average by around $200 billion each year, considerably more than total Federal borrowing from the public. [15] As a result, the Federal debt held by individuals and institutions within the United States decreased in absolute amount during those years, despite further Federal borrowing, and the percentage of Federal debt held by foreign residents grew from 19 percent at the end of 1994 to 32 percent at the end of 1997. Since then, the changes in foreign debt holdings have been relatively moderate. Although the net effect has been to reduce foreign holdings, the percentage held by foreign residents has increased to 35 percent because of the decrease in total debt held by the public.

Foreign holdings of Federal debt are around 13–15 percent of the foreign-owned assets in the United States, depending on the method of measuring the total

[13] For further discussion of the trust funds and Federal funds groups, see chapter 16, “Trust Funds and Federal Funds.”

[14] The amounts of debt reported by the Bureau of Economic Analysis, Department of Commerce, are different, but similar in size, due to a different method of valuing the securities.

[15] Table 13–6 shows foreign holdings increasing by only $144.6 billion in 1995. However, as explained in footnote 5 to that table, a benchmark revision reduced the estimated holdings as of December 1994 (by $47.9 billion). Because debt estimates were not revised retroactively, the increase in 1995 was more than the table shows. Before the benchmark revision, the increase was estimated to be $192.6 billion.

Table 13–6. FOREIGN HOLDINGS OF FEDERAL DEBT

(Dollar amounts in billions)

Fiscal year	Debt held by the public			Borrowing from the public	
	Total	Foreign [1]	Percentage foreign	Total [2]	Foreign [1]
1965	260.8	12.3	4.7	3.9	0.3
1966	263.7	11.6	4.4	2.9	–0.7
1967	266.6	11.4	4.3	2.9	–0.2
1968	289.5	10.7	3.7	22.9	–0.7
1969	278.1	10.3	3.7	–11.4	–0.4
1970	283.2	14.0	5.0	5.1	3.8
1971	303.0	31.8	10.5	19.8	17.8
1972	322.4	49.2	15.2	19.3	17.3
1973	340.9	59.4	17.4	18.5	10.3
1974	343.7	56.8	16.5	2.8	–2.6
1975	394.7	66.0	16.7	51.0	9.2
1976	477.4	69.8	14.6	82.7	3.8
TQ	495.5	74.6	15.1	18.1	4.9
1977	549.1	95.5	17.4	53.6	20.9
1978	607.1	121.0	19.9	58.0	25.4
1979 [3]	640.3	120.3	18.8	33.2	–0.7
1980	711.9	121.7	17.1	71.6	1.4
1981	789.4	130.7	16.6	77.5	9.0
1982	924.6	140.6	15.2	135.2	9.9
1983	1,137.3	160.1	14.1	212.7	19.5
1984	1,307.0	175.5	13.4	169.7	15.4
1985 [3]	1,507.4	222.9	14.8	200.3	47.4
1986	1,740.8	265.5	15.3	233.4	42.7
1987	1,889.9	279.5	14.8	149.2	14.0
1988	2,051.8	345.9	16.9	161.9	66.4
1989	2,191.0	394.9	18.0	139.1	49.0
1990 [3]	2,411.8	440.3	18.3	220.9	45.4
1991	2,689.3	477.3	17.7	277.5	37.0
1992	3,000.1	535.2	17.8	310.8	57.9
1993	3,248.8	591.3	18.2	248.7	56.1
1994	3,433.4	655.8	19.1	184.7	64.5
1995 [3]	3,604.8	800.4	22.2	171.3	144.6
1996	3,734.5	978.1	26.2	129.7	177.7
1997	3,772.8	1,218.2	32.3	38.3	240.0
1998	3,721.6	1,216.9	32.7	–51.2	–1.2
1999 [3]	3,632.9	1,281.4	35.3	–88.7	64.5
2000	3,410.1	1,224.9	35.9	–222.8	–56.5
2001	3,320.0	1,170.0	35.2	–90.1	–55.0

[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 recorded by methods that are not fully comparable with the data on debt held by the public. Projections of foreign holdings 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] Benchmark revisions reduced the estimated foreign holdings of the Federal debt as of December 1978; increased the estimated foreign holdings as of December 1984 and December 1989; and reduced the estimated holdings as of December 1994. 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, 1989, and 1995 reflects the benchmark revision as well as the net purchase of Federal debt securities. A conceptual revision increased the estimated foreign holdings as of 1999, and the "borrowing" from foreign residents in 1999 reflects this revision as well as the net purchases of Federal debt securities.

assets. 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, and thus affects the market for Federal debt. For example, the capital inflow includes deposits in U.S. financial intermediaries that themselves buy Federal debt.

Federal, Federally Guaranteed, and Other 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. The Government guarantees borrowing by private and other non-Federal lenders, which is another term for guaranteed lending. In addition to its guarantees, it has established private corporations called "Government-sponsored enterprises," or GSEs, to provide financial intermediation for specified public purposes; it 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 programs and other forms of assistance are discussed in chapter 9, “Credit and Insurance.” Detailed data are presented in tables at the end of that chapter. Tables 9–11 and 9–12 summarize GSE borrowing and lending.

BUDGET ENFORCEMENT ACT PREVIEW REPORT

14. PREVIEW REPORT

The Budget Enforcement Act of 1990 (BEA) was enacted as part of the Omnibus Budget Reconciliation Act of 1990. The BEA established, through 1995, annual limits, or "caps," on discretionary spending, and a pay-as-you-go (PAYGO) requirement that legislation affecting direct spending or receipts not result in a net cost. An across-the-board reduction of non-exempt spending, known as "sequestration," enforces compliance with these constraints. The BEA has been extended several times, most recently by the Balanced Budget Act of 1997 (BBA), which extended the caps and PAYGO requirements through 2002. While the overall spending caps have expired, category caps still exist for transportation and environmental conservation activities. This report includes a presentation of those category limits in FY 2003, though it does not propose new overall discretionary caps beyond FY 2002.

The BEA requires that OMB issue a report on the impact of each piece of enacted legislation that affects spending or receipts. It requires three additional reports throughout the year on the overall status of discretionary and PAYGO legislation. This Preview Report, the first of the three BEA-required status reports, provides the status of discretionary appropriations and PAYGO legislation based on laws enacted as of the end of the first session of the 107th Congress. In addition, it explains the differences between the OMB and Congressional Budget Office (CBO) estimates of the remaining subcategory discretionary caps.

OMB estimates use the economic and technical assumptions underlying the President's FY 2003 Budget submission, as required by the BEA. The remaining two BEA-required status reports, the 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 same 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.

I. THE PRESIDENT'S BUDGET PROPOSALS

In the first session of the 107th Congress, the President proposed and the Congress chose to enact 2002 appropriations well above the discretionary spending levels originally set by the BEA. Although the 1997 statutory spending limits provided an effective incentive to slow the growth of government spending during a time of deficits, the growth in discretionary spending with the arrival of budget surpluses in 1998 made these caps unrealistic. The Administration will work with the Congress during the next session to develop budget enforcement mechanisms, including future discretionary spending limits and a PAYGO requirement for entitlement spending and tax legislation that are consistent with the needs of the country.

Budget Process Reform

The 2003 budget is being proposed during a time when our Armed Forces are fighting the War on Terrorism abroad and increased funding is needed to prevent future terrorist attacks at home; the economy is suffering the effects of the slowdown that was worsened by the terrorist attacks on September 11, 2001; budget surpluses for the short term have disappeared; and the general purpose discretionary caps and PAYGO requirements of BEA no longer apply. From the perspective of developing a 2003 budget, these are waters that have not been charted for many years, and prudent action will be required to avoid years of excess spending and deficits. A number of process reforms would enhance the Nation's ability to meet these challenges in a fiscally responsible manner.

A Joint Budget Resolution, Discretionary Caps, and PAYGO

The Budget Enforcement Act's mechanisms for limiting discretionary spending and for constraining expansions in mandatory programs and reductions in tax receipts expire at the end of 2002, for most programs. The President's 2003 budget provides the funding necessary to win the War on Terrorism, stimulate the economy, and meet the Nation's ongoing public requirements.

The Administration proposes a joint budget resolution to give the budget resolution the force of law. A joint budget resolution would set the overall levels for discretionary spending, mandatory spending, receipts, and debt in a simple document that would have the force of law. Under the current process, the Congress annually adopts a "concurrent resolution," which does not require the President's signature and does not have the force of law.

A joint budget resolution could be enforced by sequesters requiring automatic across-the-board cuts by category to offset any excess spending, similar to the BEA. It would bring the President into the process at an early stage, require the President and the Congress to reach agreement on overall fiscal policy before individual tax and spending bills are enacted, and avoid the “train wrecks” at the end of the year that frequently occur under the current process.

Alternatively, enforcement could involve extension of the BEA enforcement mechanisms. If the BEA is extended, the Administration would support discretionary caps that are consistent with the discretionary levels proposed in the 2003 budget and PAYGO requirements that would carry out the 2003 budget’s proposals for mandatory spending and receipts.

Reserve for Fully Accruing Federal Employees Retirement

The President’s 2003 Budget corrects a long-standing understatement of the true cost of literally thousands of government programs. For some time, the accruing charge of the Federal Employee retirement system (FERS) and military retirement system (MRS) costs and a portion of the old Civil Service retirement system (CSRS) costs has been properly allocated to the affected salary and expense accounts, but the remainder (a portion of CSRS, other small retirement systems, and all civilian and military retiree health benefits) has been charged to central accounts. The full cost of accruing benefits should be allocated to the affected salary and expense accounts, so that budget choices for program managers and budget decision makers are not distorted by inaccurate, understated cost information.

The Budget presents the amounts associated with shifting this cost from central accounts to affected program accounts, starting in 2003. The amounts associated with the proposal are shown on a comparable basis for program accounts in 2001 and 2002. Agencies will also, for the first time, be charged for the accruing cost of retiree health care benefits for all civilian employees. These are also shown on a comparable basis for 2001 and 2002. For military retirees health benefits, current law requires agencies to be charged for the accruing cost for over-age 64 military retirees, and the budget proposes to extend this to under-age 65 military retirees in 2004. These amounts are shown in the Budget, beginning in 2004.

The proposal does not increase or lower total budget outlays or alter the surplus/deficit since the higher payments will be offset by receipts in the pension and health funds. The shift will reduce reported costs from central mandatory accounts and increase reported costs in the affected discretionary accounts. Consequently, these costs will be properly reported in the budget for the first time and considered as an annual cost of managing these programs, as they should be.

The Administration will oppose any attempt to divert the additional funding from the intended purpose and instead use it to fund programmatic increases. Therefore, the Administration proposes that the additional funding be fenced or held in a reserve and only be made available to the committees of jurisdiction for the specific purpose of adjusting for the understatement of costs.

This change in treatment of costs is the first in a series of steps that will be taken to ensure that the full annual cost of resources used including support services, capital assets and hazardous waste is charged properly in the budget presentation.

Reviewing Mandatory Spending

While the budget currently classifies spending that is subject to the annual appropriations process as “discretionary” and spending that is provided through permanent law as “mandatory,” the Constitution makes clear that all funding is at the discretion of Congress and the President through their power to make law. The terms “discretionary” and “mandatory” describe the process by which Congress provides funding and not the necessity of the spending.

For example, the salaries and expenses for the President and the Vice President’s offices, the two highest offices in the land, are subject to the appropriations process and classified as “discretionary,” while funding for a few selected federal agencies’ administrative expenses is provided under permanent law and classified as “mandatory.”

Except for interest on the national debt, virtually all federal spending was subject to the annual appropriations process until the New Deal entitlement programs, including Social Security and agriculture subsidies, were created. Medicare and Medicaid, launched in the 1960s, lifted the share of mandatory spending to more than half of overall outlays by 1975. This year, sixty-four cents of every federal dollar will be not be subject to Congress’ discretion under the annual appropriations process.

Each time a program is added to the mandatory side of the budget, the Congress loses some of the flexibility necessary to respond to new priorities. During previous wars, when most of the budget was subject to the annual appropriations process, presidents had greater flexibility to adjust spending levels to meet the new demands of a war. Both Presidents Roosevelt and Truman reduced spending in other areas to meet the demands of World War II and the Korean War.

With such a large portion of the budget exempt from the annual appropriations process, the 107th Congress and the President do not have the same flexibility. They must meet the new demands of a new war against terrorism in the annual appropriations process with much more limited options.

Based on a review, the Office of Management and Budget identified a limited list of programs that Congress may want to put back under its annual review and control. This budget proposes to reclassify three of those programs. Several others that the Congress may wish to consider reclassifying are listed below. In total, these programs amount to only $8 billion, less than one percent of federal spending. If Congress shifted these or other programs from the mandatory to discretionary category, it would provide greater scrutiny and greater flexibility in meeting national needs.

Programs proposed to be reclassified from mandatory to discretionary in the President's 2003 Budget:

- Federal Direct Student Loan Fund Program, administrative expenses;
- Corps of Engineers, Power Marketing receipts, offset to discretionary spending; and
- FEMA Flood Insurance Premiums, offset to discretionary administrative expenses.

Administrative expenses classified as mandatory:

- Student loan subsidy for consolidation loan administration;
- Black Lung Disability Fund;
- Energy Employees Occupational Illness Compensation Fund;
- Pension Guaranty Benefit Corporation;
- Civil Service Retirement Disability Fund; and
- Social Security Administration, Benefits to Disabled Coal Miners.

Non-entitlement programs classified as mandatory:

- Maritime Administration Ocean Freight Differential;
- Vocational Rehabilitation Program;
- Child Care Entitlement to States; and
- Social Services Block Grant.

Limiting Use of Advance Appropriations

An advance appropriation becomes available one year or more beyond the year for which the appropriations act is passed. Budget authority is recorded in the year the funds become available, not in the year enacted. Too often, advance appropriations have been used to expand spending levels by shifting budget authority from the budget year into the subsequent year and then appropriating the BA freed up under the budget year discretionary cap to other programs. From 1993 to 1999, an average of $2.3 billion in discretionary budget authority was advance appropriated each year. In 1999, advance appropriations totaled $8.9 billion, an increase of $5.8 billion from the previous year. They increased to $23.4 billion in 2000 and have essentially remained at this level.

This budget practice distorts the debate over Government spending and misleads the public about spending levels in specific accounts. The 2002 Congressional Budget Resolution addressed this misuse of advance funding by capping advance appropriations at the amount advanced in the previous year. The Administration proposes that total advance appropriations continue to be capped in 2003. Accordingly, the 2003 budget freezes all advance appropriations, except for those that should be reduced or eliminated for programmatic reasons.

Line-Item Veto

A perennial criticism of the Federal Government is that the annual budget contains too many special interest spending items. The persistence of these special interest items erodes citizen confidence in Government.

Because appropriations bills must be enacted annually to fund the Government, they attract spending items that could not be enacted on their own. Particularly at the end of the congressional session, it is not uncommon for bills to move through the appropriations process quickly, often with little scrutiny. It is the rare Member who will challenge questionable spending for fear that provisions important to him or her will be challenged in return. The result of this logrolling is that the President is left with an all or nothing proposition. He must either sign the entire appropriations bill with special interest projects or veto the entire bill and invite a potential Government shutdown.

The President proposes that the Congress correct a constitutional flaw in the Line Item Veto Act enacted in 1996. From the Nation's founding, Presidents have exercised the authority to decline to spend appropriated sums. However, this authority was curtailed in 1974 when Congress passed the Impoundment Control Act, which restricted the President's authority to decline to spend appropriated sums. The Line Item Veto Act of 1996 attempted to give the President the authority to cancel spending authority and special interest tax breaks, but the U.S. Supreme Court found that law unconstitutional.

The President proposes a line-item veto linked to debt reduction. This proposal would give the President the authority to decline to spend new appropriations, to decline to approve new mandatory spending, or to decline to grant new limited tax benefits (to 100 or fewer beneficiaries) whenever the President determines the spending or tax benefits are not essential Government functions and will not harm the national interest. All savings from the line-item veto would be used for debt reduction.

Biennial Budgeting and Appropriations

Only twice in the last 50 years has the Congress enacted all 13 appropriation bills by the beginning of the fiscal year. According to the Congressional Budget Office, roughly one-third of domestic discretionary programs are operating under authorization statutes that have expired. Because Congress must enact 13 appropriations bills each year, it cannot devote the time necessary to provide oversight and resolve problems in other programs. The preoccupation with these annual appropriations bills frequently precludes review and action on the growing portion of the budget that is permanently funded under entitlement laws.

In contrast, a biennial budget would allow lawmakers to devote more time every other year to ensuring that taxpayers' money is spent wisely and efficiently. In addition, Government agencies would receive more stable funding, which would facilitate longer range planning and improved fiscal management. Under the President's proposal for a biennial budget, funding decisions would be made in non-election years to help de-politicize the process. Moreover, lawmakers could devote more time to finishing the appropriation bills on time because the next year would be free for other legislative business.

Government Shutdown Prevention

For 20 out of the past 21 years, Congress and the President have not finished their work by the October 1st deadline, the beginning of the new fiscal year. This past year, none of the 13 appropriations bills was enacted by the beginning of the year. When Congress and the President fail to gain enactment of all 13 appropriations bills, the Congress frequently funds the Government through "continuing resolutions" (CRs), which provide temporary funding authority for Government activities at current levels until the final appropriations bills are signed into law. This past year, for example, Congress had to enact 7 separate CRs to keep the Government operating.

Congress must pass a CR and it must be signed by the President to provide funding for agencies. Absent enactment of a CR, the Federal Government is shut down. In the 1980s and 1990s, the Government experienced shutdowns. Some Administrations used the threat of a Government shutdown to extract spending increases from the Congress. These annual, often cynical rituals were destructive of public confidence and reflected poorly on all parties to the debate.

Important Government functions should not be held hostage simply because Washington cannot cut through partisan strife to pass temporary funding bills. In the responsible process the President envisions, appropriations bills would pass on time as the law requires, but a back-up plan to avoid the threat of a Government shutdown is a good idea. Under the President's proposal, if an appropriations bill is not signed by October 1 of the new fiscal year, funding would be automatically provided at the lower of the President's Budget or the prior year's level. The President's proposal would remove incentives for the President or the congressional leadership to use the leverage of "shutting down Government" to achieve spending objectives or to attach extraneous measures they could not otherwise obtain through the normal appropriations process.

II. DISCRETIONARY SEQUESTRATION REPORT

Discretionary programs are funded annually through the appropriations process. The scorekeeping guidelines accompanying the BEA identify accounts with discretionary resources. The BEA limits, or caps, budget authority and outlays available for discretionary programs each year through 2002. For 2000, the BEA divided discretionary spending into two categories: violent crime reduction spending and all other discretionary spending. For 2001 and 2002, the BEA specified a single category for all discretionary spending. The Transportation Equity Act for the 21st Century (TEA–21) (P.L. 105–178) established two additional categories for highway and mass transit outlays for 1999 through 2003. The Interior and Related Agencies Appropriations Act, 2001, (P.L. 106–291) added a new category for conservation spending with limits on budget authority and outlays for 2002–2006. In addition to specifying overall limits for the conservation category, the Act also specifies levels of spending for six subcategories. While the limits for overall discretionary spending expired in 2002, the highway and mass transit categories continue through 2003, while the conservation category does not expire until 2006. This report examines how appropriations within the 2003 budget conform with the limits specified in the aforementioned categories.

OMB monitors compliance with the discretionary spending limits throughout the fiscal year. Appropriations that cause a breach in the budget authority or outlay limits trigger a sequester to eliminate that breach. The law does not require that Congress appropriate the full amount available under the discretionary limits, although it generally has appropriated at least the full amount. In recent years, the Congress and the Administration have used various means, such as emergency designations and advance appropriations, to circumvent the discretionary limits.

In 2002, for example, Division C, Section 101 of P.L. 107–117, the Department of Defense and Emergency Supplemental Appropriations for Recovery from and Response to Terrorist Attacks on the United States, 2002, legislated an upward adjustment of $134.5 billion in budget authority and $132.8 billion in outlays to the other discretionary category to make room for increased spending above the original statutory limits. The Act also included a special BA adjustment allowance of up to 0.12 percent of total appropriations.

Table 1 summarizes changes to the caps since 1990 and includes the limits established by for highways, mass transit, and conservation spending. It also includes the revised other discretionary limit for 2002 established in P.L. 107–117.

Table 14–1. HISTORICAL SUMMARY OF CHANGES TO DISCRETIONARY SPENDING LIMITS

(In billions of dollars)

		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
TOTAL DISCRETIONARY														
Statutory Caps as set in OBRA 1990, OBRA 1993, 1997 Bipartisan Budget Agreement, and TEA–21	**BA**	**491.7**	**503.4**	**511.5**	**510.8**	**517.7**	**519.1**	**528.1**	**530.6**	**533.0**	**537.2**	**542.0**	**551.1**	....
	OL	**514.4**	**524.9**	**534.0**	**534.8**	**540.8**	**547.3**	**547.3**	**547.9**	**559.3**	**564.3**	**564.4**	**560.8**	**34.6**
Adjustment to 1998 OBRA limits to reach discretionary spending limits included in the 1997 Bipartisan Budget Agreement	BA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	–6.9	N/A	N/A	N/A	N/A	N/A
	OL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	6.8	N/A	N/A	N/A	N/A	N/A
Adjustments for changes in concepts and definitions	BA	....	7.7	8.2	8.2	8.8	–0.6	–0.4	3.1	–0.2	2.8	–0.1	–3.3	N/A
	OL	....	1.0	2.4	2.3	3.0	–0.5	–2.6	–2.8	–0.3	0.1	–0.1	–3.3	N/A
Adjustments for changes in inflation	BA	....	–0.5	–5.1	–9.5	–11.8	3.0	2.6	0.0	N/A	N/A	N/A	N/A	N/A
	OL	....	–0.3	–2.5	–5.8	–8.8	1.8	2.3	0.9	N/A	N/A	N/A	N/A	N/A
Adjustments for credit reestimates, IRS funding, debt forgiveness, Arrearages, EITC, IMF, and CDRs	BA	0.2	0.2	13.0	0.6	0.7	0.1	0.2	1.0	19.4	1.0	0.6	0.6	N/A
	OL	0.3	0.3	0.8	0.8	0.9	0.1	0.3	0.6	1.1	0.7	1.2	0.8	N/A
Adjustments for emergency requirements	BA	0.9	8.3	4.6	12.2	7.7	5.1	9.3	5.7	31.9	43.6	20.0	22.2	N/A
	OL	1.1	1.8	5.4	9.0	10.1	6.4	8.1	7.0	22.9	35.8	20.5	31.7	N/A
Adjustment pursuant to Sec. 2003 of P.L. 104–19 [1]	BA	....	....	....	....	–15.0	–0.1	–0.1	....	N/A	N/A	N/A	N/A	N/A
	OL	....	....	....	....	–1.1	–3.5	–2.4	–1.5	N/A	N/A	N/A	N/A	N/A
Adjustments for special allowances:														
Discretionary new budget authority	BA	....	3.5	2.9	2.9	2.9	....	....	....	N/A	N/A	3.2	0.3	N/A
	OL	....	1.4	2.2	2.6	2.7	1.1	0.5	0.1	N/A	N/A	N/A	N/A	N/A
Outlay allowance	BA	....	....	....	....	....	....	....	....	....	....	....	....	N/A
	OL	2.6	1.7	0.5	1.0	....	....	....	1.2	....	0.8	2.4	....	N/A
Subtotal, adjustments excluding Desert Shield/Desert Storm	BA	1.1	19.3	23.6	14.3	–6.7	7.5	11.6	2.9	51.1	47.4	23.7	19.8	N/A
	OL	3.9	5.9	8.8	10.0	6.8	5.4	6.3	12.3	23.7	37.3	24.0	29.2	N/A
Adjustments for Operation Desert Shield/Desert Storm	BA	44.2	14.0	0.6	*	*	....	....	....	N/A	N/A	N/A	N/A	N/A
	OL	33.3	14.9	7.6	2.8	1.1	....	....	....	N/A	N/A	N/A	N/A	N/A
Rounding Adjustment	BA	N/A	N/A	N/A	N/A	N/A	N/A	....	....	....	1.1	0.0	....	....
	OL	N/A	N/A	N/A	N/A	N/A	N/A	....	....	....	....	....	....	....
TEA–21 Adjustment (Net) [2]	BA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	–0.9	–0.9	–0.9	–0.9	N/A
	OL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.1	2.6	5.2	7.1	–1.0
Adjustment to reach spending limits mandated in P.L. 106–429 [3]	BA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	95.9	N/A	N/A
	OL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	58.6	N/A	N/A
Adjustment to reach spending limits mandated in P.L. 107–117 [4]	BA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	134.5	N/A
	OL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	133.1	N/A
Adjustment for conservation limits established by P.L. 106–291 [5]	BA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.8	1.9
	OL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.2	1.9
Total adjustments	BA	45.3	33.2	24.2	14.3	–6.7	7.5	11.6	2.9	50.2	47.6	118.8	155.2	1.9
	OL	37.2	20.8	16.4	12.8	7.9	5.4	6.3	12.3	24.9	40.0	87.8	170.5	0.9
Preview Report spending limits [6]	**BA**	**537.0**	**536.6**	**535.7**	**525.1**	**511.0**	**526.6**	**539.7**	**533.5**	**583.2**	**584.8**	**660.8**	**706.3**	**1.9**
	OL	**551.6**	**545.7**	**550.4**	**547.6**	**548.7**	**552.7**	**553.6**	**560.2**	**584.2**	**604.2**	**652.2**	**731.3**	**35.5**

N/A = Not Applicable.

* $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 equal to the aggregate amount of reductions in new budget authority and outlays for discretionary programs resulting from the provisions of the bill, other than emergency appropriations.

[2] Sec. 8101(a) of P.L. 105–178, the Transportation Equity Act for the 21st Century (TEA–21), which was signed by the President on June 6, 1998, established two new discretionary spending categories: Highway and Mass Transit. Sec. 8101(b) of TEA–21 provided for an offsetting adjustment in the existing discretionary spending limits.

[3] Sec. 701 of P.L. 106–429, the Foreign Operations and Related Agencies Appropriations Act, FY 2001, included revised budget authority and outlay caps for FY 2001. In addition, this section provided for a budget authority rounding adjustment of 0.5 percent, and also prohibited OMB from making adjustments in the Final Sequestration Report for emergency requirements.

[4] Division C, Section 101 of P.L. 107–117, the Department of Defense Appropriations Act, FY 2002, included revised budget authority and outlay caps for FY 2002. In addition, this section provided a budget authority technical estimating difference adjustment allowance of up to 0.12 percent of total appropriations.

[5] Title VIII of of P.L. 106–291, the Interior and Related Agencies Appropriations Act, FY 2001, created a new conservation cagetory with limits on budget authority and outlays for FY 2002–FY 2006.

[6] Reflects combined Defense Discretionary, Non-Defense Discretionary, Violent Crime Reduction, Highway Category, Mass Transit Category, and Conservation Category spending limits. FY 2003 figures include Highway, Mass Transit, and Conservation Categories only.

Adjustments to discretionary limits.—The BEA permits certain adjustments to the discretionary limits. The Final Sequestration Report for 2002 that OMB issued last month describes adjustments permitted by the BEA as of the time the report was issued. The limits resulting from these adjustments are the starting points for this Preview Report. Included in the Preview Report are adjustments to the highway, mass transit, and conservation categories. Table 2 shows the adjustments made in this Preview Report.

Table 14–2. DISCRETIONARY SPENDING LIMITS

(In millions of dollars)

		2001	2002	2003
HIGHWAY CATEGORY				
Final Sequestration Report Highway Category Spending Limits	**BA**	....	....	....
	OL	**26,920**	**28,489**	**29,100**
Adjustments for the Preview Report:				
Technical outlay adjustment	BA	N/A	N/A	....
	OL	N/A	N/A	–178
Adjustment for revenue aligned budget authority	BA	N/A	N/A	....
	OL	N/A	N/A	–1,341
Subtotal, Adjustments for the Preview Report	BA	N/A	N/A	....
	OL	N/A	N/A	–1,519
Preview Report Highway Category Spending Limits	BA	....	....	....
	OL	26,920	28,489	27,581
MASS TRANSIT CATEGORY				
Final Sequestration Report Mass Transit Category Spending Limits	**BA**	....	....	....
	OL	**4,639**	**5,275**	**5,531**
Adjustments for the Preview Report:				
Technical outlay adjustment	BA	N/A	N/A	....
	OL	N/A	N/A	499
Subtotal, Adjustments for the Preview Report	BA	N/A	N/A	....
	OL	N/A	N/A	499
Preview Report Mass Transit Category Spending Limits	**BA**	....	....	....
	OL	**4,639**	**5,275**	**6,030**
CONSERVATION CATEGORY				
Final Sequestration Report Conservation Category Spending Limits	**BA**	**N/A**	**1,760**	**1,920**
	OL	**N/A**	**1,473**	**1,872**
Federal and State Land and Water Conservation Fund subcategory	BA	N/A	540	540
State and Other Conservation subcategory	BA	N/A	300	300
Urban and Historic Preservation subcategory	BA	N/A	160	160
Adjustment for the Preview Report	BA	N/A	....	13
Preview Report Urban and Historic Preservation subcategory	BA	N/A	160	173
Payments in Lieu of Taxes subcategory	BA	N/A	50	50
Federal Deferred Maintenance subcategory	BA	N/A	150	150
Coastal Assistance subcategory	BA	N/A	440	480
Adjustment for the Preview Report	BA	N/A	....	2
Preview Report Coastal Assistance subcategory	BA	N/A	440	482
Unallocated	BA	N/A	120	225
Adjustments for the Preview Report:				
Changes in Concepts and Definitions	BA	N/A	–25	....
	OL	N/A	–4	....
Adjusment pursuant to BEA Section 251(b)(2)(H)(i)	BA	N/A	N/A	2
	OL	N/A	N/A	....
Preview Report Conservation Category Spending Limits	**BA**	**N/A**	**1,735**	**1,922**
	OL	**N/A**	**1,469**	**1,872**

Table 14–2. DISCRETIONARY SPENDING LIMITS—Continued

(In millions of dollars)

		2001	2002	2003
OTHER DISCRETIONARY SPENDING				
Final Sequestration Report Other Discretionary Spending Limits	**BA**	**660,803**	**704,548**	**N/A**
	OL	**620,606**	**696,092**	**N/A**
Adjustments for the Preview Report:				
No Adjustments	BA	....	....	N/A
	OL	....	....	N/A
Subtotal, Adjustments for the Preview Report	BA	....	....	N/A
	OL	....	....	N/A
Preview Report Other Discretionary Spending Limits	**BA**	**660,803**	**704,548**	**N/A**
	OL	**620,606**	**696,092**	**N/A**
TOTAL DISCRETIONARY SPENDING				
Final Sequestration Report Total Discretionary Spending Limits	**BA**	**660,803**	**706,308**	**1,922**
	OL	**652,165**	**731,329**	**36,503**
Adjustments for the Preview Report	**BA**	....	**–25**	....
	OL	....	**–4**	**–1,020**
Preview Report Total Discretionary Spending Limits	**BA**	**660,803**	**706,283**	**1,922**
	OL	**652,165**	**731,325**	**35,483**

N/A = Not Applicable

After consultation with the Congressional Budget Committees and CBO, OMB has included several changes in account classification in this year's budget. First, OMB has fixed a classification error and reclassified receipts generated by the National Defense Stockpile Transaction Fund as mandatory. Additionally, the Committees, OMB and CBO agreed to reclassify the Department of the Interior Services Charges, Receipts, and Forfeitures account as discretionary from mandatory, and the Department of the Interior Park Police Pensions account as mandatory from discretionary. Since there are no explicit overall discretionary caps for FY 2003, no adjustment is required for these reclassifications.

OMB has also decided to consolidate all FY 2002 appropriations in the State Wildlife Grants account within the conservation spending category. To properly represent the effects of this consolidation, OMB has adjusted the FY 2002 enacted levels for conservation spending downward by $25 million in the budget and made a corresponding reduction of the same amount to the FY 2002 conservation category spending limits.

Appropriations for conservation spending in FY 2002 fell below the overall limit for the category by $2 million. Pursuant to BEA section 251(b)(2)(H)(i), the 2003 budget authority limits for conservation spending have been adjusted upward by that amount. Appropriations within two of the conservation spending sub-categories for FY 2002 also did not meet the established limits for those activities. Specifically, the Coastal Assistance sub-category received $2 million less than its limit of $440 million, and the Urban and Historic Preservation sub-category received $13 million less than its limit of $160 million. As a result, the amounts by which these appropriations fell below the conservation sub-category caps have been added to the appropriate FY 2003 sub-category spending limits, as required by the BEA in section 251(b)(2)(H)(ii).

In addition, section 8101 of TEA–21 requires OMB to revise the highway spending limits for changes in actual and estimated federal gasoline tax receipts, relative to the receipt levels assumed in TEA–21. For example, if actual tax receipts exceed the TEA–21 assumed levels, OMB is required to increase the limit for the budget year. This adjustment permits funding to be consistent with the level of taxes that are collected and earmarked for highway spending. OMB has no discretion when making this adjustment; its role is purely ministerial. The highway category adjustments in this report are notable in that they break from the recent pattern of upward revisions to highway category spending limits.

Over the past several years, actual and estimated gasoline tax receipts exceeded the levels assumed in TEA–21. Accordingly, OMB applied the formula as specified in the legislation and increased the highway category obligation limitations by $3.1 billion in 2001 and $4.5 billion in 2002. In 2003, however, the TEA–21 formula is estimated to produce a nearly –$5.0 billion downward adjustment in the highway obligation limitation. The resulting FY 2003 highway outlay limit is below the FY 2002 outlay limit by -$0.9 billion. This is due both to actual gasoline tax receipts being lower than anticipated in 2001 and revised Treasury projections of gasoline tax receipts for 2003.

The adjustment for the mass transit category captures changes in technical assumptions about the rate at which mass transit obligations will be spent. This report includes an upward adjustment of $0.5 billion dollars to the mass transit category limits due to these revised technical assumptions. Table 3 details the adjustments to the highways and mass transit category limits and how those adjustments have been calculated.

Table 14–3. ADJUSTMENTS TO THE HIGHWAY AND MASS TRANSIT CATEGORIES FOR CHANGES IN RECEIPTS AND TECHNICAL ASSUMPTIONS

(In millions of dollars)

	2001	2002	2003
HIGHWAY CATEGORY			
Obligation Limitation Assumed in FY 2002 Preview Report	**30,216**	**32,310**	**28,233**
Adjustments:			
Difference Between Current and Previous Estimate of FY 2003 Highway Tax Receipts	N/A	N/A	–1,497
Difference Between FY 2001 Actual and Estimated Highway Tax Receipts	N/A	N/A	–3,468
Subtotal, Obligation Limitation Adjustment	N/A	N/A	–4,965
FY 2003 Preview Report Obligation Limitation	**30,216**	**32,310**	**23,268**
Outlay Limits in FY 2002 Preview Report	**26,920**	**28,489**	**29,100**
Adjustments:			
Decrease in FY 2003 Obligation Limitation	N/A	N/A	–1,341
Changes in Technical Assumptions:			
Reestimate of Outlays from Obligation Limitation level, Adjusted to Include Outlays from change in Obligation Limitation	N/A	N/A	27,581
Reestimate of Outlays from Obligation Limitation level, Adjusted to Include Outlays from change in Obligation Limitation	N/A	N/A	27,759
Adjustment for Changes in Technical Assumptions	N/A	N/A	–178
Total Adjustments	N/A	N/A	–1,519
Outlay Limits in FY 2003 Preview Report	**26,920**	**28,489**	**27,581**
MASS TRANSIT CATEGORY			
Outlay Limits in FY 2002 Preview Report	**4,639**	**5,275**	**5,531**
Adjustment:			
Changes in Technical Assumptions:			
Reestimate of Outlays from Obligation Limitation Using Current Technical Assumptions	N/A	N/A	6,030
FY 2001 Preview Report Outlays	N/A	N/A	5,531
Adjustment for Changes in Technical Assumptions	N/A	N/A	499
Outlay Limits in FY 2003 Preview Report	**4,639**	**5,275**	**6,030**

Comparison of OMB and CBO discretionary limits.—Section 254(d)(5) of the BEA requires this report to explain the differences between OMB and CBO estimates for discretionary spending limits. However, CBO was unable to supply OMB with its FY 2003 discretionary spending limit estimates by the publication deadline for this document. As a result, no comparison is included.

III. PAYGO 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 entitlement authority, the food stamp program, and budget authority provided by law other than in appropriations acts. The following are exempt from PAYGO enforcement: Social Security, the Postal Service, legislation specifically designated as an emergency requirement, and legislation fully funding the Federal Government's commitment to protect insured deposits.

The BEA requires a sequestration to offset any net cost resulting from legislation enacted before October 1, 2002, that affects direct spending or receipts.

Sequester determinations.—The BEA requires OMB to submit a report to Congress estimating the change in outlays or receipts for the current year, the budget year, and the following four fiscal years resulting from enactment of PAYGO legislation. The estimates, which must rely on the economic and technical assumptions underlying the most recent President's budget, determine whether the PAYGO requirement is met. The PAYGO process requires OMB to maintain a "scorecard" that shows the cumulative net cost impact of such legislation. This Report shows how these past actions affect the upcoming fiscal year.

In recent years, the PAYGO constraints have been skirted. For 2002, net costs of $130.3 billion were removed from the PAYGO scorecard. Since 1998, net costs totaling $176.2 billion have been either exempted or removed from the scorecard.

Table 4 shows OMB estimates of current balances on the PAYGO scorecard. For legislation enacted this year, the 2002 impact will be added to the balance for 2003 in the Final Sequester Report that OMB is to issue after the 2nd session of the 107th Congress adjourns sine die. The current PAYGO scorecard shows net costs of $110.7 billion for 2003 and a total of $505.8 billion for 2003 through 2006.

Table 14–4. PAY-AS-YOU-GO SCORECARD

(In millions of dollars)

	2002	2003	2004	2005	2006	Total 2003–2006
Pay-as-you-go scorecard:.						
Revenue impact of enacted legislation	....	–86,866	–106,319	–107,744	–126,474	–427,403
Outlay impact of enacted legislation	....	23,828	23,538	22,827	8,224	78,417
Total, net cost impact of enacted legislation.	....	110,694	129,857	130,571	134,698	505,820

CURRENT SERVICES ESTIMATES

15. CURRENT SERVICES ESTIMATES

The current services baseline shows what receipts, outlays, surpluses, and budget authority would be if no changes were 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. The following table shows current services estimates of receipts, outlays, and surpluses for 2001 through 2007. 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.

As discussed below, the definition of current services provided in the BEA overstates levels for discretionary programs because it requires the assumption of permanent continuation of funding that is clearly temporary in nature. Unique funding requirements related to the September 11th attacks and their aftermath increased discretionary spending significantly for 2002. This 2002 funding creates a major distortion in the steady-state baseline when it is extended through the projection period. An alternative baseline level that assumes this emergency spending is a one-time event is shown as a memorandum in the table and used to compare to the President's proposals in the budget volumes.

Table 15–1. BASELINE CATEGORY TOTALS

(In billions of dollars)

	2001	2002	2003	2004	2005	2006	2007
Receipts	1,991	2,011	2,121	2,234	2,366	2,461	2,581
Outlays:							
Discretionary:							
Defense	309	336	347	359	371	377	383
Nondefense	348	382	402	413	420	429	439
Subtotal, discretionary	657	718	749	772	791	806	822
Emergency response fund	0	22	19	20	21	21	21
Mandatory:							
Social Security	429	456	472	491	515	542	571
Medicare	214	223	229	237	252	260	279
Medicaid	129	145	159	171	185	202	219
Other mandatory	228	279	277	272	278	290	294
Subtotal, mandatory	1,000	1,102	1,136	1,172	1,231	1,294	1,363
Net interest	206	177	175	178	174	168	160
Total outlays	1,864	2,020	2,080	2,142	2,218	2,289	2,366
Unified surplus	127	–9	41	92	148	172	215
On-budget surplus	–33	–165	–138	–102	–69	–56	–29
Off-budget surplus	161	155	179	195	217	228	244
MEMORANDUM:							
Alternative baseline that assumes emergency response fund spending is temporary:							
Emergency response fund	0	22	9	5	2	1	*
Unified surplus	127	–9	51	109	169	196	240

* $500 million or less.

Table 15–2. Summary of Economic Assumptions

(Fiscal years; dollar amounts in billions)

	2001	2002	2003	2004	2005	2006	2007
Gross Domestic Product (GDP):							
Levels, dollar amounts in billions:							
Current dollars	10,150	10,362	10,922	11,526	12,159	12,803	13,448
Real, chained (1996) dollars	9,324	9,319	9,647	10,010	10,372	10,720	11,052
Percent change, year over year:							
Current dollars	4.1	2.1	5.4	5.5	5.5	5.3	5.0
Real, chained (1996) dollars	1.8	–0.1	3.5	3.8	3.6	3.3	3.1
Inflation measures (percent change, year over year):							
GDP chained price index	2.3	2.2	1.8	1.7	1.8	1.9	1.9
Consumer price index (all urban)	3.2	1.7	2.3	2.3	2.3	2.4	2.4
Unemployment rate, civilian (percent)	4.4	5.8	5.6	5.3	5.0	4.9	4.9
Interest rates (percent):							
91-day Treasury bills	4.4	2.1	3.3	3.9	4.2	4.3	4.3
10-year Treasury notes	5.2	5.0	5.1	5.1	5.1	5.2	5.2
MEMORANDUM							
Related program assumptions:							
Automatic benefit increases (percent):							
Social security and veterans pensions	3.5	2.6	1.8	2.2	2.3	2.4	2.4
Federal employee retirement	3.5	2.6	1.8	2.2	2.3	2.4	2.4
Food stamps	1.8	4.2	2.0	2.3	2.3	2.3	2.4
Insured unemployment rate	2.1	3.0	2.6	2.3	2.2	2.1	2.1

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 tax rates or benefit levels that must be collected or paid, and who must pay or who is eligible to receive benefits. The current services baseline assumes that receipts and direct spending programs continue in the future as specified by current law. In most cases, that is what will occur without enactment of new legislation.

Provisions of law providing spending authority and the authority to collect taxes or other receipts that expire under current law are usually assumed to expire as scheduled in the current services baseline. 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 are assumed to be extended at current rates. During the projection period of 2002 through 2007, taxes deposited in the Leaking Underground Storage Tank trust fund, which are scheduled to expire on March 31, 2005, and taxes deposited in the Highway and Aquatic Resources trust funds, which expire on September 30, 2005, are the only taxes affected by this exception. Second, direct spending programs that will expire under current law are assumed to be extended if their 2002 outlays exceed $50 million. However, programs enacted after the enactment of the Balanced Budget Act of 1997 that are explicitly temporary in nature can expire in the baseline even if their current year outlays exceed the $50 million threshold. 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 consistent with the definition of the baseline in the BEA. For 2002, the current services estimates for discretionary programs are equal to the enacted 2002 appropriations. To ease comparisons with policy estimates at the account level, the enacted levels have been adjusted to include additional agency accrual payments for employee retirement and health benefits as if the administration's proposal (see "Preview Report", Chapter 14 of this volume, for additional information on this proposal) were in effect in all year's shown.

For 2003 through 2007, funding is equal to the 2002 level adjusted for inflation.

Because the inflation adjustment is applied to all enacted appropriations, including funding for the emergency response fund set up to fund needs related to the September 11th attacks and their aftermath, the aggregate discretionary levels provide a distorted picture of a true steady state. An alternative baseline that would provide a more accurate picture would assume that emergency response fund expenditures are temporary and will not continue. Under the alternative assumptions, total budget authority is $20.4 billion lower in 2003 and $105.7 billion lower over the period 2003 through 2007 than if the BEA-definition is followed.

Economic Assumptions

The current services estimates are based on the same economic assumptions as the President's budget, which are based on enactment of the President's budget proposals. The economy and the budget interact. Changes in economic conditions significantly alter the estimates of tax receipts, unemployment benefits, entitlement payments that are automatically adjusted for changes in cost-of-living (COLAs), income support programs for low-income individuals, and interest on the Federal debt. In turn, Government tax and spending policies influence prices, economic growth, consumption, savings, and investment. Because of these interactions, it would be reasonable, from an economic perspective, to assume different economic paths for the current services baseline and the President's budget. However, this would diminish the value of current services estimates as a benchmark for measuring proposed policy changes, because it would then be difficult to separate the effects of proposed policy changes from the effects of different economic assumptions. By using the same economic assumptions for current services and the President's budget, this potential source of confusion is eliminated. The economic assumptions underlying both the budget and the current service estimates are summarized in Table 15–2. The economic outlook underlying these assumptions is discussed in greater detail in Chapter 2 of this volume.

Table 15–3. Beneficiary Projections for Major Benefit Programs

(Annual average, in thousands)

	2001 Actual	Estimate					
		2002	2003	2004	2005	2006	2007
Farmer direct payments	1,882	1,863	1,844	1,826	1,807	1,789	1,771
Federal family education loans	4,089	4,360	4,514	4,708	4,911	5,126	5,352
Federal direct student loans	2,083	2,120	2,119	2,175	2,262	2,352	2,446
Medicaid	36,900	39,000	40,400	41,300	42,000	42,400	42,900
State Children's Health Insurance Program	3,000	3,900	4,300	4,100	3,600	3,400	3,500
Medicare-eligible military retiree health benefits [1]	357	1,150	1,262	1,270	1,277	1,282	1,288
Medicare:							
Hospital insurance	39,499	39,889	40,319	40,828	41,370	41,971	42,698
Supplementary medical insurance	37,550	37,934	38,275	38,688	39,126	39,609	40,188
Railroad retirement	660	641	625	609	595	581	568
Federal civil service retirement	2,380	2,411	2,455	2,486	2,520	2,554	2,586
Military retirement	1,972	1,977	1,990	2,002	2,013	2,022	2,031
Unemployment compensation	9,060	11,830	10,310	9,370	8,980	8,910	9,100
Food stamps	17,315	19,753	20,625	19,841	19,406	19,052	19,155
Child nutrition	30,111	30,781	31,300	31,708	32,116	32,466	32,812
Foster care and adoption assistance	523	545	577	613	651	696	744
Supplemental security income (SSI):							
Aged	1,185	1,164	1,149	1,136	1,125	1,115	1,107
Blind/disabled	5,200	5,272	5,352	5,440	5,523	5,606	5,688
Subtotal, SSI	6,385	6,436	6,501	6,576	6,648	6,721	6,795
Child care and development fund [2]	2,212	2,248	2,245	2,202	2,155	2,100	2,073
Social security (OASDI):							
Old age and survivor insurance	38,808	39,052	39,342	39,663	40,066	40,524	41,027
Disability insurance	6,725	7,009	7,368	7,646	7,906	8,179	8,463
Veterans compensation:							
Veterans	2,311	2,364	2,431	2,479	2,516	2,540	2,557
Survivors (non-veterans)	307	310	314	317	320	324	328
Subtotal, veterans compensation	2,618	2,674	2,745	2,796	2,836	2,864	2,885
Veterans pensions:							
Veterans	354	346	339	333	330	328	328
Survivors (non-veterans)	248	233	219	208	197	188	180
Subtotal, veterans pensions	602	579	558	541	527	516	508

[1] Mandatory funding of this program begins in 2003.

[2] Includes mandatory child care entitlement to States, discretionary Child Care and Development Block Grant, and TANF transfers.

Major Programmatic Assumptions

A number of programmatic assumptions must be made in order to calculate the baseline estimates. These include assumptions about the number of beneficiaries who will receive payments from the major benefit programs and annual cost-of-living adjustments in the indexed programs. Assumptions on baseline caseload projections for the major benefit programs are shown in Table 15–3. Assumptions about various automatic cost-of-living-adjustments are shown in Table 15–2.

It is also necessary to make assumptions about the continuation of expiring programs and provisions. Under the BEA, expiring excise taxes dedicated to a trust fund are extended at current rates. In general, mandatory programs with current year spending of at least $50 million are also assumed to continue. All discretionary programs with enacted appropriations in the current year are assumed to continue. However, specific provisions of law that affect mandatory programs (but are not necessary for program operation) are allowed to expire as scheduled. For example, a savings proposal enacted in the Balanced Budget Act that allows for IRS data to be used to verify incomes of recipients of veterans means-tested benefits is allowed to expire. After 2003, benefit payments will increase under current law due to the reduced verification efforts and are reflected at this higher level in the baseline. Table 15–4 provides a listing of mandatory programs and taxes assumed to continue in the baseline after their expiration. Several major mandatory programs are scheduled to expire at the end of 2002, including those authorized by the Farm Bill and Temporary Assistance for Needy Families. In total, the assumed extensions add $55.8 billion to 2003 current services outlays. Over the period 2003 through 2007, they add $277.1 billion to current services outlays and $59.3 billion to current services receipts.

Many other important assumptions must be made in order to calculate the baseline estimates. These include assumptions about the timing and substance of regulations that will be issued over the projection period, the use of administrative discretion provided under current law, and other assumptions about the way programs operate. Table 15–4 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 15–4. Impact of Regulations, Expiring Authorizations, and Other Assumptions in the Baseline

(In millions of dollars)

Category	Estimate					
	2002	2003	2004	2005	2006	2007
REGULATIONS [1]						
Old age and survivors insurance (OASI) and disabilty insurance (DI):						
Ticket to Work and Self-Sufficiency (767P)	....	6	18	26	27	18
Administrative procedures for imposing penalties for false or misleading statements (784F)	–1	–1	–1	–1	–1	–1
Reduction of Title II benefits under family maximum in cases of dual enrollment (692F)	14	14	15	16	17	18
Trial work period	6	5	5	4	3	3
Musculoskeletal system and related criteria	–35	–60	–85	–110	–135	–165
Medicare, HI: [2]						
Disproportionate share hospital (DSH) regulation	....	–300	–370	–390	–410	–440
SNF Resource Utilization Group refinement	....	–830	–1,070	–1,150	–1,240	–1,330
Medicare, SMI: [2]						
Inherent reasonableness	....	NA	NA	NA	NA	NA
Outpatient pass-through payments	313	441	398	410	447	487
Ambulance fee schedule	....	....	....	....	....	....
Modify medicare payments for covered outpatient prescription drugs	....	–870	–1,070	–1,030	–1,050	–1,130
Medicare, HI and SMI: [2]						
Medicare clinical trials expansion	NA	NA	NA	NA	NA	NA
Consistent reimbursement for bad debt	....	–50	–110	–170	–170	–180
Medicaid:						
State eligibility flexibility (1902(r)(2))	125	220	230	245	255	270
Upper payment limit regulations	–880	–1,312	–1,859	–2,420	–2,614	–2,761
SCHIP:						
SCHIP prenatal care [3]	....	80	60	70	90	70
Supplemental security income (SSI):						
Ticket to Work and Self-Sufficiency (767P)	–1	–5	–12	–12	–6	–3
Title XVI cross-program recovery (746P)	–15	–15	–40	–30	–15	–15
Administrative procedures for imposing penalties for false or misleading statements (784F)	–1	–1	–1	–1	–1	–1
Student earned income exclusion	3	3	3	4	4	4
Musculoskeletal system and related criteria	–5	–10	–15	–20	–25	–25
Environmental Protection Agency:						
Pesticide registration fees	....	–25	–26	–27	–28	–30
Pesticide tolerance fees	....	–44	–70	–52	–17	....

Table 15–4. Impact of Regulations, Expiring Authorizations, and Other Assumptions in the Baseline—Continued

(In millions of dollars)

Category	Estimate					
	2002	2003	2004	2005	2006	2007
EXPIRING AUTHORIZATIONS						
Provisions extended in the baseline (effect of extension):						
Spending:						
Child care entitlement to States	....	2,717	2,717	2,717	2,717	2,717
Child nutrition:						
Summer food service program	....	....	357	375	396	418
State administrative expenses	....	....	141	149	155	161
CCC commodity program assistance	....	9,596	8,691	7,642	6,603	6,189
CCC conservation programs	....	2,119	2,221	2,222	2,138	2,119
Compact of free association	....	....	144	144	144	144
Food stamps:						
Benefit costs	....	20,321	20,448	20,356	20,587	21,364
State administrative expenses	....	2,089	2,148	2,206	2,268	2,333
Employment and training	....	259	266	273	280	287
Other program costs	....	68	59	58	58	58
Nutrition assistance for Puerto Rico	....	1,376	1,406	1,438	1,472	1,508
Food donations on Indian reservations	....	81	78	80	82	83
The emergency food assistance program commodities	....	100	100	100	100	100
Fund for Rural America	....	....	60	60	60	60
Future Agriculture and Food Systems initiative	....	....	120	120	120	120
Promoting safe and stable families	....	....	....	....	....	46
Temporary assistance for needy families (TANF):						
State family assistance grants (SFAG)	....	16,489	16,489	16,489	16,489	16,489
SFAG to territories	....	78	78	78	78	78
Matching grants to territories	....	15	15	15	15	15
Bonus to reward high performing States	....	....	200	200	200	200
Bonus to reward decrease in illegitimacy	....	100	100	100	100	100
Tribal work program	....	7	7	7	7	7
Trade adjustment assistance and NAFTA transitional adjustment assistance	....	357	448	487	501	515
Revenues:						
Aquatic resources trust fund taxes	....	....	....	....	321	327
Highway trust fund taxes	....	....	....	....	27,873	30,226
Leaking Underground Storage Tank taxes	....	....	....	105	219	223
Provisions not extended in the baseline (effect of extension):						
Spending:						
Corp of Engineers spending of special use recreation fees	....	....	4	4	4	4
Customs user fees	....	....	–1,416	–1,474	–1,535	–1,598
Medicare, HI:						
Reduction in PPS Capital Payments (BBA 4402)	....	–190	–200	–200	–210	–220
Reduction in PPS-exempt Capital Payments (BBA 4412)	....	–130	–150	–160	–170	–180
Reduction in inpatient hospital update (BIPA 301)	....	....	–450	–1,030	–1,650	–2,360
Reduction in skilled nursing facility update (BIPA 311)	....	....	–60	–160	–270	–390
Reduction in hospice update (BBA 441)	....	–40	–80	–130	–180	–230
Medicare, SMI:						
Reduction in outpatient hospital update (BBA 4523; BIPA 401)	....	–100	–280	–500	–770	–1,060
Reduction in ambulance update (BBA 4531; BIPA 423)	....	–20	–40	–80	–110	–150
Reduction in ambulatory surgical center update (BBA 4555)	....	–20	–50	–90	–130	–180
Freeze to clinical laboratories update (BBA 4553)	....	–90	–230	–400	–600	–820
Medicare low income premium assistance	....	80	90	100	110	120
Medicaid:						
Transition benefits	....	350	400	450	500	500
Recreation fee demonstrations (DoI only)	....	....	....	–17	7	48
Veterans pensions—IRS income verification	....	....	–6	–6	–6	–6
OTHER IMPORTANT PROGRAM ASSUMPTIONS						
Child support enforcement (CSE):						
Effect of hold harmless payments to States	10	....	....	....	....	....
Effect of enhanced automated system matching rates	121	....	....	....	....	....
Alternative penalties for Family Support Act systems and Statewide Disbursement Unit requirements	–132	–161	–147	–155	–155	139
Effect of enhanced rate of paternity testing	8	8	9	9	9	9
Food stamps:						
Tax offset, recoupment, and general claims collection	–175	–177	–178	–180	–181	–183
Quality control liabilities	–71	–74	–77	–79	–81	–84
Allocation of administrative costs between public assistance programs	–197	–197	–197	–197	–197	–197
State incentive payments	56	57	622	63	65	67
Medicare:						
Medicare+Choice	34,759	37,722	37,436	40,916	35,567	40,319

Table 15–4. Impact of Regulations, Expiring Authorizations, and Other Assumptions in the Baseline—Continued

(In millions of dollars)

Category	Estimate					
	2002	2003	2004	2005	2006	2007
Home health (BBA 4603)	....	–780	–1,130	–1,210	–1,280	–1,360
Extending TRICARE coverage to Meidcare-eligible military retirees	110	330	380	410	440	460
Medicare Integrity Program	–10,870	NA	NA	NA	NA	NA
Medicaid: [4]						
Financial management recoveries	–242	–260	–289	–313	–340	–370
Vaccines for Children, total program costs	990	824	789	815	841	853
Allocation of administrative costs between public assistance programs	355	393	432	471	509	549
Remaining upper payment limit-related costs	4,300	3,300	2,800	2,500	2,000	1,800
Institutional long term care	32,906	35,000	36,945	39,082	41,383	43,938
Home and community based institutional alternatives	13,908	16,203	18,555	21,309	24,461	28,164
Pharmaceuticals	13,148	14,992	16,762	18,700	20,768	23,032
HHS Inspector General: Audit and Investigative Recoveries	–980	–1,050	–1,050	–1,050	–1,050	–1,050
State Children's Health Insurance Program (Title XXI)	3,689	4,362	4,463	4,151	4,160	4,401
Approved Demonstrations: [5]						
Medicare, SMI:						
Competitive Bidding for DME						
Costs	12	2	....	....	....	....
Replacement Benefits	14	2	....	....	....	....
Municipal Health						
Costs	13	11	10	....	....	....
Replacement Benefits	6	5	4	....	....	....
Diabetes (Telemedicine)						
Costs	6	5	....	....	....	....
Replacement Benefits	6	5	....	....	....	....
United Mine Workers Prescription Drug Program						
Costs	478	483	366	....	....	....
Replacement Benefits	450	453	343	....	....	....
Smoking Cessation						
Costs	5	3	....	....	....	....
Replacement Benefits	5	3	....	....	....	....
Medicare: HI and SMI:						
Case Management/Lovelace						
Costs	1	1	....	....	....	....
Replacement Benefits	1	1	....	....	....	....
Community Nursing Organization (CNO)						
Costs	2	....	....	....	....	....
Replacement Benefits	1	....	....	....	....	....
Evercare						
Costs	154	39	....	....	....	....
Replacement Benefits	154	39	....	....	....	....
Monroe County LTC Care						
Costs	4	....	....	....	....	....
Replacement Benefits	4	....	....	....	....	....
New York Graduate Medical Education						
Costs	225	230	....	....	....	....
Replacement Benefits	225	230	....	....	....	....
Medicare Lifestyle Modification Program						
Costs	*	*	....	....	....	....
Replacement Benefits	*	*	....	....	....	....
Rochester-CCN (Dual Eligibles)						
Costs	81	118	94	....	....	....
Replacement Benefits	94	141	115	....	....	....
Medicare+Choice Alternate Payment						
Costs	291	299	....	....	....	....
Replacement Benefits	272	274	....	....	....	....
QIO Quality						
Costs	NA	NA	NA	....	....	....
Replacement Benefits	NA	NA	NA	....	....	....
Pittsburgh Research Initiative						
Costs	NA	....	....	....	....	....
Replacement Benefits	NA	....	....	....	....	....
Medicaid:						
Alabama Family Planning						
Costs	185	218	247	....	....	....
Replacement Benefits	185	218	247	....	....	....
Arizona AHCCS						
Costs	1,515	1,706	1,921	2,163	2,436	....

Table 15–4. Impact of Regulations, Expiring Authorizations, and Other Assumptions in the Baseline—Continued

(In millions of dollars)

Category	Estimate					
	2002	2003	2004	2005	2006	2007
Replacement Benefits	1,515	1,706	1,921	2,163	2,436	
Arkansas (ARKids First)						
Costs	27					
Replacement Benefits	27					
Arkansas Family Planning Services						
Costs	103					
Replacement Benefits	103					
California Family Planning						
Costs	149	152	155	26		
Replacement Benefits	149	152	155	26		
Colorado Alternatives in Medicaid Home Care						
Costs	2	3	3	3	3	
Replacement Benefits	2	3	3	3	3	
Delaware Statewide						
Costs	153	166	44			
Replacement Benefits	153	166	44			
District of Columbia HIV						
Costs	2	3	3	3	3	
Replacement Benefits	2	3	3	3	3	
Florida Family Planning						
Costs	21	21				
Replacement Benefits	21	21				
Hawaii Health QUEST						
Costs	76					
Replacement Benefits	76					
Kentucky (amended version)						
Costs	90					
Replacement Benefits	90					
LA County						
Costs	231	173	123	65		
Replacement Benefits [6]						
Maine HIV						
Costs	7	7	7	7	7	
Replacement Benefits	7	7	7	7	7	
Maryland						
Costs	1,007	1,128	1,263	1,414		
Replacement Benefits	1,007	1,128	1,263	1,414		
Maryland Family Planning						
Costs	715					
Replacement Benefits	715					
Massachusetts Statewide						
Costs	1,889	2,107	2,399	1,995		
Replacement Benefits	1,889	2,107	2,399	1,995		
Minnesota Statewide						
Costs	57	63	69	75		
Replacement Benefits	57	63	69	75		
Missouri Statewide						
Costs	310	304				
Replacement Benefits	310	304				
New York (Partnership Plan)						
Costs	7,959	3,357				
Replacement Benefits	7,959	3,357				
Oklahoma Statewide						
Costs	585	833	221			
Replacement Benefits	585	833	221			
Oregon Family Planning						
Costs	70	70				
Replacement Benefits	70	70				
Oregon Health Plan						
Costs	348					
Replacement Benefits	348					
Oregon Independent Choices						
Costs	2	2	2	2	1	
Replacement Benefits	2	2	2	2	1	
Rhode Island Rite Care (including costs of amendments)						
Costs	83	72				
Replacement Benefits	83	72				

Table 15–4. Impact of Regulations, Expiring Authorizations, and Other Assumptions in the Baseline—Continued

(In millions of dollars)

Category	Estimate					
	2002	2003	2004	2005	2006	2007
South Carolina Family Planning						
Costs	14	....	....	....	....	....
Replacement Benefits	14	....	....	....	....	....
TennCare						
Costs	4,084	1,505	....	....	....	....
Replacement Benefits	4,084	1,505	....	....	....	....
Vermont						
Costs	169	185	201	....	....	
Replacement Benefits	169	185	201	....	....	
Wisconsin Statewide						
Costs	12	12	5	....	....	....
Replacement Benefits	12	12	5	....	....	....
Cash and counseling: [7]						
Costs	20	....	....	....	....	....
Replacement Benefits	20	....	....	....	....	....
Welfare Reform						
Costs	70	....	....	....	....	....
Replacement Benefits	70	....	....	....	....	....
State Children's Health Insurance Program (Title XXI) (costs):.						
Arizona HIFA	52	93	39	41	43	....
Minnesota	40	45	50	58	....	....
New Jersey	38	53	11	38	....	....
Rhode Island	14	2	1	1	....	....
Wisconsin	62	69	....	....	....	
Joint Medicare and Medicaid:						
S/HMOs—Medicare						
Costs	950	975	....	....	....	....
Replacement Benefits	805	829	....	....	....	....
S/HMOs—Medicaid						
Costs	86	88	....	....	....	....
Replacement Benefits	86	88	....	....	....	....
S/HMO II—Medicare						
Costs	1,000	1,000	....	....	....	....
Replacement Benefits	950	950	....	....	....	....
S/HMO II—Medicaid						
Costs	100	100	....	....	....	....
Replacement Benefits	100	100	....	....	....	....
Minnesota-Dual Eligibles						
Costs	62	71	82	....	....	....
Replacement Benefits	63	74	86	....	....	....
Wisconsin-Dual Eligibles						
Costs	55	57	....	....	....	....
Replacement Benefits	57	60	....	....	....	....
OASI, DI, SSI:						
Expansion of tax refund offset to debts previously written off (OASI, DI)	44	44	44	44	44	44
Performance of continuing disability reviews (baseline levels) (OASI, DI, SSI)	–85	–460	–905	–1,375	–1,715	–2,005
Collection of overpayments:						
OASI	–795	–793	–793	–793	–793	–793
DI	–350	–392	–392	–392	–392	–392
SSI	–756	–821	–821	–821	–821	–821
Debts written off as uncollectable (no effect on outlays):						
OASI	86	85	85	85	85	85
DI	275	308	308	308	308	308
SSI	614	666	666	666	666	666
DI:						
Payments to states for vocational rehabilitation	75	80	67	49	50	56
Limitation on prisoner's benefits	–38	–43	–46	–51	–57	–62
Research and demonstration projects	11	15	16	16	8	....
OASI: limitation on prisoner's benefits	–17	–18	–20	–22	–25	–26
SSI:						
Payments from states for state supplemental benefits	–3,797	–3,937	–4,025	–4,145	–4,205	–4,271
Payments for state supplemental benefits	3,785	3,930	4,015	4,140	4,200	4,260
Fees for administration of State supplement:						
Treasury share	153	155	157	158	160	162
SSA share	100	112	120	127	135	144
Research and demonstration projects	37	30	30	30	30	30
Payments to states for vocational rehabilitation	73	74	75	72	69	66

Table 15–4. Impact of Regulations, Expiring Authorizations, and Other Assumptions in the Baseline

(In millions of dollars)

Category	Estimate 2002	2003	2004	2005	2006	2007
Performance of non-disability redeterminations	–1,250	–1,000	–125	–75	–60	–50
Ticket to work grant programs:						
Infrastructure grant program	16	22	34	38	41	43
Demonstration to maintain independence and employment	2	8	16	20	24	17

* = $500,000 or less.

NA = Not available.

[1] Not shown on the table are medicare and medicaid regulations that have not been specifically priced.

[2] Medicare regulations reflect gross outlays.

[3] Includes medicaid and SCHIP costs.

[4] Not shown on table are anticipated collections from various state liabilities under current law.

[5] Estimates for demonstrations reflect Federal costs of the projects. Replacement benefits represent the program costs in the absence of the demonstrations. The differences represent the net impact of the demonstration project on the baseline.

[6] Budget modified from original agreement for phase-out of waiver funding.

[7] Budget neutrality controlled through experimental design.

Current Services Receipts, Outlays, and Budget Authority

Receipts.—Table 15–5 shows baseline receipts by major source. Total receipts are projected to increase by $110.4 billion from 2002 to 2003 and by $460.0 billion from 2003 to 2007, largely due to assumed increases in incomes resulting from both real economic growth and inflation.

Individual income taxes are estimated to increase by $59.2 billion from 2002 to 2003 under current law. This growth of 6.2 percent is primarily the effect of increased collections resulting from rising personal incomes. Individual income taxes are projected to grow at an annual rate of 5.1 percent between 2003 and 2007.

Corporation income taxes under current law are estimated to increase by $5.4 billion or 2.7 percent from 2002 to 2003, in large part due to higher corporate profits. Corporation income taxes are projected to increase at an annual rate of 5.6 percent from 2003 to 2007.

Social insurance and retirement receipts are estimated to increase by $42.4 billion between 2002 and 2003, and by an additional $163.3 billion between 2003 and 2007. The estimates reflect assumed increases in total wages and salaries paid, and scheduled increases in the social security taxable earnings base from $84,900 in 2002 to $103,800 in 2007.

Excise taxes are estimated to increase by $10.8 billion from 2002 to 2007, in large part due to increased economic activity. Other baseline receipts (estate and gift taxes, customs duties, and miscellaneous receipts) are projected to increase by $14.4 billion from 2002 to 2007.

Outlays.—Current services outlays are estimated to be $2,019.9 billion in 2002 and $2,079.9 billion in 2003, a 3.0 percent increase. Between 2002 and 2007, they are projected to increase at an average annual rate of 3.2 percent. Outlays for discretionary programs increase from $718.3 billion in 2002 to $749.1 billion in 2003, largely reflecting increases in resources to keep pace with inflation. Again reflecting increases in resources to keep pace with inflation, outlays continue to increase each year thereafter, reaching $821.8 billion in 2007. Spending for the Emergency Response Fund declines slightly in 2003, then rises each year through the projection period, reflecting increases in resources to keep pace with inflation. The 2003 decline is a result of large amounts of 2001 spending authority being provided late in the year. Entitlement and other mandatory programs are estimated to grow from $1,102.2 bil-

Table 15–5. BASELINE RECEIPTS BY SOURCE

(In billions of dollars)

	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Individual income taxes	994	950	1,009	1,064	1,120	1,167	1,233
Corporation income taxes	151	203	208	215	242	248	259
Social insurance and retirement receipts	694	708	750	792	839	872	914
On-budget	186	191	205	218	231	239	249
Off-budget	508	517	545	573	608	634	665
Excise taxes	66	67	69	71	74	75	78
Other	86	83	84	93	91	98	98
Total	1,991	2,011	2,121	2,234	2,366	2,461	2,581
On-budget	1,484	1,493	1,576	1,661	1,758	1,828	1,916
Off-budget	508	517	545	573	608	634	665

lion in 2002 to $1,136.4 billion in 2003, and to $1,363.0 billion in 2007, 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 $455.8 billion in 2002 to $570.8 billion in 2007, an average annual rate of 4.6 percent. Medicare and medicaid are projected to grow at annual average rates of 4.6 and 8.6 percent, respectively, outpacing inflation. Offsetting growth in other areas, unemployment compensation declines from $44.5 billion in 2002 to $40.7 billion in 2003, reflecting lower unemployment rates as economic growth increases. Outlays for unemployment compensation continue to decline through 2005 as the assumed unemployment rate continues to fall. Mandatory agriculture spending also declines from $18.7 billion in 2002 to $11.8 billion in 2003 and continues a steady decline to $9.1 billion in 2007.

Net interest payments to the public decline slightly in 2003, then rise to the 2002 level again in 2004 before declining gradually over the remainder of the projection period. This pattern reflects changes in the mix of debt issuance, interest rates, and borrowing requirements over the period.

Tables 15–7 and 15–8 show current services outlays by function and by agency, respectively. A more detailed presentation of outlays (by function, subfunction, and program) appears at the end of this chapter.

Budget authority.—Tables 15–9 and 15–10 show current services estimates of budget authority by function and by agency, respectively.

Current Services Outlays and Budget Authority by Function and Program.—Tables 15–11 and 15–12 present current services budget authority and outlays, respectively, in function order, with category and program level detail.

Table 15–6. CHANGE IN BASELINE OUTLAY ESTIMATES BY CATEGORY

(Dollar amounts in billions)

	Estimate			Change 2002 to 2003		Change 2002 to 2007	
	2002	2003	2007	Amount	Percent	Amount	Annual average rate
Outlays:							
Discretionary:							
Defense	336	347	383	11	3.3%	46	2.6%
Nondefense	382	402	439	20	5.2%	57	2.8%
Subtotal, discretionary	718	749	822	31	4.3%	104	2.7%
Emergency response fund	22	19	21	–3	–13.6%	–1	–0.8%
Mandatory:							
Agriculture programs	19	12	9	–7	–37.0%	–10	–13.5%
Medicaid	145	159	219	14	9.6%	74	8.6%
Medicare	223	229	279	6	2.8%	57	4.6%
Federal employee retirement and disability	85	90	106	5	5.7%	21	4.5%
Unemployment compensation	44	41	41	–4	–8.5%	–4	–1.9%
Social Security	456	472	571	16	3.5%	115	4.6%
Other mandatory	131	135	139	4	2.9%	8	1.2%
Subtotal, mandatory	1,102	1,136	1,363	34	3.1%	261	4.3%
Net interest	177	175	160	–2	–1.1%	–17	–2.0%
Total outlays	2,020	2,080	2,366	60	3.0%	347	3.2%

Table 15–7. CURRENT SERVICES OUTLAYS BY FUNCTION

(in billions of dollars)

Function	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
National defense:							
Department of Defense—Military	294.0	330.6	335.9	345.5	356.8	362.7	368.2
Other	14.5	17.4	18.0	18.2	18.2	18.3	18.5
Total, National defense	308.5	348.0	353.9	363.6	375.0	380.9	386.7
International affairs	16.6	23.5	22.5	22.5	22.8	23.2	23.7
General science, space, and technology	19.9	21.8	22.3	22.7	23.2	23.6	24.1
Energy	0.1	0.6	0.4	*	0.1	0.7	0.7
Natural resources and environment	26.3	30.1	31.1	32.0	32.7	33.7	34.4
Agriculture	26.6	24.8	17.8	17.4	16.5	15.8	15.7
Commerce and housing credit	6.0	3.8	4.2	5.7	3.9	2.0	2.6
On-Budget	(3.7)	(1.7)	(5.6)	(5.0)	(4.1)	(2.9)	(3.4)
Off-Budget	(2.3)	(2.0)	(–1.4)	(0.7)	(–0.2)	(–0.9)	(–0.8)
Transportation	55.2	62.1	60.3	61.4	62.8	64.4	66.5
Community and regional development	12.0	15.4	17.7	18.8	19.6	19.0	19.1
Education, training, employment, and social services	57.3	71.7	78.9	80.5	81.8	83.3	84.9
Health	172.6	195.2	230.9	252.6	270.3	289.7	311.0
Medicare	217.5	226.4	232.9	241.2	256.6	264.7	283.8
Income security	269.8	310.7	319.7	324.4	333.5	343.7	350.7
Social security	433.1	459.7	475.8	495.4	519.4	545.9	575.0
On-Budget	(11.7)	(13.9)	(14.3)	(15.2)	(16.1)	(16.9)	(18.0)
Off-Budget	(421.4)	(445.7)	(461.5)	(480.2)	(503.3)	(529.0)	(557.0)
Veterans benefits and services	45.8	51.5	55.7	58.0	62.8	62.8	62.4
Administration of justice	30.4	34.4	40.9	43.8	41.2	41.9	43.0
General government	15.2	18.3	18.0	19.0	19.4	19.9	20.4
Net interest	206.2	177.2	175.2	177.6	174.1	167.9	160.2
On-Budget	(275.0)	(254.0)	(259.0)	(269.6)	(275.1)	(278.8)	(282.3)
Off-Budget	(–68.8)	(–76.8)	(–83.8)	(–92.0)	(–101.0)	(–111.0)	(–122.1)
Allowances	....	....	–0.1	–0.3	–0.2	....	–*
Undistributed offsetting receipts:							
Employer share, employee retirement (on-budget)	–39.1	–41.6	–61.2	–70.6	–74.1	–77.7	–81.4
Employer share, employee retirement (off-budget)	–7.9	–9.2	–9.6	–10.2	–11.0	–11.7	–12.4
Rents and royalties on the Outer Continental Shelf	–7.2	–3.8	–2.8	–3.0	–3.7	–4.0	–4.0
Sale of major assets	....	....	....	....	–0.3	....	....
Other undistributed offsetting receipts	–1.0	–0.5	–4.5	–10.6	–8.8	–0.7	–0.7
Total, Undistributed offsetting receipts	–55.2	–55.2	–78.1	–94.4	–97.9	–94.1	–98.5
On-Budget	(–47.3)	(–45.9)	(–68.6)	(–84.2)	(–86.9)	(–82.3)	(–86.1)
Off-Budget	(–7.9)	(–9.2)	(–9.6)	(–10.2)	(–11.0)	(–11.7)	(–12.4)
Total	**1,863.9**	**2,019.9**	**2,079.9**	**2,142.0**	**2,217.5**	**2,288.9**	**2,366.5**
On-Budget	(1,516.9)	(1,658.2)	(1,713.3)	(1,763.4)	(1,826.4)	(1,883.5)	(1,944.8)
Off-Budget	(347.0)	(361.7)	(366.6)	(378.6)	(391.1)	(405.4)	(421.7)

* $50 million or less.

Table 15–8. CURRENT SERVICES OUTLAYS BY AGENCY

(in billions of dollars)

Agency	2001 Actual	Estimate					
		2002	2003	2004	2005	2006	2007
Legislative Branch	3.1	3.6	3.9	4.2	4.1	4.1	4.3
Judicial Branch	4.5	5.0	5.1	5.3	5.5	5.6	5.8
Agriculture	68.6	72.4	67.4	68.2	68.4	68.8	70.7
Commerce	5.1	5.5	5.6	5.8	6.0	6.1	6.2
Defense—Military	294.0	330.6	335.9	345.5	356.8	362.7	368.2
Education	35.7	47.6	53.7	54.9	56.2	57.4	58.6
Energy	16.5	19.1	19.5	19.8	20.1	20.2	20.6
Health and Human Services	426.8	459.4	487.0	510.3	541.5	567.5	606.2
Housing and Urban Development	34.0	30.9	34.5	36.6	36.5	36.2	35.3
Interior	8.2	10.3	11.0	11.1	11.3	11.8	11.9
Justice	21.3	23.1	29.6	30.7	27.6	27.8	28.5
Labor	39.4	58.6	54.8	51.9	50.5	51.4	53.8
State	7.5	11.1	9.8	9.9	10.1	10.3	10.5
Transportation	54.8	60.8	59.7	62.0	63.4	65.0	67.1
Treasury	390.6	381.4	393.9	410.6	422.6	436.9	449.0
Veterans Affairs	45.8	51.4	55.7	57.9	62.7	62.7	62.3
Corps of Engineers—Civil Works	4.8	5.0	4.9	5.0	5.1	5.3	5.4
Other Defense Civil Programs	34.2	35.5	40.9	46.1	46.0	45.8	45.4
Environmental Protection Agency	7.5	7.8	8.1	8.3	8.5	8.7	8.9
Executive Office of the President	0.3	0.5	0.3	0.3	0.4	0.4	0.4
Federal Emergency Management Agency	4.4	5.8	7.9	7.7	8.5	8.0	7.9
General Services Administration	–*	0.6	*	0.3	0.5	0.5	0.5
International Assistance Programs	11.8	13.3	13.2	13.3	13.3	13.6	13.8
National Aeronautics and Space Administration	14.2	14.5	15.1	15.5	15.8	16.2	16.5
National Science Foundation	3.7	4.6	4.8	4.9	5.1	5.1	5.2
Office of Personnel Management	50.9	54.3	67.9	71.7	75.7	79.5	83.0
Small Business Administration	–0.6	1.1	0.7	0.9	1.0	1.0	1.1
Social Security Administration	462.0	492.7	510.1	530.8	558.8	584.2	612.0
On-Budget	(40.6)	(46.9)	(48.6)	(50.6)	(55.5)	(55.2)	(55.0)
Off-Budget	(421.4)	(445.7)	(461.5)	(480.2)	(503.3)	(529.0)	(557.0)
Other Independent Agencies	14.0	20.0	18.1	19.4	18.3	18.1	19.1
On-Budget	(11.6)	(18.0)	(19.6)	(18.7)	(18.4)	(19.0)	(19.9)
Off-Budget	(2.3)	(2.0)	(–1.4)	(0.7)	(–0.2)	(–0.9)	(–0.8)
Allowances	....	....	–0.1	–0.3	–0.2	....	–*
Undistributed Offsetting Receipts	–199.3	–206.3	–239.2	–266.4	–282.2	–291.9	–311.8
On-Budget	(–122.6)	(–120.2)	(–145.8)	(–164.2)	(–170.2)	(–169.2)	(–177.2)
Off-Budget	(–76.7)	(–86.1)	(–93.4)	(–102.3)	(–112.0)	(–122.7)	(–134.6)
Total	**1,863.9**	**2,019.9**	**2,079.9**	**2,142.0**	**2,217.5**	**2,288.9**	**2,366.5**
On-Budget	(1,516.9)	(1,658.2)	(1,713.3)	(1,763.4)	(1,826.4)	(1,883.5)	(1,944.8)
Off-Budget	(347.0)	(361.7)	(366.6)	(378.6)	(391.1)	(405.4)	(421.7)

* $50 million or less.

Table 15–9. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION

(in billions of dollars)

Function	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
National defense:							
Department of Defense—Military	313.0	333.0	343.1	352.2	360.5	369.5	378.8
Other	16.0	17.7	18.1	18.2	18.2	18.4	18.7
Total, National defense	329.0	350.7	361.2	370.4	378.7	388.0	397.5
International affairs	18.7	22.3	23.5	24.2	24.8	25.4	26.2
General science, space, and technology	21.1	22.2	22.6	23.0	23.4	23.9	24.4
Energy	0.2	0.6	0.4	–*	0.1	0.7	0.8
Natural resources and environment	29.8	30.2	31.2	32.3	33.2	33.9	34.8
Agriculture	29.2	25.0	18.1	17.3	16.5	15.8	15.8
Commerce and housing credit	12.4	10.7	15.8	11.7	11.7	11.1	12.3
On-Budget	(8.4)	(7.8)	(10.6)	(11.3)	(11.2)	(10.7)	(11.1)
Off-Budget	(4.1)	(2.8)	(5.2)	(0.4)	(0.5)	(0.4)	(1.2)
Transportation	67.6	66.1	62.0	61.4	62.1	62.8	63.5
Community and regional development	13.9	18.5	18.3	18.8	19.1	19.6	20.0
Education, training, employment, and social services	63.7	78.3	80.6	81.1	82.8	84.5	86.2
Health	182.1	201.0	231.9	252.8	271.1	290.5	312.5
Medicare	217.2	230.3	233.0	241.0	256.7	265.0	283.6
Income security	273.4	306.2	317.6	326.2	335.5	346.0	354.8
Social security	440.5	461.3	476.7	497.3	521.5	548.2	577.5
On-Budget	(11.7)	(13.9)	(14.3)	(15.2)	(16.1)	(16.9)	(18.0)
Off-Budget	(428.8)	(447.4)	(462.4)	(482.1)	(505.5)	(531.3)	(559.5)
Veterans benefits and services	48.4	51.8	55.7	58.3	60.6	63.0	65.3
Administration of justice	45.0	37.3	41.4	41.6	41.1	42.3	43.5
General government	16.6	17.7	18.3	19.1	19.7	20.3	20.8
Net interest	206.2	177.2	175.2	177.6	174.1	167.9	160.2
On-Budget	(275.0)	(254.0)	(259.0)	(269.6)	(275.1)	(278.8)	(282.3)
Off-Budget	(–68.8)	(–76.8)	(–83.8)	(–92.0)	(–101.0)	(–111.0)	(–122.1)
Allowances	....	....	–0.1	–0.3	–0.2	....	–*
Undistributed offsetting receipts:							
Employer share, employee retirement (on-budget)	–39.1	–41.6	–61.2	–70.6	–74.1	–77.7	–81.4
Employer share, employee retirement (off-budget)	–7.9	–9.2	–9.6	–10.2	–11.0	–11.7	–12.4
Rents and royalties on the Outer Continental Shelf	–7.2	–3.8	–2.8	–3.0	–3.7	–4.0	–4.0
Sale of major assets	....	....	....	....	–0.3	....	....
Other undistributed offsetting receipts	–1.0	–0.5	–4.5	–10.6	–8.8	–0.7	–0.7
Total, Undistributed offsetting receipts	–55.2	–55.2	–78.1	–94.4	–97.9	–94.1	–98.5
On-Budget	(–47.3)	(–45.9)	(–68.6)	(–84.2)	(–86.9)	(–82.3)	(–86.1)
Off-Budget	(–7.9)	(–9.2)	(–9.6)	(–10.2)	(–11.0)	(–11.7)	(–12.4)
Total	**1,959.7**	**2,052.2**	**2,105.2**	**2,159.4**	**2,234.5**	**2,314.6**	**2,401.1**
On-Budget	(1,603.6)	(1,688.0)	(1,731.0)	(1,779.2)	(1,840.7)	(1,905.6)	(1,974.9)
Off-Budget	(356.2)	(364.2)	(374.2)	(380.2)	(393.9)	(409.0)	(426.2)
MEMORANDUM							
Discretionary budget authority:							
National defense	321.0	346.9	356.6	365.8	374.3	383.6	393.1
International	22.6	24.1	25.0	25.4	25.9	26.5	27.0
Domestic	308.3	326.8	337.8	347.2	355.5	364.5	373.5
Total, discretionary	**651.9**	**697.8**	**719.4**	**738.4**	**755.7**	**774.5**	**793.6**
Emergency Response Fund	20.0	20.0	20.4	20.7	21.1	21.5	22.0

* $50 million or less.

Table 15–10. CURRENT SERVICES BUDGET AUTHORITY BY AGENCY

(in billions of dollars)

Agency	2001 Actual	Estimate					
		2002	2003	2004	2005	2006	2007
Legislative Branch	3.3	3.7	3.8	4.0	4.0	4.1	4.3
Judicial Branch	4.6	5.1	5.2	5.3	5.5	5.7	5.8
Agriculture	73.7	71.9	69.2	69.9	70.4	70.9	72.9
Commerce	5.3	5.5	5.8	6.2	6.3	6.4	6.5
Defense—Military	313.0	333.0	343.1	352.2	360.5	369.5	378.8
Education	40.0	54.1	55.9	56.1	57.3	58.6	59.8
Energy	17.8	19.2	19.6	19.7	20.0	20.4	20.8
Health and Human Services	435.3	468.5	486.4	509.4	541.3	567.8	607.3
Housing and Urban Development	32.4	34.3	37.3	39.6	40.3	40.6	41.6
Interior	10.0	10.7	11.0	11.2	11.5	11.8	12.1
Justice	22.5	26.3	30.1	28.5	27.5	28.2	28.9
Labor	44.1	59.4	55.5	52.6	51.8	52.8	55.3
State	8.4	9.5	9.7	9.9	10.1	10.4	10.6
Transportation	67.1	64.4	61.3	62.0	62.7	63.4	64.1
Treasury	392.8	381.8	395.1	411.9	424.1	438.4	450.7
Veterans Affairs	48.2	51.7	55.7	58.2	60.5	62.9	65.2
Corps of Engineers—Civil Works	4.8	4.8	4.9	5.0	5.2	5.3	5.5
Other Defense Civil Programs	34.4	35.7	41.1	46.3	46.1	45.9	45.6
Environmental Protection Agency	7.7	8.0	8.2	8.4	8.6	8.8	9.0
Executive Office of the President	13.3	0.3	0.3	0.4	0.4	0.4	0.4
Federal Emergency Management Agency	4.9	7.3	7.4	7.9	8.0	8.2	8.3
General Services Administration	0.5	0.6	0.4	0.7	0.7	0.8	0.8
International Assistance Programs	11.4	12.2	12.7	13.3	13.7	14.0	14.4
National Aeronautics and Space Administration	14.4	15.0	15.3	15.7	16.0	16.3	16.7
National Science Foundation	4.6	4.9	5.0	5.0	5.1	5.2	5.3
Office of Personnel Management	53.2	56.3	68.7	73.0	76.9	80.6	84.0
Small Business Administration	–*	1.2	1.0	1.0	1.0	1.1	1.1
Social Security Administration	472.7	492.1	510.3	532.7	560.9	586.5	614.5
On-Budget	(43.9)	(44.7)	(47.9)	(50.6)	(55.5)	(55.2)	(55.0)
Off-Budget	(428.8)	(447.4)	(462.4)	(482.1)	(505.5)	(531.3)	(559.5)
Other Independent Agencies	18.8	21.1	24.5	20.1	20.6	21.6	22.7
On-Budget	(14.7)	(18.3)	(19.3)	(19.7)	(20.1)	(21.2)	(21.5)
Off-Budget	(4.1)	(2.8)	(5.2)	(0.4)	(0.5)	(0.4)	(1.2)
Allowances	....	....	–0.1	–0.3	–0.2	....	–*
Undistributed Offsetting Receipts	–199.3	–206.3	–239.2	–266.4	–282.2	–291.9	–311.8
On-Budget	(–122.6)	(–120.2)	(–145.8)	(–164.2)	(–170.2)	(–169.2)	(–177.2)
Off-Budget	(–76.7)	(–86.1)	(–93.4)	(–102.3)	(–112.0)	(–122.7)	(–134.6)
Total	**1,959.7**	**2,052.2**	**2,105.2**	**2,159.4**	**2,234.5**	**2,314.6**	**2,401.1**
On-Budget	(1,603.6)	(1,688.0)	(1,731.0)	(1,779.2)	(1,840.7)	(1,905.6)	(1,974.9)
Off-Budget	(356.2)	(364.2)	(374.2)	(380.2)	(393.9)	(409.0)	(426.2)

* $50 million or less.

Table 15–11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM

(in millions of dollars)

Function and Program	2001 Actual	Estimate					
		2002	2003	2004	2005	2006	2007
050 National defense:							
Discretionary:							
Department of Defense—Military:							
Military personnel	76,889	81,970	85,030	93,978	96,943	100,037	103,239
Operation and maintenance	113,886	126,145	129,982	127,641	130,454	133,694	137,015
Procurement	61,672	61,117	62,217	63,276	64,413	65,639	66,887
Research, development, test and evaluation	41,735	48,554	49,543	50,473	51,471	52,537	53,636
Military construction	5,457	6,484	6,680	6,809	6,943	7,090	7,242
Family housing	3,685	4,053	4,128	4,199	4,277	4,359	4,443
Revolving, management, and trust funds and other	2,234	2,515	2,632	2,722	2,792	2,865	2,939
Total, Department of Defense—Military	305,558	330,838	340,212	349,098	357,293	366,221	375,401
Atomic energy defense activities:							
Department of Energy	13,845	14,574	14,853	15,119	15,403	15,709	16,020
Formerly utilized sites remedial action	141	141	143	147	149	153	155
Defense nuclear facilities safety board	18	18	19	19	20	21	21
Total, Atomic energy defense activities	14,004	14,733	15,015	15,285	15,572	15,883	16,196
Defense-related activities:							
Radiation exposure compensation trust fund transferred to mandatory	127	....	....	....	....	....	....
Discretionary programs	1,287	1,325	1,359	1,393	1,425	1,462	1,500
Total, Defense-related activities	1,414	1,325	1,359	1,393	1,425	1,462	1,500
Total, Discretionary	320,976	346,896	356,586	365,776	374,290	383,566	393,097
Emergency Response Fund:							
Department of Defense—Military:							
Operation and maintenance	3,348	3,396	3,457	3,516	3,579	3,647	3,716
Procurement	936	....	....	....	....	....	....
Military construction	....	105	107	109	111	113	114
Total, Department of Defense—Military	4,284	3,501	3,564	3,625	3,690	3,760	3,830
Atomic energy defense activities:							
Department of Energy	5	369	375	382	388	396	403
Defense-related activities:							
Discretionary programs	....	10	10	11	11	11	12
Total, Emergency Response Fund	4,289	3,880	3,949	4,018	4,089	4,167	4,245
Mandatory:							
Department of Defense—Military:							
Military personnel	....	27	53	53	53	53	53
Revolving, trust and other DoD mandatory	4,506	200	191	338	336	335	333
Offsetting receipts	–1,369	–1,572	–903	–878	–879	–854	–820
Total, Department of Defense—Military	3,137	–1,345	–659	–487	–490	–466	–434
Atomic energy defense activities:							
Energy employee occupational illness compensation program, benefits	358	769	758	578	353	250	157
Energy employee occupational illness compensation program, administration	50	138	107	57	52	47	32
Proceeds from sale of excess DOE assets	–1	....	....	....	....	....	....
Total, Atomic energy defense activities	407	907	865	635	405	297	189
Defense-related activities:							
Radiation exposure compensation trust fund	....	172	143	107	65	47	29

Table 15–11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Function and Program	2001 Actual	Estimate					
		2002	2003	2004	2005	2006	2007
Mandatory programs	216	212	351	351	351	351	351
Total, Defense-related activities	216	384	494	458	416	398	380
Total, Mandatory	3,760	–54	700	606	331	229	135
Total, National defense	329,025	350,722	361,235	370,400	378,710	387,962	397,477
150 International affairs:							
Discretionary:							
International development, humanitarian assistance:							
Development assistance and child survival and disease programs	2,124	2,574	2,621	2,665	2,713	2,764	2,816
Food aid	835	850	865	880	896	913	930
Refugee programs	714	721	734	748	760	775	789
Andean counter-drug initiative	....	625	636	647	659	671	684
Multilateral development banks (MDB's)	1,603	1,403	1,428	1,453	1,477	1,505	1,532
Assistance for the independent states of the former Soviet Union	559	784	798	812	826	842	858
Peace Corps	267	278	287	294	303	312	321
International narcotics control and law enforcement	417	218	223	226	230	235	239
Assistance for Central and Eastern Europe	542	621	633	643	655	667	680
USAID operations	544	561	579	594	611	628	646
Voluntary contributions to international organizations	296	328	334	340	346	352	359
Other development and humanitarian assistance	304	180	462	472	482	491	502
Total, International development, humanitarian assistance	8,205	9,143	9,600	9,774	9,958	10,155	10,356
International security assistance:							
Foreign military financing grants and loans	3,568	3,650	3,716	3,779	3,847	3,921	3,995
Economic support fund	2,300	2,214	2,254	2,292	2,334	2,378	2,423
Nonproliferation, antiterrorism, demining, and related programs	311	344	350	356	363	369	376
Other security assistance	189	205	208	212	216	220	225
Total, International security assistance	6,368	6,413	6,528	6,639	6,760	6,888	7,019
Conduct of foreign affairs:							
State Department operations	3,331	3,916	4,027	4,124	4,228	4,338	4,451
Embassy security, construction, and maintenance	1,081	1,277	1,303	1,328	1,353	1,382	1,410
Assessed contributions to international organizations	869	850	865	880	896	913	930
Assessed contributions for international peacekeeping	844	844	859	874	890	906	924
Other conduct of foreign affairs	142	140	144	149	151	158	163
Total, Conduct of foreign affairs	6,267	7,027	7,198	7,355	7,518	7,697	7,878
Foreign information and exchange activities:							
International broadcasting	461	489	504	517	532	547	561
Russian Leadership Development Center trust fund	....	10	22	23	23	24	24
Other information and exchange activities	417	299	305	309	316	324	330
Total, Foreign information and exchange activities	878	798	831	849	871	895	915
International financial programs:							
Export-Import Bank	907	767	795	798	809	821	835
Special defense acquisition fund	–7	–3	....	....	....	....	....
Total, International financial programs	900	764	795	798	809	821	835
Total, Discretionary	22,618	24,145	24,952	25,415	25,916	26,456	27,003
Emergency Response Fund:							
International development, humanitarian assistance:							
Peace Corps	3	....	....	....	....	....	....
Other development and humanitarian assistance	2	50	51	52	53	54	55
Total, International development, humanitarian assistance	5	50	51	52	53	54	55
Conduct of foreign affairs:							
State Department operations	8	....	....	....	....	....	....

Table 15–11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Function and Program	2001 Actual	Estimate					
		2002	2003	2004	2005	2006	2007
Evacuations and rewards	41						
Total, Conduct of foreign affairs	49						
Foreign information and exchange activities:							
International broadcasting		19	19	19	21	21	21
Total, Emergency Response Fund	54	69	70	71	74	75	76
Mandatory:							
International development, humanitarian assistance:							
Credit liquidating accounts	–444	–1,164	–1,070	–1,094	–1,034	–993	–931
Receipts and other	–51	–36	–10	–12	–12	–12	–12
Total, International development, humanitarian assistance	–495	–1,200	–1,080	–1,106	–1,046	–1,005	–943
International security assistance:							
Foreign military loan reestimates	–209	147					
Foreign military loan liquidating account	–491	–450	–376	–282	–303	–301	–265
Total, International security assistance	–700	–303	–376	–282	–303	–301	–265
Foreign affairs and information:							
Conduct of foreign affairs	11	37	5	5	5	5	5
Japan-U.S. Friendship Commission	3	3	3	3	3	3	3
Total, Foreign affairs and information	14	40	8	8	8	8	8
International financial programs:							
Foreign military sales trust fund (net)	–491	–40	–30	190	260	280	340
Export-Import Bank—subsidy reestimates	–1,975	–367					
Other international financial programs	–362	–71	–85	–88	–94	–108	–25
Total, International financial programs	–2,828	–478	–115	102	166	172	315
Total, Mandatory	–4,009	–1,941	–1,563	–1,278	–1,175	–1,126	–885
Total, International affairs	18,663	22,273	23,459	24,208	24,815	25,405	26,194
250 General science, space, and technology:							
Discretionary:							
General science and basic research:							
National Science Foundation programs	4,374	4,727	4,817	4,903	4,992	5,091	5,190
Department of Energy general science programs	3,218	3,240	3,301	3,361	3,423	3,491	3,561
Total, General science and basic research	7,592	7,967	8,118	8,264	8,415	8,582	8,751
Space flight, research, and supporting activities:							
Science, aeronautics and technology	5,711	7,152	7,310	7,455	7,614	7,781	7,952
Human space flight	5,496	6,797	6,942	7,080	7,225	7,380	7,538
Mission support	2,190						
Other NASA programs	24	25	26	27	28	29	30
Total, Space flight, research, and supporting activities	13,421	13,974	14,278	14,562	14,867	15,190	15,520
Total, Discretionary	21,013	21,941	22,396	22,826	23,282	23,772	24,271
Emergency Response Fund:							
Space flight, research, and supporting activities:							
Science, aeronautics and technology		27	27	28	28	29	30
Human space flight		76	77	79	80	82	83
Total, Emergency Response Fund		103	104	107	108	111	113
Mandatory:							
General science and basic research:							
National Science Foundation donations	116	135	142	19	16	16	17

Table 15–11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Function and Program	2001 Actual	Estimate					
		2002	2003	2004	2005	2006	2007
Space flight, research, and supporting activities:							
National Space Grant Program	3						
Total, Mandatory	119	135	142	19	16	16	17
Total, General science, space, and technology	21,132	22,179	22,642	22,952	23,406	23,899	24,401
270 Energy:							
Discretionary:							
Energy supply:							
Research and development	1,208	1,303	1,327	1,312	1,337	1,366	1,394
Naval petroleum reserves operations	2	17	17	17	18	19	19
Decontamination transfer	–419	–420	–442	–452	–463	–474	–485
Nuclear waste program	193	97	100	104	108	112	115
Federal power marketing	209	189	201	208	213	218	224
Elk Hills school lands fund	36	36	36	37	37	38	39
Rural electric and telephone discretionary loans	56	25	24	22	19	20	17
Non-defense environmental management and other	697	652	665	677	689	702	715
Total, Energy supply	1,982	1,899	1,928	1,925	1,958	2,001	2,038
Energy conservation and preparedness:							
Energy conservation	810	916	934	950	968	989	1,008
Emergency energy preparedness	150	180	184	187	191	195	199
Total, Energy conservation and preparedness	960	1,096	1,118	1,137	1,159	1,184	1,207
Energy information, policy, and regulation:							
Nuclear Regulatory Commission (NRC)	53	63	41	52	64	409	421
Federal Energy Regulatory Commission fees and recoveries, and other	–1	–12	–13	–13	–13	–14	–14
Department of Energy departmental administration, OIG, and EIA administration	240	197	204	209	216	224	231
Total, Energy information, policy, and regulation	292	248	232	248	267	619	638
Total, Discretionary	3,234	3,243	3,278	3,310	3,384	3,804	3,883
Emergency Response Fund:							
Energy information, policy, and regulation:							
Nuclear Regulatory Commission (NRC)		36	37	37	38	39	40
Mandatory:							
Energy supply:							
Naval petroleum reserves oil and gas sales	–12	–7	–7	–7	–7	–7	–5
Federal power marketing	–277	–628	–602	–778	–757	–801	–789
Tennessee Valley Authority	–665	171	–309	–722	–800	–730	–830
Nuclear waste fund program	–689	–640	–647	–612	–637	–621	–609
Rural electric and telephone liquidating accounts	–1,419	–1,563	–1,383	–1,236	–1,105	–977	–887
Rural electric and telephone loan subsidy reestimates	–4						
Total, Mandatory	–3,066	–2,667	–2,948	–3,355	–3,306	–3,136	–3,120
Total, Energy	168	612	367	–8	116	707	803
300 Natural resources and environment:							
Discretionary:							
Water resources:							
Corps of Engineers	4,654	4,456	4,615	4,736	4,864	4,999	5,139
Bureau of Reclamation	788	851	885	924	927	960	995
Watershed, flood prevention, and other	346	213	217	225	233	240	246
Total, Water resources	5,788	5,520	5,717	5,885	6,024	6,199	6,380
Conservation and land management:							
Forest Service	4,584	4,274	4,416	4,542	4,672	4,811	4,953
Management of public lands (BLM)	1,900	1,694	1,756	1,810	1,872	1,929	1,991
Conservation of agricultural lands	766	886	921	952	985	1,021	1,055
Fish and Wildlife Service	1,232	1,185	1,225	1,255	1,289	1,324	1,364

Table 15–11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Function and Program	2001 Actual	Estimate					
		2002	2003	2004	2005	2006	2007
Other conservation and land management programs	838	752	772	791	811	833	852
Total, Conservation and land management	9,320	8,791	9,090	9,350	9,629	9,918	10,215
Recreational resources:							
Operation of recreational resources	2,404	2,395	2,474	2,542	2,615	2,692	2,770
Other recreational resources activities	34	24	22	24	24	24	26
Total, Recreational resources	2,438	2,419	2,496	2,566	2,639	2,716	2,796
Pollution control and abatement:							
Regulatory, enforcement, and research programs	2,960	2,937	3,032	3,117	3,206	3,304	3,401
State and tribal assistance grants	3,641	3,733	3,799	3,865	3,935	4,009	4,084
Hazardous substance superfund	1,286	1,289	1,323	1,354	1,387	1,420	1,456
Other control and abatement activities	146	147	149	152	158	160	163
Total, Pollution control and abatement	8,033	8,106	8,303	8,488	8,686	8,893	9,104
Other natural resources:							
NOAA	3,104	3,391	3,482	3,564	3,653	3,741	3,837
Other natural resource program activities	1,060	1,109	1,146	1,174	1,209	1,246	1,283
Total, Other natural resources	4,164	4,500	4,628	4,738	4,862	4,987	5,120
Total, Discretionary	29,743	29,336	30,234	31,027	31,840	32,713	33,615
Emergency Response Fund:							
Water resources:							
Corps of Engineers	....	139	142	144	146	149	152
Bureau of Reclamation	....	30	31	31	32	32	33
Total, Water resources	....	169	173	175	178	181	185
Recreational resources:							
Operation of recreational resources	3	57	58	60	62	64	66
Pollution control and abatement:							
Regulatory, enforcement, and research programs	....	129	132	133	137	140	141
State and tribal assistance grants	....	5	5	5	5	5	5
Hazardous substance superfund	....	41	43	44	46	47	50
Total, Pollution control and abatement	....	175	180	182	188	192	196
Other natural resources:							
NOAA	....	3	3	3	3	3	3
Other natural resource program activities	....	2	2	2	2	2	2
Total, Other natural resources	....	5	5	5	5	5	5
Total, Emergency Response Fund	3	406	416	422	433	442	452
Mandatory:							
Water resources:							
Offsetting receipts and other mandatory water resource programs	–286	–107	–101	–107	–121	–129	–129
Conservation and land management:							
Conservation Reserve Program and other	2,072	2,005	2,119	2,209	2,200	2,129	2,122
Other conservation programs	426	567	570	542	571	571	573
Offsetting receipts	–2,654	–2,470	–2,519	–2,327	–2,299	–2,376	–2,404
Total, Conservation and land management	–156	102	170	424	472	324	291
Recreational resources:							
Operation of recreational resources	1,041	1,000	997	1,064	960	978	1,011
Offsetting receipts	–458	–378	–374	–376	–287	–283	–286
Total, Recreational resources	583	622	623	688	673	695	725

Table 15–11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Function and Program	2001 Actual	Estimate					
		2002	2003	2004	2005	2006	2007
Pollution control and abatement:							
Superfund resources and other mandatory	–134	–126	–125	–125	–125	–125	–125
Other natural resources:							
Fees and mandatory programs	7	11	–11	–15	–11	–11	–11
Total, Mandatory	14	502	556	865	888	754	751
Total, Natural resources and environment	29,760	30,244	31,206	32,314	33,161	33,909	34,818
350 Agriculture:							
Discretionary:							
Farm income stabilization:							
Agriculture credit loan program	398	466	483	497	513	529	547
P.L.480 market development activities	136	148	150	153	156	158	162
Administrative expenses	1,016	1,092	1,123	1,150	1,180	1,210	1,242
Total, Farm income stabilization	1,550	1,706	1,756	1,800	1,849	1,897	1,951
Agricultural research and services:							
Research and education programs	1,524	1,688	1,738	1,780	1,828	1,878	1,928
Integrated research, education, and extension programs	42	43	44	44	45	46	47
Extension programs	433	440	449	456	465	474	483
Marketing programs	68	74	77	78	81	84	85
Animal and plant inspection programs	904	793	822	849	876	905	934
Economic intelligence	175	189	195	201	207	215	220
Grain inspection and packers program	34	35	36	36	37	37	38
Foreign agricultural service	128	126	131	135	140	144	149
Other programs and unallocated overhead	443	405	466	487	499	513	527
Total, Agricultural research and services	3,751	3,793	3,958	4,066	4,178	4,296	4,411
Total, Discretionary	5,301	5,499	5,714	5,866	6,027	6,193	6,362
Emergency Response Fund:							
Agricultural research and services:							
Other programs and unallocated overhead	....	313	321	328	336	343	353
Mandatory:							
Farm income stabilization:							
Commodity Credit Corporation	21,446	15,678	9,272	8,439	7,328	6,285	5,883
Agricultural credit insurance subsidy reestimate	322	1,287	....	....	....	....	....
Crop insurance and other farm credit activities	2,536	2,845	2,895	2,978	3,093	3,232	3,361
Credit liquidating accounts (ACIF and FAC)	–800	–791	–767	–741	–708	–676	–641
Total, Farm income stabilization	23,504	19,019	11,400	10,676	9,713	8,841	8,603
Agricultural research and services:							
Miscellaneous mandatory programs	642	315	833	614	610	617	625
Offsetting receipts	–206	–178	–185	–185	–183	–183	–183
Total, Agricultural research and services	436	137	648	429	427	434	442
Total, Mandatory	23,940	19,156	12,048	11,105	10,140	9,275	9,045
Total, Agriculture	29,241	24,968	18,083	17,299	16,503	15,811	15,760
370 Commerce and housing credit:							
Discretionary:							
Mortgage credit:							
Federal Housing Administration (FHA) loan programs	–1,235	–1,893	–2,015	–1,841	–1,864	–1,992	–2,146
Government National Mortgage Association (GNMA)	–347	–389	–389	–388	–388	–387	–387
Other housing and urban development	–97	–468	–166	–166	–166	–166	–165
Rural housing insurance fund	662	668	692	711	734	756	778
Total, Mortgage credit	–1,017	–2,082	–1,878	–1,684	–1,684	–1,789	–1,920

Table 15–11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Postal service:							
Payments to the Postal Service fund (On-budget)	93	96	98	99	102	103	105
Deposit insurance:							
National credit union administration	1	1	1	1	1	1	1
Other advancement of commerce:							
Small and minority business assistance	764	597	619	639	658	680	702
Science and technology	631	710	730	748	771	792	811
Economic and demographic statistics	515	580	602	623	643	666	688
Regulatory agencies	–136	–649	121	126	129	134	140
International Trade Administration	352	355	367	379	390	402	414
Patent and trademark salaries and expenses	–46	–220	–162	136	79	....	....
Other discretionary	210	78	153	156	161	167	171
Total, Other advancement of commerce	2,290	1,451	2,430	2,807	2,831	2,841	2,926
Total, Discretionary	1,367	–534	651	1,223	1,250	1,156	1,112
Emergency Response Fund:							
Postal service:							
Payments to the Postal Service fund (On-budget)	....	500	509	518	527	537	547
Other advancement of commerce:							
Small and minority business assistance	....	75	76	78	79	81	82
Science and technology	....	6	6	6	6	6	6
Regulatory agencies	....	38	17	18	18	18	19
International Trade Administration	....	1	1	1	1	1	1
Patent and trademark salaries and expenses	....	2	....	....	....	....	....
Other discretionary	....	7	7	7	7	7	7
Total, Other advancement of commerce	....	129	107	110	111	113	115
Total, Emergency Response Fund	....	629	616	628	638	650	662
Mandatory:							
Mortgage credit:							
FHA mutual mortgage insurance	2,246	2,791	2,938	2,785	2,832	2,984	3,163
FHA general and special risk insurance	2,203	349	983	969	745	221	229
Government National Mortgage Association	....	....	40	40	40	40	40
Other HUD mortgage credit	–469	–325	–455	–338	–435	–550	–550
Other mortgage credit activities	–1,000	–1,247	–1,213	–1,229	–1,191	–1,193	–1,116
Total, Mortgage credit	2,980	1,568	2,293	2,227	1,991	1,502	1,766
Postal service:							
Postal Service (Off-budget)	4,064	2,813	5,154	368	487	390	1,197
Deposit insurance:							
Bank Insurance Fund	–26	–26	–25	–26	–26	–26	–26
FSLIC Resolution Fund	–4	–4	–3	–3	–3	–3	–3
Savings Association Insurance Fund	–4	–4	–3	–3	–3	–3	–3
Other deposit insurance activities	34	34	31	45	46	47	48
Total, Deposit insurance	....	....	....	13	14	15	16
Other advancement of commerce:							
Universal service fund	5,290	5,801	6,523	6,703	6,832	6,970	7,114
Payments to copyright owners	211	205	226	240	202	159	161
Spectrum auction subsidy	–852	141	12	12	12	12	12
Regulatory fees	–23	–23	–23	–23	–23	–23	–23
Credit liquidating accounts	5	3	3	2	1	1	1
Business loan program, subsidy reestimate	–722	–366	....	....	....	....	....
Continued dumping and subsidy offset	....	200	200	200	200	200	200

Table 15–11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Function and Program	2001 Actual	Estimate					
		2002	2003	2004	2005	2006	2007
Other mandatory	112	220	100	104	104	104	104
Total, Other advancement of commerce	4,021	6,181	7,041	7,238	7,328	7,423	7,569
Total, Mandatory	11,065	10,562	14,488	9,846	9,820	9,330	10,548
Total, Commerce and housing credit	12,432	10,657	15,755	11,697	11,708	11,136	12,322
400 Transportation:							
Discretionary:							
Ground transportation:							
Highways	2,795	320	328	334	340	347	355
Highway safety	127	155	166	169	174	179	183
Mass transit	1,258	1,352	1,374	1,399	1,425	1,451	1,480
Railroads	759	740	756	770	787	802	820
Regulation	18	18	19	19	20	21	21
State infrastructure banks	....	–6	....	....	....	....	....
Total, Ground transportation	4,957	2,579	2,643	2,691	2,746	2,800	2,859
Air transportation:							
Airports and airways (FAA)	9,715	10,391	10,744	11,056	11,381	11,726	12,082
Aeronautical research and technology	936	930	956	979	1,004	1,031	1,057
Payments to air carriers	....	13	13	13	14	14	14
Total, Air transportation	10,651	11,334	11,713	12,048	12,399	12,771	13,153
Water transportation:							
Marine safety and transportation	3,737	3,987	4,118	4,229	4,348	4,467	4,591
Ocean shipping	145	155	164	167	172	176	180
Total, Water transportation	3,882	4,142	4,282	4,396	4,520	4,643	4,771
Other transportation:							
Department of Transportation administration and other	255	266	268	278	289	300	311
Total, Discretionary	19,745	18,321	18,906	19,413	19,954	20,514	21,094
Emergency Response Fund:							
Ground transportation:							
Highways	....	175	178	182	184	188	191
Mass transit	....	124	126	129	130	133	135
Railroads	....	106	108	110	111	113	116
Total, Ground transportation	....	405	412	421	425	434	442
Air transportation:							
Airports and airways (FAA)	123	533	544	555	566	578	590
Transportation security administration	....	95	97	98	100	102	104
Aeronautical research and technology	....	5	5	5	5	5	5
Payments to air carriers	....	50	51	52	53	54	55
Total, Air transportation	123	683	697	710	724	739	754
Water transportation:							
Marine safety and transportation	18	209	213	216	220	224	229
Other transportation:							
Department of Transportation administration and other	....	4	4	4	4	4	4
Total, Emergency Response Fund	141	1,301	1,326	1,351	1,373	1,401	1,429
Mandatory:							
Ground transportation:							
Highways	32,304	35,122	31,111	31,111	31,111	31,111	31,111
Highway safety	553	610	580	580	580	580	580
Mass transit	6,308	5,398	5,496	5,591	5,693	5,802	5,914
Offsetting receipts and credit subsidy reestimates	–50	–96	–33	–33	–33	–33	–33

Table 15–11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Function and Program	2001 Actual	Estimate					
		2002	2003	2004	2005	2006	2007
Credit liquidating accounts	–32	–29	–29	–29	–30	–29	–29
Total, Ground transportation	39,083	41,005	37,125	37,220	37,321	37,431	37,543
Air transportation:							
Airports and airways (FAA)	2,571	2,998	3,400	3,400	3,400	3,400	3,400
Payments to air carriers	50	20	30	30	30	40	40
Compensation for air carriers	5,000	....	....	....	....	....	....
Air transportation stabilization loan subsidies	....	1,426	1,463	....	....	....	....
Total, Air transportation	7,621	4,444	4,893	3,430	3,430	3,440	3,440
Water transportation:							
Coast Guard retired pay	778	876	....	....	....	....	....
MARAD ocean freight differential	254	48	45	46	47	48	49
Other water transportation programs	–42	171	–31	–32	–33	–34	–35
Total, Water transportation	990	1,095	14	14	14	14	14
Other transportation:							
Sale of Union Station air rights and Governors Island	....	–40	–300	....	....	....	....
Other mandatory transportation programs	–3	–1	–1	–1	–1	–1	–1
Total, Other transportation	–3	–41	–301	–1	–1	–1	–1
Total, Mandatory	47,691	46,503	41,731	40,663	40,764	40,884	40,996
Total, Transportation	67,577	66,125	61,963	61,427	62,091	62,799	63,519
450 Community and regional development:							
Discretionary:							
Community development:							
Community development block grant	5,112	5,000	5,090	5,177	5,270	5,370	5,472
Community development loan guarantees	30	15	15	15	16	16	16
Community development financial institutions	118	80	81	83	85	87	88
Brownfields redevelopment	25	25	25	26	26	27	27
Other community development programs	574	464	476	487	497	511	523
Total, Community development	5,859	5,584	5,687	5,788	5,894	6,011	6,126
Area and regional development:							
Rural development	1,221	1,101	1,122	1,145	1,168	1,193	1,222
Economic Development Administration	451	368	375	382	389	398	406
Indian programs	1,428	1,492	1,529	1,561	1,595	1,632	1,670
Appalachian Regional Commission	77	71	72	73	75	76	78
Denali Commission	41	49	50	50	52	53	54
Delta Regional Authority	20	10	10	10	10	11	11
Total, Area and regional development	3,238	3,091	3,158	3,221	3,289	3,363	3,441
Disaster relief and insurance:							
Disaster relief	1,597	2,113	2,157	2,197	2,241	2,288	2,336
Small Business Administration disaster loans	184	214	224	233	243	253	263
National flood insurance premiums	64	78	88	89	91	92	94
Other disaster assistance programs	677	688	704	723	737	757	776
Total, Disaster relief and insurance	2,522	3,093	3,173	3,242	3,312	3,390	3,469
Total, Discretionary	11,619	11,768	12,018	12,251	12,495	12,764	13,036
Emergency Response Fund:							
Community development:							
Community development block grant	....	2,000	2,036	2,071	2,108	2,148	2,189
Other community development programs	....	2	2	2	2	2	2
Total, Community development	....	2,002	2,038	2,073	2,110	2,150	2,191

Table 15–11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Function and Program	2001 Actual	Estimate					
		2002	2003	2004	2005	2006	2007
Disaster relief and insurance:							
Disaster relief	2,000	4,357	4,435	4,511	4,592	4,679	4,768
Small Business Administration disaster loans	100	75	76	78	79	81	82
Other disaster assistance programs	....	235	239	244	249	254	258
Total, Disaster relief and insurance	2,100	4,667	4,750	4,833	4,920	5,014	5,108
Total, Emergency Response Fund	2,100	6,669	6,788	6,906	7,030	7,164	7,299
Mandatory:							
Community development:							
Pennsylvania Avenue activities and other programs	....	1	....	....	....	....	....
Area and regional development:							
Indian programs	191	200	201	208	196	202	209
Rural development programs	316	7	106	36	36	36	36
Credit liquidating accounts	–20	–74	–203	–258	–300	–292	–275
Offsetting receipts	–365	–185	–188	–192	–199	–203	–210
Total, Area and regional development	122	–52	–84	–206	–267	–257	–240
Disaster relief and insurance:							
National flood insurance fund	454	–360	–382	–110	–113	–115	–117
Disaster loans program account	46	506	....	....	....	....	....
SBA disaster loan subsidy reestimates	–384	....	....	....	....	....	....
Disaster assistance, downward reestimates	–10	....	....	....	....	....	....
Credit liquidating accounts	–44	....	....	....	....	....	....
Total, Disaster relief and insurance	62	146	–382	–110	–113	–115	–117
Total, Mandatory	184	95	–466	–316	–380	–372	–357
Total, Community and regional development	13,903	18,532	18,340	18,841	19,145	19,556	19,978
500 Education, training, employment, and social services:							
Discretionary:							
Elementary, secondary, and vocational education:							
Education for the disadvantaged	9,143	11,725	12,439	12,651	12,879	13,123	13,372
Impact aid	993	1,144	1,165	1,184	1,206	1,229	1,252
School improvement	4,619	7,827	7,936	8,071	8,216	8,372	8,531
Education reform	1,881	....	....	....	....	....	....
English language acquisition	460	665	677	688	701	714	728
Special education	6,110	8,673	8,738	8,886	9,046	9,218	9,394
Vocational and adult education	1,826	1,934	1,954	1,987	2,023	2,062	2,101
Reading excellence	286	195	195	198	202	206	210
Indian education	717	742	759	776	793	812	831
Other	12	14	14	14	15	15	15
Total, Elementary, secondary, and vocational education	26,047	32,919	33,877	34,455	35,081	35,751	36,434
Higher education:							
Student financial assistance	10,674	12,286	12,507	12,719	12,949	13,195	13,444
Higher education	1,912	2,031	2,067	2,103	2,140	2,181	2,222
Federal family education loan program	48	49	50	53	54	55	58
Other higher education programs	401	415	422	429	437	445	453
Total, Higher education	13,035	14,781	15,046	15,304	15,580	15,876	16,177
Research and general education aids:							
Library of Congress	449	376	390	401	415	428	441
Public broadcasting	404	418	434	450	458	467	476
Smithsonian institution and related agencies	599	645	667	688	712	730	754
Education research, statistics, and assessment	722	444	452	459	468	476	485
Other	939	925	951	973	998	1,024	1,048
Total, Research and general education aids	3,113	2,808	2,894	2,971	3,051	3,125	3,204

Table 15–11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Function and Program	2001 Actual	Estimate					
		2002	2003	2004	2005	2006	2007
Training and employment:							
Training and employment services	5,635	5,457	5,558	5,654	5,757	5,870	5,982
Older Americans employment	440	445	453	461	469	478	487
Federal-State employment service	1,322	1,295	1,318	1,342	1,367	1,393	1,420
Other employment and training	116	119	124	128	132	137	140
Total, Training and employment	7,513	7,316	7,453	7,585	7,725	7,878	8,029
Other labor services:							
Labor law, statistics, and other administration	1,503	1,588	1,644	1,691	1,749	1,801	1,857
Social services:							
Rehabilitation services	405	464	472	480	489	498	508
Corporation for National and Community Service	460	404	412	420	428	437	445
National Service	280	335	343	350	358	367	376
Children and families services programs	7,966	8,440	8,597	8,745	8,907	9,081	9,256
Aging services program	1,104	1,201	1,223	1,244	1,267	1,291	1,316
Other	3	73	74	75	77	78	80
Total, Social services	10,218	10,917	11,121	11,314	11,526	11,752	11,981
Total, Discretionary	61,429	70,329	72,035	73,320	74,712	76,183	77,682
Emergency Response Fund:							
Elementary, secondary, and vocational education:							
School improvement	....	10	10	10	11	11	11
Research and general education aids:							
Library of Congress	2	30	31	31	32	32	33
Public broadcasting	....	8	8	8	8	9	9
Smithsonian institution and related agencies	....	28	28	29	30	31	31
Total, Research and general education aids	2	66	67	68	70	72	73
Training and employment:							
Training and employment services	25	32	33	33	34	34	35
Other labor services:							
Labor law, statistics, and other administration	....	6	6	6	6	6	7
Total, Emergency Response Fund	27	114	116	117	121	123	126
Mandatory:							
Higher education:							
Federal family education loan program	–1,660	3,781	4,090	3,371	3,554	3,728	3,894
Federal direct loan program	214	52	180	71	10	–76	–167
Other higher education programs	–48	–35	–35	–35	–44	–59	–58
Credit liquidating account (Family education loan program)	–1,064	–745	–625	–508	–380	–278	–182
Total, Higher education	–2,558	3,053	3,610	2,899	3,140	3,315	3,487
Research and general education aids:							
Mandatory programs	86	25	25	24	24	23	22
Training and employment:							
Trade adjustment assistance	132	132	....	....	....	....	....
Proposed Legislation (non-PAYGO)	....	....	132	132	132	132	132
Subtotal, Trade adjustment assistance	132	132	132	132	132	132	132
Advance appropriations and other mandatory	131	140	138	....	....	....	....
Total, Training and employment	263	272	270	132	132	132	132
Other labor services:							
Other labor services	10	10	10	....	....	....	....

Table 15–11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Social services:							
Promoting safe and stable families	305	305	305	305	305	305	305
Social services block grant	1,725	1,700	1,700	1,700	1,700	1,700	1,700
Rehabilitation services	2,400	2,482	2,533	2,591	2,649	2,710	2,775
Other social services	22	16	16	12	11	8	7
Total, Social services	4,452	4,503	4,554	4,608	4,665	4,723	4,787
Total, Mandatory	2,253	7,863	8,469	7,663	7,961	8,193	8,428
Total, Education, training, employment, and social services	63,709	78,306	80,620	81,100	82,794	84,499	86,236
550 Health:							
Discretionary:							
Health care services:							
Substance abuse and mental health services	2,968	3,142	3,201	3,256	3,316	3,380	3,446
Indian health	2,690	2,824	2,897	2,962	3,037	3,109	3,187
Health Resources and Services Administration	5,005	5,466	5,569	5,667	5,775	5,890	6,006
Disease control, research, and training	3,590	3,981	4,067	4,150	4,236	4,328	4,423
Departmental management and other	738	775	798	818	838	862	884
Total, Health care services	14,991	16,188	16,532	16,853	17,202	17,569	17,946
Health research and training:							
National Institutes of Health	20,447	23,333	23,796	24,234	24,703	25,206	25,718
Clinical training	598	675	687	699	712	726	738
Other health research and training	431	368	355	331	343	356	367
Total, Health research and training	21,476	24,376	24,838	25,264	25,758	26,288	26,823
Consumer and occupational health and safety:							
Food safety and inspection	745	769	801	828	856	886	917
Occupational safety and health	713	742	769	791	816	842	868
FDA and Consumer Product Safety Commission salaries and expenses	1,199	1,328	1,378	1,421	1,467	1,516	1,565
Total, Consumer and occupational health and safety	2,657	2,839	2,948	3,040	3,139	3,244	3,350
Total, Discretionary	39,124	43,403	44,318	45,157	46,099	47,101	48,119
Emergency Response Fund:							
Health care services:							
Disease control, research, and training	....	12	12	12	13	13	13
Bioterrorism preparedness and emergency response/recovery	126	2,644	2,692	2,737	2,787	2,840	2,894
Total, Health care services	126	2,656	2,704	2,749	2,800	2,853	2,907
Health research and training:							
National Institutes of Health	....	10	10	10	11	11	11
Consumer and occupational health and safety:							
Food safety and inspection	....	15	16	16	17	18	18
Occupational safety and health	1	1	1	1	1	1	1
FDA salaries and expenses	....	151	155	159	163	167	171
Total, Consumer and occupational health and safety	1	167	172	176	181	186	190
Total, Emergency Response Fund	127	2,833	2,886	2,935	2,992	3,050	3,108
Mandatory:							
Health care services:							
Medicaid grants	129,419	144,641	158,692	171,143	185,471	201,557	219,066
State children's health insurance fund	6,283	3,115	3,175	3,175	4,082	4,082	5,040
Federal employees' and retired employees' health benefits	5,507	6,105	16,484	18,349	19,675	21,143	22,797
DoD Medicare-eligible retiree health care fund	....	....	5,681	11,628	12,360	13,133	13,953
UMWA Funds (coal miner retiree health)	332	233	208	202	197	193	187
Ricky Ray hemophilia relief fund	582	....	....	....	....	....	....

Table 15–11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Other mandatory health services activities	592	602	315	207	215	221	187
Total, Health care services	142,715	154,696	184,555	204,704	222,000	240,329	261,230
Health research and safety:							
Health research and training	107	107	104	5	3	2	1
Consumer and occupational health and safety	....	....	....	–1	–1	–1	–1
Total, Health research and safety	107	107	104	4	2	1	....
Total, Mandatory	142,822	154,803	184,659	204,708	222,002	240,330	261,230
Total, Health	182,073	201,039	231,863	252,800	271,093	290,481	312,457
570 Medicare:							
Discretionary:							
Medicare:							
Hospital insurance (HI) administrative expenses	1,448	1,652	1,729	1,803	1,884	1,973	2,068
Supplementary medical insurance (SMI) administrative expenses	1,955	2,078	2,160	2,241	2,329	2,425	2,533
Total, Discretionary	3,403	3,730	3,889	4,044	4,213	4,398	4,601
Mandatory:							
Medicare:							
Hospital insurance (HI)	141,299	144,101	148,071	153,465	163,449	168,735	179,262
Supplementary medical insurance (SMI)	97,508	104,123	108,369	112,463	119,990	124,994	135,242
HI premiums and collections	–1,440	–1,502	–1,538	–1,618	–1,715	–1,819	–1,919
SMI premiums and collections	–22,308	–24,120	–25,809	–27,395	–29,269	–31,333	–33,610
Medicare interfunds	–1,286	4,006	–8	....	....	....	....
Total, Mandatory	213,773	226,608	229,085	236,915	252,455	260,577	278,975
Total, Medicare	217,176	230,338	232,974	240,959	256,668	264,975	283,576
600 Income security:							
Discretionary:							
General retirement and disability insurance:							
Railroad retirement	267	256	261	265	269	274	281
Pension Benefit Guaranty Corporation	12	12	13	13	14	14	15
Pension and Welfare Benefits Administration and other	113	116	120	124	128	132	136
Total, General retirement and disability insurance	392	384	394	402	411	420	432
Federal employee retirement and disability:							
Civilian retirement and disability program administrative expenses	88	105	109	112	116	120	125
Armed forces retirement home	73	74	76	79	82	85	88
Total, Federal employee retirement and disability	161	179	185	191	198	205	213
Unemployment compensation:							
Unemployment programs administrative expenses	2,439	2,793	2,479	2,292	2,235	2,261	2,352
Housing assistance:							
Public housing operating fund	3,235	3,495	3,558	3,618	3,684	3,753	3,824
Public housing capital fund	2,993	2,843	2,894	2,945	2,997	3,054	3,111
Subsidized, public, homeless and other HUD housing	18,105	20,362	22,231	24,154	24,846	25,539	26,229
Rural housing assistance	786	806	821	834	850	866	882
Total, Housing assistance	25,119	27,506	29,504	31,551	32,377	33,212	34,046
Food and nutrition assistance:							
Special supplemental food program for women, infants, and children (WIC)	4,043	4,348	4,426	4,502	4,583	4,670	4,758
Other nutrition programs	588	603	617	632	647	660	678
Total, Food and nutrition assistance	4,631	4,951	5,043	5,134	5,230	5,330	5,436
Other income assistance:							
Refugee assistance	433	460	468	476	485	494	503

Table 15–11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Function and Program	2001 Actual	Estimate					
		2002	2003	2004	2005	2006	2007
Low income home energy assistance	2,000	2,000	2,036	2,071	2,108	2,148	2,188
Child care and development block grant	2,000	2,100	2,138	2,174	2,213	2,255	2,298
Supplemental security income (SSI) administrative expenses	2,702	2,980	3,083	3,168	3,260	3,357	3,455
Total, Other income assistance	7,135	7,540	7,725	7,889	8,066	8,254	8,444
Total, Discretionary	39,877	43,353	45,330	47,459	48,517	49,682	50,923
Emergency Response Fund:							
General retirement and disability insurance:							
Pension and Welfare Benefits Administration and other	....	2	2	2	2	2	2
Unemployment compensation:							
Unemployment programs administrative expenses	4	4	4	4	4	4	4
Food and nutrition assistance:							
Special supplemental food program for women, infants, and children (WIC)	....	39	40	40	41	42	43
Total, Emergency Response Fund	4	45	46	46	47	48	49
Mandatory:							
General retirement and disability insurance:							
Railroad retirement	4,980	4,655	4,557	5,061	5,244	5,606	5,578
Special benefits for disabled coal miners	941	896	830	791	746	702	659
Pension Benefit Guaranty Corporation	–12	–12	–13	–13	–14	–14	–15
District of Columbia pension funds	438	464	473	484	495	505	514
Special workers' compensation program	143	149	149	149	150	150	151
Total, General retirement and disability insurance	6,490	6,152	5,996	6,472	6,621	6,949	6,887
Federal employee retirement and disability:							
Federal civilian employee retirement and disability	48,082	50,632	53,672	56,721	59,914	62,737	65,151
Military retirement	34,205	35,544	36,318	37,184	38,119	39,096	40,113
Coast Guard military retirement fund	....	....	889	941	977	1,014	1,056
Federal employees workers' compensation (FECA)	59	126	168	186	201	214	218
Federal employees life insurance fund	30	32	32	32	32	33	34
Total, Federal employee retirement and disability	82,376	86,334	91,079	95,064	99,243	103,094	106,572
Unemployment compensation:							
Unemployment insurance programs	29,976	44,210	40,365	37,810	37,084	37,907	40,137
Trade adjustment assistance	275	284	13	....	....	....	....
Proposed Legislation (non-PAYGO)	....	....	317	342	355	369	383
Subtotal, Trade adjustment assistance	275	284	330	342	355	369	383
Total, Unemployment compensation	30,251	44,494	40,695	38,152	37,439	38,276	40,520
Housing assistance:							
Mandatory housing assistance programs	25	40	40	40	40	40	40
Food and nutrition assistance:							
Food stamps (including Puerto Rico)	20,058	22,975	26,233	26,152	26,438	26,771	27,660
State child nutrition programs	9,610	10,083	10,572	11,419	11,854	12,305	12,818
Funds for strengthening markets, income, and supply (Sec.32)	740	889	640	640	640	640	640
Total, Food and nutrition assistance	30,408	33,947	37,445	38,211	38,932	39,716	41,118
Other income support:							
Supplemental security income (SSI)	30,561	29,090	31,848	33,774	37,732	36,667	35,326
Child support and family support programs	3,092	3,448	3,576	3,924	4,178	4,470	4,987
Federal share of child support collections	–856	–765	–789	–836	–887	–917	–948
Temporary assistance for needy families and related programs	16,689	16,689	16,689	17,689	16,689	16,689	16,689
Child care entitlement to states	2,571	2,717	2,717	2,717	2,717	2,717	2,717
Foster care and adoption assistance	6,401	6,622	6,609	6,983	7,447	8,031	8,659
Earned income tax credit (EITC)	26,123	28,282	30,629	31,083	31,720	33,133	34,085
Child tax credit	982	7,390	7,390	7,210	6,950	9,380	9,200
Other assistance	39	37	53	54	55	56	57

Table 15–11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Function and Program	2001 Actual	Estimate					
		2002	2003	2004	2005	2006	2007
SSI recoveries and receipts	–1,609	–1,703	–1,799	–1,889	–1,948	–2,008	–2,084
Total, Other income support	83,993	91,807	96,923	100,709	104,653	108,218	108,688
Total, Mandatory	233,543	262,774	272,178	278,648	286,928	296,293	303,825
Total, Income security	273,424	306,172	317,554	326,153	335,492	346,023	354,797
650 Social security:							
Discretionary:							
Social security:							
Old-age and survivors insurance (OASI)administrative expenses (Off-budget)	1,980	1,982	2,053	2,115	2,179	2,247	2,319
Disability insurance (DI) administrative expenses (Off-budget)	1,605	1,679	1,737	1,789	1,841	1,896	1,956
Office of the Inspector General—Social Security Adm. (On-budget)	18	20	21	21	22	23	24
Total, Discretionary	3,603	3,681	3,811	3,925	4,042	4,166	4,299
Emergency Response Fund:							
Social security:							
Old-age and survivors insurance (OASI)administrative expenses (Off-budget)	....	8	8	8	9	9	9
Mandatory:							
Social security:							
Old-age and survivors insurance (OASI)(Off-budget)	372,480	389,433	403,341	419,623	437,897	458,016	480,340
Disability insurance (DI)(Off-budget)	65,288	67,786	69,570	73,734	79,566	85,995	92,893
Quinquennial OASI and DI adjustments (On-budget)	–836	....	....	....	....	....	....
Intragovernmental transactions (On-budget)	12,536	13,892	14,282	15,149	16,041	16,841	17,990
Intragovernmental transactions (Off-budget)	–12,528	–13,478	–14,282	–15,149	–16,041	–16,841	–17,990
Total, Mandatory	436,940	457,633	472,911	493,357	517,463	544,011	573,233
Total, Social security	440,543	461,322	476,730	497,290	521,514	548,186	577,541
700 Veterans benefits and services:							
Discretionary:							
Income security for veterans:							
Special benefits for certain World War II veterans	1	2	2	2	2	2	2
Veterans education, training, and rehabilitation:							
Loan fund program account	1	....	....	....	....	....	....
Veterans employment and training	25	26	26	27	27	28	29
Total, Veterans education, training, and rehabilitation	26	26	26	27	27	28	29
Hospital and medical care for veterans:							
Medical care and hospital services	22,087	23,333	24,152	24,872	25,629	26,421	27,242
Collections for medical care	–771	–805	–803	–907	–1,012	–1,086	–1,176
Construction for medical care, benefits, and cemeteries	339	498	507	515	524	533	544
Total, Hospital and medical care for veterans	21,655	23,026	23,856	24,480	25,141	25,868	26,610
Veterans housing:							
Housing program loan administrative expenses	170	172	179	184	190	198	204
Other veterans benefits and services:							
National Cemetery Administration	113	126	130	133	138	142	146
General operating expenses	1,152	1,253	1,304	1,347	1,392	1,440	1,489
Other operating expenses	131	157	160	166	169	175	180
Total, Other veterans benefits and services	1,396	1,536	1,594	1,646	1,699	1,757	1,815
Total, Discretionary	23,248	24,762	25,657	26,339	27,059	27,853	28,660
Emergency Response Fund:							
Other veterans benefits and services:							
General operating expenses	....	2	2	2	2	2	2

Table 15–11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Mandatory:							
Income security for veterans:							
Compensation, Pensions and Burial benefits	23,356	24,945	26,525	27,998	29,437	30,881	32,298
Special benefits for certain World War II veterans	7	9	9	8	9	8	7
National service life insurance trust fund	1,240	1,274	1,282	1,271	1,258	1,250	1,234
All other insurance programs	26	48	55	67	74	80	91
Insurance program receipts	–195	–199	–186	–172	–156	–141	–127
Total, Income security for veterans	24,434	26,077	27,685	29,172	30,622	32,078	33,503
Veterans education, training, and rehabilitation:							
Readjustment benefits (Montgomery GI Bill and related programs)	1,981	2,135	2,265	2,680	2,796	2,924	3,051
All-volunteer force educational assistance trust fund	–345	–221	–254	–246	–263	–259	–274
Total, Veterans education, training, and rehabilitation	1,636	1,914	2,011	2,434	2,533	2,665	2,777
Veterans housing:							
Housing program loan subsidies	336	754	339	318	318	320	323
Housing program loan reestimates	–1,420	–1,797	....	....	....	....	....
Total, Veterans housing	–1,084	–1,043	339	318	318	320	323
Other veterans programs:							
National homes, Battle Monument contributions and other	133	38	42	39	42	43	44
Total, Mandatory	25,119	26,986	30,077	31,963	33,515	35,106	36,647
Total, Veterans benefits and services	48,367	51,750	55,736	58,304	60,576	62,961	65,309
750 Administration of justice:							
Discretionary:							
Federal law enforcement activities:							
Criminal investigations (DEA, FBI, FinCEN, ICDE)	4,705	5,061	5,248	5,410	5,580	5,760	5,945
Alcohol, tobacco, and firearms investigations (ATF)	797	853	883	910	938	967	997
Border enforcement activities (Customs and INS)	5,745	6,381	6,605	6,803	7,008	7,227	7,451
Equal Employment Opportunity Commission	317	325	339	349	362	375	386
Tax law, criminal investigations (IRS)	365	368	385	400	415	432	448
Other law enforcement activities	2,207	2,038	2,103	2,167	2,234	2,303	2,373
Total, Federal law enforcement activities	14,136	15,026	15,563	16,039	16,537	17,064	17,600
Federal litigative and judicial activities:							
Civil and criminal prosecution and representation	3,252	3,487	3,640	3,746	3,856	3,968	4,086
Representation of indigents in civil cases	329	329	335	341	347	353	360
Federal judicial and other litigative activities	4,103	4,464	4,616	4,757	4,908	5,065	5,228
Total, Federal litigative and judicial activities	7,684	8,280	8,591	8,844	9,111	9,386	9,674
Correctional activities:							
Federal prison system and detention trustee program	4,419	4,748	4,915	5,063	5,216	5,380	5,546
Criminal justice assistance:							
High-intensity drug trafficking areas program	169	226	230	234	238	243	247
Law enforcement assistance, community policing, and other justice programs	4,642	4,246	4,324	4,398	4,479	4,566	4,652
Total, Criminal justice assistance	4,811	4,472	4,554	4,632	4,717	4,809	4,899
Total, Discretionary	31,050	32,526	33,623	34,578	35,581	36,639	37,719
Emergency Response Fund:							
Federal law enforcement activities:							
Terrorist response activities outlayed in many subfunctions	13,037	....	....	....	....	....	....
Criminal investigations (DEA, FBI, FinCEN, ICDE)	....	745	760	775	791	807	824
Alcohol, tobacco, and firearms investigations (ATF)	2	31	32	32	33	34	35
Border enforcement activities (Customs and INS)	36	949	978	1,004	1,029	1,060	1,088
Equal Employment Opportunity Commission	....	1	1	1	1	1	1
Tax law, criminal investigations (IRS)	2	4	4	4	5	5	5

Table 15–11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Other law enforcement activities	41	156	159	161	165	169	173
Total, Federal law enforcement activities	13,118	1,886	1,934	1,977	2,024	2,076	2,126
Federal litigative and judicial activities:							
Civil and criminal prosecution and representation	....	79	81	82	86	89	91
Federal judicial and other litigative activities	21	96	98	99	101	102	104
Total, Federal litigative and judicial activities	21	175	179	181	187	191	195
Criminal justice assistance:							
Crime victims fund obligation limit	....	68	69	70	72	73	74
High-intensity drug trafficking areas program	2	....	....	....	....	....	....
Law enforcement assistance, community policing, and other justice programs	....	651	663	674	687	700	713
Total, Criminal justice assistance	2	719	732	744	759	773	787
Total, Emergency Response Fund	13,141	2,780	2,845	2,902	2,970	3,040	3,108
Mandatory:							
Federal law enforcement activities:							
Border enforcement activities (Customs and INS)	1,989	2,470	2,592	2,745	2,783	2,825	2,871
INS fees	–1,998	–2,404	–2,462	–2,168	–2,203	–2,240	–2,278
Customs fees	–1,271	–1,309	–1,439	–3	–3	–3	–4
Other mandatory law enforcement programs	596	506	538	519	523	526	526
Total, Federal law enforcement activities	–684	–737	–771	1,093	1,100	1,108	1,115
Federal litigative and judicial activities:							
September 11 victim compensation fund	....	1,080	2,700	1,620	....	....	....
Assets forfeiture fund	417	337	407	373	380	387	395
Federal judicial officers salaries and expenses and other mandatory programs	562	607	623	608	623	638	653
Total, Federal litigative and judicial activities	979	2,024	3,730	2,601	1,003	1,025	1,048
Correctional activities:							
Mandatory programs	–3	–3	–3	–4	–4	–4	–4
Criminal justice assistance:							
Crime victims fund	508	515	1,886	430	430	430	430
Public safety officers' benefits	33	157	49	50	51	52	53
Total, Criminal justice assistance	541	672	1,935	480	481	482	483
Total, Mandatory	833	1,956	4,891	4,170	2,580	2,611	2,642
Total, Administration of justice	45,024	37,262	41,359	41,650	41,131	42,290	43,469
800 General government:							
Discretionary:							
Legislative functions:							
Legislative branch discretionary programs	2,317	2,654	2,750	2,839	2,936	3,039	3,138
Executive direction and management:							
Drug control programs	223	240	244	248	253	258	263
Executive Office of the President	270	286	296	299	308	316	325
Presidential transition and former Presidents	10	3	3	3	3	3	3
Total, Executive direction and management	503	529	543	550	564	577	591
Central fiscal operations:							
Tax administration	9,077	9,559	9,933	10,264	10,605	10,964	11,335
Other fiscal operations	861	883	911	941	970	999	1,033
Total, Central fiscal operations	9,938	10,442	10,844	11,205	11,575	11,963	12,368
General property and records management:							
Records management	318	290	298	306	315	322	333

Table 15–11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Other general and records management	450	555	572	584	597	611	625
Total, General property and records management	768	845	870	890	912	933	958
Central personnel management:							
Discretionary central personnel management programs	180	192	198	205	211	219	225
General purpose fiscal assistance:							
Payments and loans to the District of Columbia	334	247	255	260	268	274	282
Payments to States and counties from Federal land management activities	11	14	14	14	15	15	15
Payments in lieu of taxes	199	210	214	218	222	226	230
Total, General purpose fiscal assistance	544	471	483	492	505	515	527
Other general government:							
Discretionary programs	319	295	300	310	316	327	335
Total, Discretionary	14,569	15,428	15,988	16,491	17,019	17,573	18,142
Emergency Response Fund:							
Legislative functions:							
Legislative branch discretionary programs	84	222	227	229	234	239	243
Executive direction and management:							
Executive Office of the President	7	50	51	52	53	54	55
Central fiscal operations:							
Tax administration	2	30	30	32	32	32	34
Other fiscal operations	6	2	2	2	2	2	2
Total, Central fiscal operations	8	32	32	34	34	34	36
General property and records management:							
Records management	....	3	3	3	3	3	3
Other general and records management	9	127	130	132	134	136	139
Total, General property and records management	9	130	133	135	137	139	142
General purpose fiscal assistance:							
Payments and loans to the District of Columbia	6	200	204	207	211	215	219
Other	....	175	178	181	184	188	192
Total, General purpose fiscal assistance	6	375	382	388	395	403	411
Other general government:							
Discretionary programs	....	4	4	4	4	4	4
Total, Emergency Response Fund	114	813	829	842	857	873	891
Mandatory:							
Legislative functions:							
Congressional members compensation and other	108	117	118	119	119	117	118
Central fiscal operations:							
Federal financing bank	33	18	24	28	30	31	31
Other mandatory programs	–117	–76	–72	–64	–64	–63	–60
Total, Central fiscal operations	–84	–58	–48	–36	–34	–32	–29
General property and records management:							
Mandatory programs	24	24	24	25	25	26	24
Offsetting receipts	–18	–33	–33	–29	–28	–27	–26
Total, General property and records management	6	–9	–9	–4	–3	–1	–2
General purpose fiscal assistance:							
Payments to States and counties	1,386	1,180	1,190	1,225	1,241	1,274	1,226
Tax revenues for Puerto Rico (Treasury, BATF)	420	347	338	336	331	331	331

Table 15–11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Function and Program	2001 Actual	Estimate					
		2002	2003	2004	2005	2006	2007
Other general purpose fiscal assistance	117	125	125	125	126	126	126
Total, General purpose fiscal assistance	1,923	1,652	1,653	1,686	1,698	1,731	1,683
Other general government:							
Territories	162	187	186	187	185	185	185
Treasury claims	1,494	926	1,000	1,204	1,204	1,204	1,204
Presidential election campaign fund	58	58	58	58	58	58	58
Other mandatory programs	90	....	....	2	2	2	2
Total, Other general government	1,804	1,171	1,244	1,451	1,449	1,449	1,449
Deductions for offsetting receipts:							
Offsetting receipts	–1,889	–1,438	–1,431	–1,431	–1,431	–1,431	–1,431
Total, Mandatory	1,868	1,435	1,527	1,785	1,798	1,833	1,788
Total, General government	16,551	17,676	18,344	19,118	19,674	20,279	20,821
900 Net interest:							
Mandatory:							
Interest on Treasury debt securities (gross):							
Interest paid on Treasury debt securities (gross)	359,507	337,600	347,617	363,996	375,887	385,888	396,382
Interest received by on-budget trust funds:							
Civil service retirement and disability fund	–34,953	–36,050	–38,379	–39,554	–40,645	–41,663	–43,042
Military retirement	–13,366	–13,074	–13,271	–13,478	–13,696	–13,930	–14,173
Foreign service retirement and disability trust fund	–752	–778	–804	–831	–858	–886	–914
Medicare trust funds	–15,525	–15,639	–17,631	–19,334	–21,266	–23,366	–25,791
Unemployment trust fund	–5,749	–5,606	–4,719	–4,545	–4,699	–5,029	–5,484
Railroad retirement	–2,347	–572	–214	–207	–209	–209	–206
Airport and airway trust fund	–882	–869	–623	–536	–447	–335	–220
Other on-budget trust funds	–1,728	–1,699	–1,613	–1,537	–1,457	–1,384	–1,311
Total, Interest received by on-budget trust funds	–75,302	–74,287	–77,254	–80,022	–83,277	–86,802	–91,141
Interest received by off-budget trust funds:							
Interest received by social security trust funds	–68,811	–76,822	–83,849	–92,029	–101,015	–110,959	–122,109
Other interest:							
Interest on loans to Federal Financing Bank	–2,157	–1,930	–1,484	–1,724	–2,044	–2,342	–2,230
Interest on refunds of tax collections	2,726	2,351	2,206	2,107	2,275	2,419	2,608
Payment to the Resolution Funding Corporation	464	1,157	2,124	2,231	2,117	2,188	2,231
Interest paid to loan guarantee financing accounts	4,708	3,775	3,802	3,919	4,093	4,316	4,556
Interest received from direct loan financing accounts	–10,336	–10,748	–11,590	–12,191	–12,677	–13,137	–13,564
Interest on deposits in tax and loan accounts	–951	–451	–585	–585	–585	–585	–585
Interest, employees health benefits fund	....	....	–772	–1,333	–1,897	–2,488	–3,109
Interest, DoD retiree health care fund	....	....	–1,038	–2,664	–4,480	–6,473	–8,656
Interest, other special and revolving funds	–1,530	–897	–1,014	–1,102	–1,185	–1,243	–1,294
All other interest	–2,122	–2,221	–2,190	–2,186	–2,327	–2,111	–2,070
Total, Other interest	–9,198	–8,964	–10,541	–13,528	–16,710	–19,456	–22,113
Other investment income:							
Private sector holdings, National Railroad Retirement Investment Trust	....	–374	–784	–802	–802	–810	–801
Total, Net interest	206,196	177,153	175,189	177,615	174,083	167,861	160,218
920 Allowances:							
Mandatory:							
Spectrum relocation fund	....	....	–100	–315	–200	....	–50
950 Undistributed offsetting receipts:							
Mandatory:							
Employer share, employee retirement (on-budget):							
Contributions to HI trust fund	–2,704	–2,894	–3,032	–3,158	–3,319	–3,453	–3,591
Contributions to military retirement fund	–11,371	–12,491	–11,934	–12,396	–12,911	–13,383	–13,847

Table 15–11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Function and Program	2001 Actual	Estimate					
		2002	2003	2004	2005	2006	2007
Postal Service contributions to Civil Service Retirement and Disability Fund	–6,600	–6,780	–6,932	–7,089	–7,320	–7,555	–7,745
Employing agency contributions, DoD Retiree Health Care Fund	....	....	–8,312	–15,475	–16,416	–17,418	–18,500
Other contributions to civil and foreign service retirement and disability fund	–10,208	–10,746	–31,213	–32,689	–34,180	–35,698	–37,324
Retirement accrual offset	–8,219	–8,683	193	165	4	–198	–380
Total, Employer share, employee retirement (on-budget)	–39,102	–41,594	–61,230	–70,642	–74,142	–77,705	–81,387
Employer share, employee retirement (off-budget):							
Contributions to social security trust funds	–7,910	–9,243	–9,564	–10,232	–11,034	–11,744	–12,448
Rents and royalties on the Outer Continental Shelf:							
OCS Receipts	–7,194	–3,806	–2,832	–2,952	–3,670	–3,969	–4,018
Sale of major assets:							
Privatization of Elk Hills	....	....	....	....	–323	....	....
Other undistributed offsetting receipts:							
Spectrum auction	–1,024	–530	–4,510	–10,565	–8,770	–675	–680
Total, Undistributed offsetting receipts	–55,230	–55,173	–78,136	–94,391	–97,939	–94,093	–98,533
Total	1,959,734	2,052,157	2,105,183	2,159,413	2,234,541	2,314,646	2,401,113
On-budget	(1,603,566)	(1,687,999)	(1,731,015)	(1,779,186)	(1,840,652)	(1,905,637)	(1,974,946)
Off-budget	(356,168)	(364,158)	(374,168)	(380,227)	(393,889)	(409,009)	(426,167)

Table 15–12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM

(in millions of dollars)

Function and Program	2001 Actual	Estimate					
		2002	2003	2004	2005	2006	2007
050 National defense:							
Discretionary:							
Department of Defense—Military:							
Military personnel	73,977	81,129	84,125	93,199	99,066	99,331	99,458
Operation and maintenance	113,323	122,678	127,616	125,882	128,812	131,860	134,794
Procurement	54,986	58,897	59,132	60,580	62,026	63,226	64,272
Research, development, test and evaluation	40,599	45,057	48,268	49,453	50,433	51,483	52,572
Military construction	5,010	5,715	6,152	6,192	6,549	6,780	6,921
Family housing	3,519	3,760	3,923	4,040	4,147	4,245	4,280
Revolving, management, and trust funds and other	3,230	3,083	1,987	2,668	2,634	2,662	2,729
Total, Department of Defense—Military	294,644	320,319	331,203	342,014	353,667	359,587	365,026
Atomic energy defense activities:							
Department of Energy	12,826	14,616	14,794	15,155	15,406	15,531	15,850
Formerly utilized sites remedial action	184	118	143	145	148	151	155
Defense nuclear facilities safety board	18	18	19	20	20	20	21
Total, Atomic energy defense activities	13,028	14,752	14,956	15,320	15,574	15,702	16,026
Defense-related activities:							
Radiation exposure compensation trust fund transferred to mandatory	45	49	17				
Discretionary programs	1,240	1,195	1,309	1,357	1,409	1,451	1,486
Total, Defense-related activities	1,285	1,244	1,326	1,357	1,409	1,451	1,486
Total, Discretionary	308,957	336,315	347,485	358,691	370,650	376,740	382,538
Emergency Response Fund:							
Department of Defense—Military:							
Operation and maintenance	139	10,674	5,603	4,201	3,727	3,690	3,713
Procurement		721	323	85	18	5	3
Military construction		12	57	80	84	87	87
Revolving, management, and trust funds and other		45	90	90	75		
Total, Department of Defense—Military	139	11,452	6,073	4,456	3,904	3,782	3,803
Atomic energy defense activities:							
Department of Energy	4	220	334	380	385	393	400
Defense-related activities:							
Discretionary programs		11	11	11	12	12	12
Total, Emergency Response Fund	143	11,683	6,418	4,847	4,301	4,187	4,215
Mandatory:							
Department of Defense—Military:							
Military personnel		26	52	53	53	53	53
Operation and maintenance			–1,099	–409	–211	–168	–162
Revolving, trust and other DoD mandatory	581	328	565	220	274	270	306
Offsetting receipts	–1,369	–1,572	–903	–878	–879	–854	–820
Total, Department of Defense—Military	–788	–1,218	–1,385	–1,014	–763	–699	–623
Atomic energy defense activities:							
Energy employee occupational illness compensation program, benefits		769	758	578	353	250	157
Energy employee occupational illness compensation program, administration	6	122	130	69	56	48	35
Proceeds from sale of excess DOE assets	–1						
Total, Atomic energy defense activities	5	891	888	647	409	298	192
Defense-related activities:							
Radiation exposure compensation trust fund		103	155	121	82	54	36

Table 15–12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Mandatory programs	216	212	351	351	351	351	351
Total, Defense-related activities	216	315	506	472	433	405	387
Total, Mandatory	–567	–12	9	105	79	4	–44
Total, National defense	308,533	347,986	353,912	363,643	375,030	380,931	386,709
150 International affairs:							
Discretionary:							
International development, humanitarian assistance:							
Development assistance and child survival and disease programs	1,967	2,312	2,479	2,637	2,653	2,676	2,723
Food aid	960	889	860	869	884	900	917
Refugee programs	771	772	758	746	756	770	785
Andean counter-drug initiative	371	409	554	645	647	659	670
Multilateral development banks (MDB's)	1,860	1,726	1,848	1,699	1,550	1,481	1,517
Assistance for the independent states of the former Soviet Union	484	468	595	697	754	801	823
Peace Corps	255	279	282	293	301	311	319
International narcotics control and law enforcement	349	315	311	235	226	231	235
Assistance for Central and Eastern Europe	394	402	486	549	598	634	652
USAID operations	556	560	573	588	602	619	637
Voluntary contributions to international organizations	310	326	338	339	345	352	359
Central America and Caribbean emergency disaster recovery fund	220	100	41	12	....	....	....
Other development and humanitarian assistance	142	196	314	367	395	426	420
Total, International development, humanitarian assistance	8,639	8,754	9,439	9,676	9,711	9,860	10,057
International security assistance:							
Foreign military financing grants and loans	4,310	4,279	4,181	4,035	4,107	4,191	4,120
Economic support fund	2,392	2,355	2,303	2,278	2,283	2,306	2,336
Nonproliferation, antiterrorism, demining, and related programs	359	331	344	370	360	366	373
Other security assistance	226	201	239	226	215	219	222
Total, International security assistance	7,287	7,166	7,067	6,909	6,965	7,082	7,051
Conduct of foreign affairs:							
State Department operations	3,061	4,233	4,276	4,205	4,249	4,307	4,419
Embassy security, construction, and maintenance	648	834	943	1,157	1,267	1,321	1,354
Assessed contributions to international organizations	870	881	865	879	907	918	930
Assessed contributions for international peacekeeping	429	1,565	868	873	889	906	923
Arrearage payment for international organizations and peacekeeping	....	826	....	....	....	....	....
Other conduct of foreign affairs	137	145	147	148	152	158	163
Total, Conduct of foreign affairs	5,145	8,484	7,099	7,262	7,464	7,610	7,789
Foreign information and exchange activities:							
International broadcasting	441	517	537	514	528	543	558
Russian Leadership Development Center trust fund	....	1	20	23	23	23	23
Other information and exchange activities	372	344	341	331	334	319	325
Total, Foreign information and exchange activities	813	862	898	868	885	885	906
International financial programs:							
Export-Import Bank	715	579	683	689	763	797	822
Special defense acquisition fund	–6	2	5	....	....	....	....
IMF new arrangements to borrow	9	....	....	....	....	....	....
Total, International financial programs	718	581	688	689	763	797	822
Total, Discretionary	22,602	25,847	25,191	25,404	25,788	26,234	26,625
Emergency Response Fund:							
International development, humanitarian assistance:							
Assistance for the independent states of the former Soviet Union	....	16	16	14	....	....	....
Food aid	....	50	29	9	4	3	....
Refugee programs	....	30	50	20	....	....	....
Peace Corps	2	5	....	....	....	....	....
International narcotics control and law enforcement	....	36	30	7	....	....	....

Table 15–12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Other development and humanitarian assistance	....	51	69	62	59	55	54
Total, International development, humanitarian assistance	2	188	194	112	63	58	54
International security assistance:							
Foreign military financing grants and loans	....	3	14	20	5	3	....
Economic support fund	....	600	....	....	....	....	....
Other security assistance	....	82	29	15	....	....	....
Total, International security assistance	....	685	43	35	5	3	....
Conduct of foreign affairs:							
State Department operations	....	122	29	....	....	....	....
Embassy security, construction, and maintenance	....	16	14	12	10	1	....
Evacuations and rewards	....	16	35	....	....	....	....
Total, Conduct of foreign affairs	....	154	78	12	10	1	....
Foreign information and exchange activities:							
International broadcasting	....	43	23	20	21	21	22
Total, Emergency Response Fund	2	1,070	338	179	99	83	76
Mandatory:							
International development, humanitarian assistance:							
Credit liquidating accounts	–1,368	–1,195	–1,092	–1,168	–1,116	–1,075	–1,015
Receipts and other	–65	–34	–5	–9	–11	–11	–11
Total, International development, humanitarian assistance	–1,433	–1,229	–1,097	–1,177	–1,127	–1,086	–1,026
International security assistance:							
Foreign military loan reestimates	–209	147	....	....	....	....	....
Foreign military loan liquidating account	–518	–450	–376	–282	–303	–301	–265
Total, International security assistance	–727	–303	–376	–282	–303	–301	–265
Foreign affairs and information:							
Conduct of foreign affairs	–18	36	8	6	6	6	6
Japan-U.S. Friendship Commission	3	3	3	3	3	3	3
Vietnam debt repayment fund, transfers from liquidating fund	....	–4	–3	....	....	....	....
Total, Foreign affairs and information	–15	35	8	9	9	9	9
International financial programs:							
Foreign military sales trust fund (net)	–58	1	....	....	....	....	....
International monetary fund	47	....	....	....	....	....	....
Exchange stabilization fund	–995	–1,050	–1,185	–1,254	–1,314	–1,370	–1,428
Credit liquidating account (Ex-Im)	–487	–413	–331	–297	–297	–261	–254
Export-Import Bank—subsidy reestimates	–1,975	–367	....	....	....	....	....
Other international financial programs	–360	–71	–85	–88	–94	–108	–25
Total, International financial programs	–3,828	–1,900	–1,601	–1,639	–1,705	–1,739	–1,707
Total, Mandatory	–6,003	–3,397	–3,066	–3,089	–3,126	–3,117	–2,989
Total, International affairs	16,601	23,520	22,463	22,494	22,761	23,200	23,712
250 General science, space, and technology:							
Discretionary:							
General science and basic research:							
National Science Foundation programs	3,589	4,380	4,631	4,730	4,940	4,978	5,072
Department of Energy general science programs	2,938	3,240	3,274	3,331	3,392	3,457	3,526
Total, General science and basic research	6,527	7,620	7,905	8,061	8,332	8,435	8,598
Space flight, research, and supporting activities:							
Science, aeronautics and technology	5,292	6,856	7,210	7,375	7,528	7,684	7,851
Human space flight	5,829	6,499	6,849	7,012	7,177	7,323	7,483

Table 15–12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Mission support	2,178	539	81	29	2	....	....
Other NASA programs	31	31	26	27	28	29	30
Total, Space flight, research, and supporting activities	13,330	13,925	14,166	14,443	14,735	15,036	15,364
Total, Discretionary	19,857	21,545	22,071	22,504	23,067	23,471	23,962
Emergency Response Fund:							
Space flight, research, and supporting activities:							
Science, aeronautics and technology	....	14	25	26	28	29	29
Human space flight	....	52	75	78	80	81	83
Total, Emergency Response Fund	....	66	100	104	108	110	112
Mandatory:							
General science and basic research:							
National Science Foundation donations	39	145	146	101	55	28	23
Space flight, research, and supporting activities:							
National Space Grant Program	....	3	....	....	....	....	....
Total, Mandatory	39	148	146	101	55	28	23
Total, General science, space, and technology	19,896	21,759	22,317	22,709	23,230	23,609	24,097
270 Energy:							
Discretionary:							
Energy supply:							
Research and development	1,134	1,318	1,427	1,430	1,420	1,431	1,439
Naval petroleum reserves operations	22	23	20	18	18	19	19
Uranium enrichment activities	....	2	....	....	....	....	....
Decontamination transfer	–419	–420	–442	–452	–463	–474	–485
Nuclear waste program	176	146	99	102	106	110	114
Federal power marketing	122	185	198	205	209	214	221
Elk Hills school lands fund	36	36	36	37	37	38	39
Rural electric and telephone discretionary loans	45	63	42	29	26	22	19
Non-defense environmental management and other	643	711	649	668	679	692	706
Total, Energy supply	1,759	2,064	2,029	2,037	2,032	2,052	2,072
Energy conservation and preparedness:							
Energy conservation	763	831	905	936	954	972	991
Emergency energy preparedness	160	173	182	185	189	192	196
Total, Energy conservation and preparedness	923	1,004	1,087	1,121	1,143	1,164	1,187
Energy information, policy, and regulation:							
Nuclear Regulatory Commission (NRC)	48	52	38	49	59	404	416
Federal Energy Regulatory Commission fees and recoveries, and other	–1	–12	–13	–13	–13	–14	–14
Department of Energy departmental administration, OIG, and EIA administration	219	197	201	208	214	219	230
Total, Energy information, policy, and regulation	266	237	226	244	260	609	632
Total, Discretionary	2,948	3,305	3,342	3,402	3,435	3,825	3,891
Emergency Response Fund:							
Energy information, policy, and regulation:							
Nuclear Regulatory Commission (NRC)	....	27	37	37	38	39	40
Mandatory:							
Energy supply:							
Naval petroleum reserves oil and gas sales	–12	–7	–7	–7	–7	–7	–5
Federal power marketing	–67	–682	–602	–778	–757	–801	–789
Tennessee Valley Authority	–670	178	–302	–712	–790	–720	–818
United States Enrichment Corporation	–37	–67	–71	–75	–79	–83	–88
Nuclear waste fund program	–689	–640	–647	–612	–637	–621	–609
Rural electric and telephone liquidating accounts	–1,380	–1,553	–1,378	–1,228	–1,098	–971	–882

Table 15–12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Function and Program	2001 Actual	Estimate					
		2002	2003	2004	2005	2006	2007
Rural electric and telephone loan subsidy reestimates	–4						
Total, Mandatory	–2,859	–2,771	–3,007	–3,412	–3,368	–3,203	–3,191
Total, Energy	89	561	372	27	105	661	740
300 Natural resources and environment:							
Discretionary:							
Water resources:							
Corps of Engineers	4,647	4,729	4,584	4,711	4,837	4,968	5,105
Bureau of Reclamation	812	956	873	912	918	949	982
Watershed, flood prevention, and other	272	319	295	259	257	239	246
Total, Water resources	5,731	6,004	5,752	5,882	6,012	6,156	6,333
Conservation and land management:							
Forest Service	3,545	4,289	4,452	4,519	4,648	4,787	4,930
Management of public lands (BLM)	1,556	1,720	1,758	1,744	1,802	1,858	1,919
Conservation of agricultural lands	787	947	933	962	988	1,016	1,050
Fish and Wildlife Service	1,002	1,128	1,292	1,321	1,334	1,335	1,366
Other conservation and land management programs	604	686	757	728	799	818	841
Total, Conservation and land management	7,494	8,770	9,192	9,274	9,571	9,814	10,106
Recreational resources:							
Operation of recreational resources	1,973	2,327	2,462	2,525	2,602	2,692	2,762
Other recreational resources activities	–11	42	45	38	25	23	25
Total, Recreational resources	1,962	2,369	2,507	2,563	2,627	2,715	2,787
Pollution control and abatement:							
Regulatory, enforcement, and research programs	2,874	3,096	3,170	3,210	3,262	3,334	3,407
State and tribal assistance grants	3,518	3,463	3,710	3,790	3,899	3,971	4,075
Hazardous substance superfund	1,261	1,306	1,207	1,311	1,315	1,338	1,401
Other control and abatement activities	144	153	161	160	164	163	162
Total, Pollution control and abatement	7,797	8,018	8,248	8,471	8,640	8,806	9,045
Other natural resources:							
NOAA	2,623	3,105	3,306	3,459	3,572	3,693	3,776
Other natural resource program activities	1,042	1,073	1,144	1,171	1,208	1,244	1,278
Total, Other natural resources	3,665	4,178	4,450	4,630	4,780	4,937	5,054
Total, Discretionary	26,649	29,339	30,149	30,820	31,630	32,428	33,325
Emergency Response Fund:							
Water resources:							
Corps of Engineers		125	141	144	146	149	152
Bureau of Reclamation		18	30	31	31	32	33
Total, Water resources		143	171	175	177	181	185
Recreational resources:							
Operation of recreational resources	3	30	47	54	62	64	65
Pollution control and abatement:							
Regulatory, enforcement, and research programs		51	113	128	134	138	140
State and tribal assistance grants		3	4	5	5	6	6
Hazardous substance superfund		11	23	31	36	39	42
Total, Pollution control and abatement		65	140	164	175	183	188
Other natural resources:							
NOAA		3	3	3	3	3	3

Table 15–12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Other natural resource program activities	....	2	2	2	2	2	2
Total, Other natural resources	....	5	5	5	5	5	5
Total, Emergency Response Fund	3	243	363	398	419	433	443
Mandatory:							
Water resources:							
Offsetting receipts and other mandatory water resource programs	–354	–185	–15	–112	–344	–66	–157
Conservation and land management:							
Conservation Reserve Program and other	1,945	2,109	2,119	2,221	2,222	2,138	2,119
Other conservation programs	704	564	567	566	570	576	577
Offsetting receipts	–2,654	–2,470	–2,519	–2,327	–2,299	–2,376	–2,404
Total, Conservation and land management	–5	203	167	460	493	338	292
Recreational resources:							
Operation of recreational resources	824	935	1,014	1,024	999	980	964
Offsetting receipts	–458	–378	–374	–376	–287	–283	–286
Total, Recreational resources	366	557	640	648	712	697	678
Pollution control and abatement:							
Superfund resources and other mandatory	–136	–126	–169	–194	–177	–142	–125
Other natural resources:							
Fees and mandatory programs	–188	28	–3	18	–9	–12	–12
Total, Mandatory	–317	477	620	820	675	815	676
Total, Natural resources and environment	26,335	30,059	31,132	32,038	32,724	33,676	34,444
350 Agriculture:							
Discretionary:							
Farm income stabilization:							
Agriculture credit loan program	425	483	507	498	513	529	545
P.L.480 market development activities	288	380	157	154	155	157	160
Administrative expenses	1,047	1,142	1,141	1,193	1,191	1,208	1,239
Total, Farm income stabilization	1,760	2,005	1,805	1,845	1,859	1,894	1,944
Agricultural research and services:							
Research and education programs	1,479	1,605	1,661	1,827	1,821	1,856	1,906
Integrated research, education, and extension programs	7	31	41	43	44	44	45
Extension programs	432	474	445	460	461	470	479
Marketing programs	60	65	76	79	81	83	85
Animal and plant inspection programs	768	876	818	844	872	900	929
Economic intelligence	177	187	193	200	205	215	220
Grain inspection and packers program	34	35	35	36	36	37	38
Foreign agricultural service	127	126	131	134	139	143	148
Other programs and unallocated overhead	397	494	491	506	504	519	530
Total, Agricultural research and services	3,481	3,893	3,891	4,129	4,163	4,267	4,380
Total, Discretionary	5,241	5,898	5,696	5,974	6,022	6,161	6,324
Emergency Response Fund:							
Agricultural research and services:							
Other programs and unallocated overhead	....	190	276	309	329	341	349
Mandatory:							
Farm income stabilization:							
Commodity Credit Corporation	20,147	15,328	9,500	8,623	7,562	6,530	6,127
Agricultural credit insurance subsidy reestimate	322	1,287	....	....	....	....	....
Crop insurance and other farm credit activities	1,413	2,801	2,787	2,816	2,869	2,993	3,129

Table 15–12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Credit liquidating accounts (ACIF and FAC)	–881	–864	–860	–785	–745	–676	–641
Total, Farm income stabilization	21,001	18,552	11,427	10,654	9,686	8,847	8,615
Agricultural research and services:							
Miscellaneous mandatory programs	517	347	561	605	632	662	630
Offsetting receipts	–206	–178	–185	–185	–183	–183	–183
Total, Agricultural research and services	311	169	376	420	449	479	447
Total, Mandatory	21,312	18,721	11,803	11,074	10,135	9,326	9,062
Total, Agriculture	26,553	24,809	17,775	17,357	16,486	15,828	15,735
370 Commerce and housing credit:							
Discretionary:							
Mortgage credit:							
Federal Housing Administration (FHA) loan programs	–1,283	–1,842	–2,026	–1,844	–1,866	–1,993	–2,146
Government National Mortgage Association (GNMA)	–347	–389	–389	–388	–388	–387	–387
Other housing and urban development	–101	–469	–164	–164	–162	–166	–167
Rural housing insurance fund	624	682	699	711	727	757	775
Total, Mortgage credit	–1,107	–2,018	–1,880	–1,685	–1,689	–1,789	–1,925
Postal service:							
Payments to the Postal Service fund (On-budget)	93	96	98	99	101	103	105
Deposit insurance:							
National credit union administration	–1	....	–1	....	....	....	....
Other advancement of commerce:							
Small and minority business assistance	615	605	576	629	650	670	692
Science and technology	687	717	761	731	757	775	795
Economic and demographic statistics	1,151	856	615	618	638	661	683
Regulatory agencies	–190	–609	–738	–941	–1,231	–1,558	–537
International Trade Administration	328	341	359	374	385	397	410
Patent and trademark salaries and expenses	–110	–535	–264	–71	–75	–121	–127
Other discretionary	123	233	148	153	158	163	168
Total, Other advancement of commerce	2,604	1,608	1,457	1,493	1,282	987	2,084
Total, Discretionary	1,589	–314	–326	–93	–306	–699	264
Emergency Response Fund:							
Postal service:							
Payments to the Postal Service fund (On-budget)	....	675	509	518	527	537	547
Other advancement of commerce:							
Small and minority business assistance	....	47	76	77	79	80	82
Science and technology	....	5	6	6	6	6	6
Regulatory agencies	....	38	17	18	18	18	19
International Trade Administration	....	1	1	1	1	1	1
Patent and trademark salaries and expenses	....	2	....	....	....	....	....
Other discretionary	....	7	7	7	7	7	7
Total, Other advancement of commerce	....	100	107	109	111	112	115
Total, Emergency Response Fund	....	775	616	627	638	649	662
Mandatory:							
Mortgage credit:							
FHA mutual mortgage insurance	2,095	–3,244	–1,700	–1,949	–2,181	–2,499	–2,799
FHA general and special risk insurance	–198	618	918	844	620	96	104
Government National Mortgage Association	–365	–378	–336	–343	–348	–365	–389
Other HUD mortgage credit	–468	–484	–529	–463	–521	–550	–550

Table 15–12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Other mortgage credit activities	–1,095	–1,148	–1,187	–1,228	–1,134	–1,096	–1,116
Total, Mortgage credit	–31	–4,636	–2,834	–3,139	–3,564	–4,414	–4,750
Postal service:							
Postal Service (Off-budget)	2,302	2,015	–1,448	699	–168	–895	–794
Deposit insurance:							
Bank Insurance Fund	–1,341	–28	1,852	340	–112	–172	–69
FSLIC Resolution Fund	24	200	7	–85	–197	–141	–159
Savings Association Insurance Fund	99	496	–152	327	319	221	82
National credit union administration	–200	–455	–368	–211	–230	–240	–218
Other deposit insurance activities	6	5	11	5	6	7	8
Total, Deposit insurance	–1,412	218	1,350	376	–214	–325	–356
Other advancement of commerce:							
Universal service fund	4,947	5,490	6,510	6,805	7,133	7,271	7,114
Payments to copyright owners	270	126	206	259	215	229	241
Spectrum auction subsidy	–834	144	12	12	12	12	12
Regulatory fees	–23	–23	–23	–23	–23	–23	–23
Credit liquidating accounts	–27	–37	–96	–39	–31	–29	–27
Business loan program, subsidy reestimate	–722	–366	....	....	....	....	....
Continued dumping and subsidy offset	....	200	200	200	200	200	200
Other mandatory	–29	172	27	27	25	25	25
Total, Other advancement of commerce	3,582	5,706	6,836	7,241	7,531	7,685	7,542
Total, Mandatory	4,441	3,303	3,904	5,177	3,585	2,051	1,642
Total, Commerce and housing credit	6,030	3,764	4,194	5,711	3,917	2,001	2,568
400 Transportation:							
Discretionary:							
Ground transportation:							
Highways	26,255	27,873	29,978	31,328	32,249	33,145	33,985
Highway safety	576	826	708	692	700	710	725
Mass transit	7,049	6,441	6,595	6,653	6,533	6,412	7,047
Railroads	736	1,072	797	784	792	821	817
Regulation	15	21	19	20	20	21	21
State infrastructure banks	3	6	5	5	3	....	....
Total, Ground transportation	34,634	36,239	38,102	39,482	40,297	41,109	42,595
Air transportation:							
Airports and airways (FAA)	11,135	13,608	13,458	14,072	14,515	15,129	15,546
Transportation security administration	....	–187	–3	–3	–3	–3	–4
Aeronautical research and technology	868	486	868	930	990	1,015	1,040
Payments to air carriers	6	9	13	13	13	13	15
Total, Air transportation	12,009	13,916	14,336	15,012	15,515	16,154	16,597
Water transportation:							
Marine safety and transportation	3,798	3,781	3,928	4,128	4,276	4,412	4,545
Ocean shipping	160	185	163	169	175	178	183
Panama Canal Commission	6	11	....	....	....	....	....
Total, Water transportation	3,964	3,977	4,091	4,297	4,451	4,590	4,728
Other transportation:							
Department of Transportation administration and other	261	273	267	277	287	296	306
Total, Discretionary	50,868	54,405	56,796	59,068	60,550	62,149	64,226
Emergency Response Fund:							
Ground transportation:							
Highways	....	47	120	150	165	176	182
Mass transit	....	107	128	128	130	133	135

Table 15–12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Function and Program	2001 Actual	Estimate					
		2002	2003	2004	2005	2006	2007
Railroads	....	25	76	109	110	112	114
Total, Ground transportation	....	179	324	387	405	421	431
Air transportation:							
Airports and airways (FAA)	....	702	470	500	542	563	579
Transportation security administration	....	81	96	99	100	102	103
Air transportation stabilization program account	....	8	1	....	....	....	....
Aeronautical research and technology	....	3	5	5	5	6	6
Payments to air carriers	....	30	51	51	53	53	54
Total, Air transportation	....	824	623	655	700	724	742
Water transportation:							
Marine safety and transportation	18	167	195	215	219	224	228
Other transportation:							
Department of Transportation administration and other	....	3	4	4	4	4	4
Total, Emergency Response Fund	18	1,173	1,146	1,261	1,328	1,373	1,405
Mandatory:							
Ground transportation:							
Highways	1,299	1,337	1,216	1,063	989	908	859
Offsetting receipts and credit subsidy reestimates	–50	–96	–33	–33	–33	–33	–33
Credit liquidating accounts	–40	–29	–29	–29	–30	–29	–29
Total, Ground transportation	1,209	1,212	1,154	1,001	926	846	797
Air transportation:							
Airports and airways (FAA)	....	62	....	....	....	....	....
Payments to air carriers	30	32	26	30	30	36	40
Compensation for air carriers	2,328	2,672	....	....	....	....	....
Air transportation stabilization loan subsidies	....	1,426	1,463	....	....	....	....
Total, Air transportation	2,358	4,192	1,489	30	30	36	40
Water transportation:							
Coast Guard retired pay	770	834	....	....	....	....	....
MARAD ocean freight differential	28	182	45	46	47	48	49
Other water transportation programs	–49	171	–32	–35	–36	–37	–38
Total, Water transportation	749	1,187	13	11	11	11	11
Other transportation:							
Sale of Union Station air rights and Governors Island	....	–40	–300	....	....	....	....
Other mandatory transportation programs	18	1	....	–1	–1	–1	–1
Total, Other transportation	18	–39	–300	–1	–1	–1	–1
Total, Mandatory	4,334	6,552	2,356	1,041	966	892	847
Total, Transportation	55,220	62,130	60,298	61,370	62,844	64,414	66,478
450 Community and regional development:							
Discretionary:							
Community development:							
Community development block grant	4,939	4,965	5,022	5,515	5,308	5,265	5,330
Community development loan guarantees	7	11	16	15	15	15	17
Community adjustment and investment program	8	....	....	....	....	....	....
Community development financial institutions	107	115	110	67	80	84	85
Brownfields redevelopment	4	26	31	39	39	36	27
Other community development programs	433	533	542	526	507	515	514
Total, Community development	5,498	5,650	5,721	6,162	5,949	5,915	5,973
Area and regional development:							
Rural development	877	1,048	1,058	1,089	1,102	1,080	1,145

Table 15–12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Function and Program	2001 Actual	Estimate					
		2002	2003	2004	2005	2006	2007
Economic Development Administration	364	493	467	411	392	383	389
Indian programs	1,321	1,388	1,459	1,469	1,573	1,609	1,648
Appalachian Regional Commission	94	109	96	82	90	90	86
Tennessee Valley Authority	8	2	1	1	....	....	....
Denali Commission	–14	48	76	95	51	51	53
Delta Regional Authority	....	1	9	9	11	11	10
Total, Area and regional development	2,650	3,089	3,166	3,156	3,219	3,224	3,331
Disaster relief and insurance:							
Disaster relief	3,073	2,626	3,738	2,877	2,979	2,232	2,278
Small Business Administration disaster loans	238	222	244	230	240	250	260
National flood insurance premiums	70	73	81	88	90	92	94
Other disaster assistance programs	818	905	867	740	767	749	767
Total, Disaster relief and insurance	4,199	3,826	4,930	3,935	4,076	3,323	3,399
Total, Discretionary	12,347	12,565	13,817	13,253	13,244	12,462	12,703
Emergency Response Fund:							
Community development:							
Community development block grant	....	270	1,068	1,993	2,161	2,085	2,123
Other community development programs	....	2	2	2	2	2	2
Total, Community development	....	272	1,070	1,995	2,163	2,087	2,125
Area and regional development:							
Economic Development Administration	....	....	1	1	....	....	....
Disaster relief and insurance:							
Disaster relief	147	2,225	3,159	3,863	4,579	4,823	4,660
Small Business Administration disaster loans	1	154	76	78	79	80	82
Other disaster assistance programs	....	114	216	241	246	250	256
Total, Disaster relief and insurance	148	2,493	3,451	4,182	4,904	5,153	4,998
Total, Emergency Response Fund	148	2,765	4,522	6,178	7,067	7,240	7,123
Mandatory:							
Community development:							
Pennsylvania Avenue activities and other programs	–88	....	....	....	....	....	....
Credit liquidating accounts	–91	1	....	–3	–3	–2	–3
Total, Community development	–179	1	....	–3	–3	–2	–3
Area and regional development:							
Indian programs	278	193	200	207	196	201	208
Rural development programs	309	29	110	35	35	35	35
Credit liquidating accounts	–65	–58	–266	–296	–359	–357	–339
Offsetting receipts	–365	–185	–188	–192	–199	–203	–210
Total, Area and regional development	157	–21	–144	–246	–327	–324	–306
Disaster relief and insurance:							
National flood insurance fund	180	–296	–317	–340	–361	–381	–399
Disaster loans program account	46	506	....	....	....	....	....
SBA disaster loan subsidy reestimates	–384	....	....	....	....	....	....
Disaster assistance, downward reestimates	–10	....	....	....	....	....	....
Credit liquidating accounts	–328	–155	–142	–49	–1	–1	–1
Total, Disaster relief and insurance	–496	55	–459	–389	–362	–382	–400
Total, Mandatory	–518	35	–603	–638	–692	–708	–709
Total, Community and regional development	11,977	15,365	17,736	18,793	19,619	18,994	19,117

Table 15–12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Function and Program	2001 Actual	Estimate					
		2002	2003	2004	2005	2006	2007
500 Education, training, employment, and social services:							
Discretionary:							
Elementary, secondary, and vocational education:							
Education for the disadvantaged	8,651	9,401	11,745	12,479	12,748	12,983	13,228
Impact aid	1,040	1,152	1,144	1,177	1,202	1,225	1,247
School improvement	2,796	4,448	6,784	7,783	8,063	8,208	8,362
Education reform	1,738	1,793	651	121	....	....	....
English language acquisition	410	479	601	663	685	698	710
Special education	5,809	6,924	8,152	8,675	8,921	9,083	9,254
Vocational and adult education	1,679	1,826	1,888	1,952	1,992	2,028	2,067
Reading excellence	127	272	287	220	208	201	205
Indian education	606	728	731	779	791	803	822
Other	11	20	15	15	15	15	15
Total, Elementary, secondary, and vocational education	22,867	27,043	31,998	33,864	34,625	35,244	35,910
Higher education:							
Student financial assistance	10,161	11,993	12,642	12,581	12,792	13,026	13,273
Higher education	1,462	1,866	1,963	2,048	2,092	2,129	2,170
Federal family education loan program	56	66	50	51	54	55	57
Other higher education programs	425	393	418	428	437	444	453
Total, Higher education	12,104	14,318	15,073	15,108	15,375	15,654	15,953
Research and general education aids:							
Library of Congress	330	343	352	365	373	385	394
Public broadcasting	382	420	435	449	457	466	475
Smithsonian institution and related agencies	583	674	648	692	710	726	749
Education research, statistics, and assessment	565	819	508	460	460	469	478
Other	893	1,005	982	969	990	1,018	1,044
Total, Research and general education aids	2,753	3,261	2,925	2,935	2,990	3,064	3,140
Training and employment:							
Training and employment services	4,512	5,656	5,923	5,988	5,891	5,953	6,066
Older Americans employment	443	469	446	455	462	471	480
Federal-State employment service	1,307	1,070	1,301	1,319	1,338	1,364	1,389
Other employment and training	116	122	123	128	132	137	141
Total, Training and employment	6,378	7,317	7,793	7,890	7,823	7,925	8,076
Other labor services:							
Labor law, statistics, and other administration	1,330	1,539	1,821	1,714	1,749	1,794	1,848
Social services:							
Rehabilitation services	340	770	469	477	486	495	504
Corporation for National and Community Service	454	433	458	524	560	426	435
National Service	298	400	423	398	371	372	382
Children and families services programs	6,941	7,731	8,282	8,530	8,720	8,977	9,141
Aging services program	953	1,137	1,221	1,233	1,256	1,281	1,306
Other	3	14	59	72	74	76	78
Total, Social services	8,989	10,485	10,912	11,234	11,467	11,627	11,846
Total, Discretionary	54,421	63,963	70,522	72,745	74,029	75,308	76,773
Emergency Response Fund:							
Elementary, secondary, and vocational education:							
School improvement	....	1	8	11	11	11	11
Research and general education aids:							
Library of Congress	2	21	29	31	31	33	33
Public broadcasting	....	3	8	8	8	8	9
Smithsonian institution and related agencies	....	24	29	29	30	30	32
Total, Research and general education aids	2	48	66	68	69	71	74

Table 15–12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Training and employment:							
Training and employment services	....	57	33	33	34	34	35
Other labor services:							
Labor law, statistics, and other administration	....	6	6	6	6	6	7
Total, Emergency Response Fund	2	112	113	118	120	122	127
Mandatory:							
Higher education:							
Federal family education loan program	–1,608	3,264	3,648	3,034	3,097	3,250	3,395
Federal direct loan program	257	–23	214	48	11	–74	–167
Other higher education programs	–323	–112	–46	–55	–3	11	27
Credit liquidating account (Family education loan program)	–852	–680	–625	–508	–380	–278	–182
Total, Higher education	–2,526	2,449	3,191	2,519	2,725	2,909	3,073
Research and general education aids:							
Mandatory programs	72	25	20	23	24	24	23
Training and employment:							
Trade adjustment assistance	141	131	94	26	....	....	....
Proposed Legislation (non-PAYGO)	....	....	40	106	132	132	132
Subtotal, Trade adjustment assistance	141	131	134	132	132	132	132
Welfare to work grants	659	491	120	190	....	....	....
Payments to States for AFDC work programs	4	4	3	....	....	....	....
Advance appropriations and other mandatory	18	147	146	133	65	17	....
Total, Training and employment	822	773	403	455	197	149	132
Other labor services:							
Other labor services	6	18	10	....	....	....	....
Social services:							
Promoting safe and stable families	258	289	292	305	305	305	305
Social services block grant	1,851	1,803	1,793	1,792	1,792	1,792	1,700
Rehabilitation services	2,389	2,258	2,515	2,572	2,630	2,690	2,754
Other social services	7	7	8	11	14	12	10
Total, Social services	4,505	4,357	4,608	4,680	4,741	4,799	4,769
Total, Mandatory	2,879	7,622	8,232	7,677	7,687	7,881	7,997
Total, Education, training, employment, and social services	57,302	71,697	78,867	80,540	81,836	83,311	84,897
550 Health:							
Discretionary:							
Health care services:							
Substance abuse and mental health services	2,741	2,918	3,063	3,149	3,206	3,286	3,377
Indian health	2,518	2,768	2,947	3,026	3,038	3,098	3,175
Health Resources and Services Administration	4,033	4,771	5,232	5,257	5,537	5,786	5,906
Disease control, research, and training	3,018	3,569	3,905	4,047	4,143	4,249	4,341
Departmental management and other	617	777	758	748	806	843	862
Total, Health care services	12,927	14,803	15,905	16,227	16,730	17,262	17,661
Health research and training:							
National Institutes of Health	17,320	20,575	22,570	23,488	24,301	24,722	25,226
Clinical training	476	609	589	653	685	716	727
Other health research and training	237	442	478	494	413	424	438
Total, Health research and training	18,033	21,626	23,637	24,635	25,399	25,862	26,391
Consumer and occupational health and safety:							
Food safety and inspection	698	768	798	826	854	884	915
Occupational safety and health	687	737	765	787	814	838	862

Table 15–12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
FDA and Consumer Product Safety Commission salaries and expenses	1,177	1,280	1,383	1,428	1,478	1,504	1,553
Total, Consumer and occupational health and safety	2,562	2,785	2,946	3,041	3,146	3,226	3,330
Total, Discretionary	33,522	39,214	42,488	43,903	45,275	46,350	47,382
Emergency Response Fund:							
Health care services:							
Disease control, research, and training	....	4	10	12	12	12	13
Bioterrorism preparedness and emergency response/recovery	....	960	1,896	2,534	2,747	2,787	2,839
Total, Health care services	....	964	1,906	2,546	2,759	2,799	2,852
Health research and training:							
National Institutes of Health	....	3	8	10	11	11	11
Consumer and occupational health and safety:							
Food safety and inspection	....	15	16	16	17	18	18
Occupational safety and health	....	2	1	1	1	1	1
FDA salaries and expenses	....	111	147	155	162	166	170
Total, Consumer and occupational health and safety	....	128	164	172	180	185	189
Total, Emergency Response Fund	....	1,095	2,078	2,728	2,950	2,995	3,052
Mandatory:							
Health care services:							
Medicaid grants	129,374	144,751	158,692	171,143	185,471	201,557	219,066
State children's health insurance fund	3,699	3,689	4,362	4,463	4,151	4,160	4,401
Federal employees' and retired employees' health benefits	4,719	5,439	16,977	18,266	19,610	21,079	22,722
DoD Medicare-eligible retiree health care fund	....	....	5,681	11,628	12,360	13,133	13,953
UMWA Funds (coal miner retiree health)	332	233	208	202	197	193	187
Ricky Ray hemophilia relief fund	473	146	3	....	....	....	....
Other mandatory health services activities	529	575	312	233	199	208	205
Total, Health care services	139,126	154,833	186,235	205,935	221,988	240,330	260,534
Health research and safety:							
Health research and training	–12	95	77	69	48	10	1
Consumer and occupational health and safety	–2	....	....	–1	–1	–1	–1
Total, Health research and safety	–14	95	77	68	47	9	....
Total, Mandatory	139,112	154,928	186,312	206,003	222,035	240,339	260,534
Total, Health	172,634	195,237	230,878	252,634	270,260	289,684	310,968
570 Medicare:							
Discretionary:							
Medicare:							
Hospital insurance (HI) administrative expenses	1,448	1,625	1,764	1,793	1,871	1,959	2,053
Supplementary medical insurance (SMI) administrative expenses	1,955	2,047	2,136	2,217	2,304	2,398	2,505
Total, Discretionary	3,403	3,672	3,900	4,010	4,175	4,357	4,558
Mandatory:							
Medicare:							
Hospital insurance (HI)	141,499	144,198	147,960	153,683	163,389	168,566	179,496
Supplementary medical insurance (SMI)	97,531	104,178	108,346	112,522	119,976	124,952	135,301
HI premiums and collections	–1,440	–1,502	–1,538	–1,618	–1,715	–1,819	–1,919
SMI premiums and collections	–22,308	–24,120	–25,809	–27,395	–29,269	–31,333	–33,610
Medicare interfunds	–1,221	–31	–8	....	....	....	....
Total, Mandatory	214,061	222,723	228,951	237,192	252,381	260,366	279,268
Total, Medicare	217,464	226,395	232,851	241,202	256,556	264,723	283,826

Table 15–12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Function and Program	2001 Actual	Estimate					
		2002	2003	2004	2005	2006	2007
600 Income security:							
Discretionary:							
General retirement and disability insurance:							
Railroad retirement	263	256	261	265	270	274	280
Pension Benefit Guaranty Corporation	15	15	16	16	17	17	18
Pension and Welfare Benefits Administration and other	101	118	119	123	128	131	135
Total, General retirement and disability insurance	379	389	396	404	415	422	433
Federal employee retirement and disability:							
Civilian retirement and disability program administrative expenses	88	105	109	113	116	120	124
Armed forces retirement home	66	66	73	73	78	82	86
Total, Federal employee retirement and disability	154	171	182	186	194	202	210
Unemployment compensation:							
Unemployment programs administrative expenses	2,333	2,867	2,478	2,292	2,234	2,260	2,352
Housing assistance:							
Public housing operating fund	3,137	3,385	3,475	3,584	3,647	3,714	3,784
Public housing capital fund	3,550	3,656	3,619	3,496	3,613	3,829	3,502
Subsidized, public, homeless and other HUD housing	22,726	24,246	24,921	25,702	25,964	26,580	26,271
Rural housing assistance	673	757	804	814	857	867	878
Total, Housing assistance	30,086	32,044	32,819	33,596	34,081	34,990	34,435
Food and nutrition assistance:							
Special supplemental food program for women, infants, and children (WIC)	4,077	4,390	4,420	4,496	4,577	4,664	4,752
Other nutrition programs	567	634	618	632	648	660	679
Total, Food and nutrition assistance	4,644	5,024	5,038	5,128	5,225	5,324	5,431
Other income assistance:							
Refugee assistance	456	463	471	469	475	484	492
Low income home energy assistance	2,161	1,831	1,932	1,971	2,014	2,049	2,087
Child care and development block grant	1,376	1,917	2,082	2,149	2,189	2,229	2,271
Supplemental security income (SSI) administrative expenses	2,531	2,925	3,170	3,161	3,252	3,348	3,446
Total, Other income assistance	6,524	7,136	7,655	7,750	7,930	8,110	8,296
Total, Discretionary	44,120	47,631	48,568	49,356	50,079	51,308	51,157
Emergency Response Fund:							
General retirement and disability insurance:							
Pension and Welfare Benefits Administration and other	....	2	2	2	2	2	2
Unemployment compensation:							
Unemployment programs administrative expenses	....	8	4	4	4	4	4
Food and nutrition assistance:							
Special supplemental food program for women, infants, and children (WIC)	....	36	40	41	41	42	43
Total, Emergency Response Fund	....	46	46	47	47	48	49
Mandatory:							
General retirement and disability insurance:							
Railroad retirement	4,969	4,649	4,821	5,050	5,232	5,585	5,562
Special benefits for disabled coal miners	937	903	842	795	749	705	662
Pension Benefit Guaranty Corporation	–1,080	–1,330	–1,383	–1,417	–1,495	–1,484	–1,516
District of Columbia pension funds	430	464	473	484	495	505	514
Special workers' compensation program	142	146	145	150	149	149	150
Total, General retirement and disability insurance	5,398	4,832	4,898	5,062	5,130	5,460	5,372
Federal employee retirement and disability:							
Federal civilian employee retirement and disability	47,874	50,351	53,404	56,440	59,628	62,502	64,956
Military retirement	34,096	35,431	36,203	37,066	37,998	38,972	39,986
Coast Guard military retirement fund	....	....	889	941	977	1,014	1,056

Table 15–12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Federal employees workers' compensation (FECA)	127	149	213	225	221	205	202
Federal employees life insurance fund	–1,273	–1,109	–1,021	–973	–891	–789	–681
Total, Federal employee retirement and disability	80,824	84,822	89,688	93,699	97,933	101,904	105,519
Unemployment compensation:							
Unemployment insurance programs	27,650	44,209	40,365	37,810	37,084	37,907	40,137
Trade adjustment assistance	259	284	13	....	....	....	....
Proposed Legislation (non-PAYGO)	....	....	317	342	355	369	383
Subtotal, Trade adjustment assistance	259	284	330	342	355	369	383
Total, Unemployment compensation	27,909	44,493	40,695	38,152	37,439	38,276	40,520
Housing assistance:							
Mandatory housing assistance programs	24	41	40	40	40	40	40
Food and nutrition assistance:							
Food stamps (including Puerto Rico)	19,073	22,769	24,187	24,398	24,404	24,739	25,625
State child nutrition programs	9,547	10,314	10,828	11,341	11,788	12,238	12,739
Funds for strengthening markets, income, and supply (Sec.32)	798	695	639	639	639	639	639
Total, Food and nutrition assistance	29,418	33,778	35,654	36,378	36,831	37,616	39,003
Other income support:							
Supplemental security income (SSI)	27,481	31,322	32,469	33,764	37,727	36,662	35,315
Child support and family support programs	3,281	3,558	3,672	3,888	4,150	4,437	4,930
Federal share of child support collections	–856	–765	–789	–836	–887	–917	–948
Temporary assistance for needy families and related programs	18,583	18,334	19,353	18,781	18,093	17,631	17,186
Child care entitlement to states	2,341	2,535	2,737	2,703	2,719	2,717	2,717
Foster care and adoption assistance	5,711	6,098	6,421	6,891	7,374	7,945	8,564
Earned income tax credit (EITC)	26,123	28,282	30,629	31,083	31,720	33,133	34,085
Child tax credit	982	7,390	7,390	7,210	6,950	9,380	9,200
Other assistance	40	39	41	45	54	56	57
SSI recoveries and receipts	–1,609	–1,703	–1,799	–1,889	–1,948	–2,008	–2,084
Total, Other income support	82,077	95,090	100,124	101,640	105,952	109,036	109,022
Total, Mandatory	225,650	263,056	271,099	274,971	283,325	292,332	299,476
Total, Income security	269,770	310,733	319,713	324,374	333,451	343,688	350,682
650 Social security:							
Discretionary:							
Social security:							
Old-age and survivors insurance (OASI)administrative expenses (Off-budget)	1,950	2,041	2,150	2,109	2,175	2,241	2,312
Disability insurance (DI) administrative expenses (Off-budget)	1,795	1,834	1,814	1,783	1,836	1,891	1,949
Limitation on administrative expenses	–6	....	39	–13	–13	–15	–15
Office of the Inspector General—Social Security Adm. (On-budget)	22	21	21	22	22	23	24
Total, Discretionary	3,761	3,896	4,024	3,901	4,020	4,140	4,270
Emergency Response Fund:							
Social security:							
Old-age and survivors insurance (OASI)administrative expenses (Off-budget)	....	8	8	9	9	9	9
Mandatory:							
Social security:							
Old-age and survivors insurance (OASI)(Off-budget)	371,151	388,361	402,190	418,121	436,311	456,279	478,438
Disability insurance (DI)(Off-budget)	59,050	66,983	69,577	73,326	79,059	85,457	92,316
Quinquennial OASI and DI adjustments (On-budget)	–836	....	....	....	....	....	....
Intragovernmental transactions (On-budget)	12,531	13,892	14,282	15,149	16,041	16,841	17,990
Intragovernmental transactions (Off-budget)	–12,528	–13,478	–14,282	–15,149	–16,041	–16,841	–17,990
Total, Mandatory	429,368	455,758	471,767	491,447	515,370	541,736	570,754
Total, Social security	433,129	459,662	475,799	495,357	519,399	545,885	575,033

Table 15–12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Function and Program	2001 Actual	Estimate					
		2002	2003	2004	2005	2006	2007
700 Veterans benefits and services:							
Discretionary:							
Income security for veterans:							
Special benefits for certain World War II veterans	1	2	2	2	2	2	2
Veterans education, training, and rehabilitation:							
Loan fund program account	1	....	....	....	....	....	....
Veterans employment and training	–21	17	24	26	25	27	27
Total, Veterans education, training, and rehabilitation	–20	17	24	26	25	27	27
Hospital and medical care for veterans:							
Medical care and hospital services	22,054	23,301	24,108	24,765	25,519	26,305	27,124
Collections for medical care	–771	–805	–803	–907	–1,012	–1,086	–1,176
Construction for medical care, benefits, and cemeteries	401	377	408	460	495	515	527
Total, Hospital and medical care for veterans	21,684	22,873	23,713	24,318	25,002	25,734	26,475
Veterans housing:							
Housing program loan administrative expenses	170	172	178	184	190	197	204
Other veterans benefits and services:							
National Cemetery Administration	108	125	129	133	138	141	146
General operating expenses	1,123	1,253	1,294	1,339	1,383	1,431	1,480
Other operating expenses	122	151	163	166	174	176	180
Total, Other veterans benefits and services	1,353	1,529	1,586	1,638	1,695	1,748	1,806
Total, Discretionary	23,188	24,593	25,503	26,168	26,914	27,708	28,514
Emergency Response Fund:							
Other veterans benefits and services:							
General operating expenses	....	1	2	2	2	2	2
Mandatory:							
Income security for veterans:							
Compensation, Pensions and Burial benefits	21,420	24,905	26,421	27,873	31,800	30,879	29,566
Special benefits for certain World War II veterans	7	9	9	8	9	8	7
National service life insurance trust fund	1,221	1,257	1,271	1,262	1,252	1,247	1,234
All other insurance programs	10	30	44	52	63	70	82
Insurance program receipts	–195	–199	–186	–172	–156	–141	–127
Total, Income security for veterans	22,463	26,002	27,559	29,023	32,968	32,063	30,762
Veterans education, training, and rehabilitation:							
Readjustment benefits (Montgomery GI Bill and related programs)	1,608	2,223	2,557	2,680	2,821	2,910	3,017
Post-Vietnam era education	12	10	10	10	10	10	9
All-volunteer force educational assistance trust fund	–353	–221	–254	–246	–263	–259	–274
Total, Veterans education, training, and rehabilitation	1,267	2,012	2,313	2,444	2,568	2,661	2,752
Hospital and medical care for veterans:							
Fees, charges and other mandatory medical care	–1	–25	–15	–4	–1	–7	–1
Veterans housing:							
Housing program loan subsidies	336	754	344	331	334	331	326
Housing program loan reestimates	–1,420	–1,797	....	....	....	....	....
Housing program loan liquidating account	–3	–48	–2	....	....	–1	–1
Total, Veterans housing	–1,087	–1,091	342	331	334	330	325
Other veterans programs:							
National homes, Battle Monument contributions and other	–2	34	34	37	35	36	37
Total, Mandatory	22,640	26,932	30,233	31,831	35,904	35,083	33,875
Total, Veterans benefits and services	45,828	51,526	55,738	58,001	62,820	62,793	62,391

Table 15–12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Function and Program	2001 Actual	Estimate					
		2002	2003	2004	2005	2006	2007
750 Administration of justice:							
Discretionary:							
Federal law enforcement activities:							
Criminal investigations (DEA, FBI, FinCEN, ICDE)	4,688	4,805	5,011	5,345	5,534	5,697	5,879
Alcohol, tobacco, and firearms investigations (ATF)	703	873	880	908	936	964	994
Border enforcement activities (Customs and INS)	5,422	6,167	6,430	6,757	6,937	7,161	7,381
Equal Employment Opportunity Commission	306	330	336	348	360	373	385
Tax law, criminal investigations (IRS)	367	366	384	399	414	430	447
Other law enforcement activities	1,916	2,215	2,212	2,160	2,224	2,291	2,361
Total, Federal law enforcement activities	13,402	14,756	15,253	15,917	16,405	16,916	17,447
Federal litigative and judicial activities:							
Civil and criminal prosecution and representation	3,129	3,364	3,537	3,706	3,837	3,948	4,067
Representation of indigents in civil cases	319	329	339	340	346	352	359
Federal judicial and other litigative activities	4,230	4,432	4,589	4,731	4,891	5,051	5,216
Total, Federal litigative and judicial activities	7,678	8,125	8,465	8,777	9,074	9,351	9,642
Correctional activities:							
Federal prison system and detention trustee program	4,311	4,304	4,738	4,974	5,168	5,327	5,493
Criminal justice assistance:							
High-intensity drug trafficking areas program	134	182	224	245	235	239	243
Law enforcement assistance, community policing, and other justice programs	4,537	3,330	5,554	6,485	4,655	4,443	4,527
Total, Criminal justice assistance	4,671	3,512	5,778	6,730	4,890	4,682	4,770
Total, Discretionary	30,062	30,697	34,234	36,398	35,537	36,276	37,352
Emergency Response Fund:							
Federal law enforcement activities:							
Terrorist response activities	....	88	....	....	....	....	....
Criminal investigations (DEA, FBI, FinCEN, ICDE)	....	589	688	758	786	801	818
Alcohol, tobacco, and firearms investigations (ATF)	....	33	32	32	33	34	34
Border enforcement activities (Customs and INS)	21	866	922	980	1,024	1,054	1,082
Equal Employment Opportunity Commission	....	1	1	1	1	1	1
Tax law, criminal investigations (IRS)	....	6	4	4	4	4	5
Other law enforcement activities	9	174	159	169	171	168	173
Total, Federal law enforcement activities	30	1,757	1,806	1,944	2,019	2,062	2,113
Federal litigative and judicial activities:							
Civil and criminal prosecution and representation	....	76	80	83	85	88	90
Federal judicial and other litigative activities	....	63	74	84	91	99	103
Total, Federal litigative and judicial activities	....	139	154	167	176	187	193
Criminal justice assistance:							
Crime victims fund obligation limit	....	68	....	....	....	....	....
High-intensity drug trafficking areas program	2	....	....	....	....	....	....
Law enforcement assistance, community policing, and other justice programs	....	143	393	628	672	684	696
Total, Criminal justice assistance	2	211	393	628	672	684	696
Total, Emergency Response Fund	32	2,107	2,353	2,739	2,867	2,933	3,002
Mandatory:							
Federal law enforcement activities:							
Border enforcement activities (Customs and INS)	1,777	1,970	2,396	2,679	2,768	2,821	2,867
INS fees	–1,998	–2,404	–2,462	–2,168	–2,203	–2,240	–2,278
Customs fees	–1,271	–1,309	–1,439	–3	–3	–3	–4
Other mandatory law enforcement programs	530	518	559	548	552	553	554
Total, Federal law enforcement activities	–962	–1,225	–946	1,056	1,114	1,131	1,139
Federal litigative and judicial activities:							
September 11 victim compensation fund	....	1,080	2,700	1,620	....	....	....

Table 15–12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Function and Program	2001 Actual	Estimate					
		2002	2003	2004	2005	2006	2007
Assets forfeiture fund	425	555	428	373	384	383	390
Federal judicial officers salaries and expenses and other mandatory programs	394	648	631	626	642	656	669
Total, Federal litigative and judicial activities	819	2,283	3,759	2,619	1,026	1,039	1,059
Correctional activities:							
Mandatory programs	7	16	18	–4	–4	–4	1
Criminal justice assistance:							
Crime victims fund	461	407	1,458	954	597	430	430
Public safety officers' benefits	24	157	49	50	51	52	53
Total, Criminal justice assistance	485	564	1,507	1,004	648	482	483
Total, Mandatory	349	1,638	4,338	4,675	2,784	2,648	2,682
Total, Administration of justice	30,443	34,442	40,925	43,812	41,188	41,857	43,036
800 General government:							
Discretionary:							
Legislative functions:							
Legislative branch discretionary programs	2,260	2,705	2,766	2,949	2,995	3,030	3,130
Executive direction and management:							
Drug control programs	204	233	241	268	250	254	259
Executive Office of the President	254	243	289	297	306	314	324
Presidential transition and former Presidents	7	5	3	3	3	3	3
Total, Executive direction and management	465	481	533	568	559	571	586
Central fiscal operations:							
Tax administration	8,846	9,503	9,814	10,198	10,557	10,910	11,281
Other fiscal operations	801	1,028	941	940	969	995	1,026
Total, Central fiscal operations	9,647	10,531	10,755	11,138	11,526	11,905	12,307
General property and records management:							
Records management	219	373	312	305	311	322	332
Other general and records management	–58	513	313	329	449	458	482
Total, General property and records management	161	886	625	634	760	780	814
Central personnel management:							
Discretionary central personnel management programs	194	195	201	204	211	217	225
General purpose fiscal assistance:							
Payments and loans to the District of Columbia	283	326	256	260	267	274	281
Payments to States and counties from Federal land management activities	11	14	14	14	15	15	15
Payments in lieu of taxes	197	214	214	218	222	226	230
Other	....	....	....	....	....	1	1
Total, General purpose fiscal assistance	491	554	484	492	504	516	527
Other general government:							
Discretionary programs	272	349	319	320	338	341	343
Total, Discretionary	13,490	15,701	15,683	16,305	16,893	17,360	17,932
Emergency Response Fund:							
Legislative functions:							
Legislative branch discretionary programs	35	256	307	372	245	245	241
Executive direction and management:							
Executive Office of the President	....	133	52	52	53	54	55
Central fiscal operations:							
Tax administration	....	27	28	29	33	33	34

Table 15–12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Function and Program	2001 Actual	Estimate					
		2002	2003	2004	2005	2006	2007
Other fiscal operations	1	7	2	2	2	2	2
Total, Central fiscal operations	1	34	30	31	35	35	36
General property and records management:							
Records management	....	3	2	2	2	2	2
Other general and records management	8	112	15	....	....	....	....
Total, General property and records management	8	115	17	2	2	2	2
General purpose fiscal assistance:							
Payments and loans to the District of Columbia	6	200	204	207	211	215	219
Other	....	140	178	181	184	187	191
Total, General purpose fiscal assistance	6	340	382	388	395	402	410
Other general government:							
Discretionary programs	....	4	4	4	4	4	4
Total, Emergency Response Fund	50	882	792	849	734	742	748
Mandatory:							
Legislative functions:							
Congressional members compensation and other	99	106	116	114	114	113	114
Central fiscal operations:							
Federal financing bank	38	18	24	28	30	31	31
Other mandatory programs	–29	–64	–73	–63	–63	–62	–59
Total, Central fiscal operations	9	–46	–49	–35	–33	–31	–28
General property and records management:							
Mandatory programs	59	25	24	24	24	25	23
Offsetting receipts	–18	–33	–33	–29	–28	–27	–26
Total, General property and records management	41	–8	–9	–5	–4	–2	–3
General purpose fiscal assistance:							
Payments and loans to the District of Columbia	11	....	....	....	....	....	....
Payments to States and counties	1,261	1,174	1,190	1,224	1,241	1,274	1,230
Tax revenues for Puerto Rico (Treasury, BATF)	420	347	338	336	331	331	331
Other general purpose fiscal assistance	119	127	126	125	126	126	126
Total, General purpose fiscal assistance	1,811	1,648	1,654	1,685	1,698	1,731	1,687
Other general government:							
Territories	192	215	210	211	209	185	185
Treasury claims	1,416	1,052	1,000	1,204	1,204	1,204	1,204
Presidential election campaign fund	2	....	29	146	3	....	....
Other mandatory programs	–68	150	–11	–8	–9	–9	–8
Total, Other general government	1,542	1,417	1,228	1,553	1,407	1,380	1,381
Deductions for offsetting receipts:							
Offsetting receipts	–1,889	–1,438	–1,431	–1,431	–1,431	–1,431	–1,431
Total, Mandatory	1,613	1,679	1,509	1,881	1,751	1,760	1,720
Total, General government	15,153	18,262	17,984	19,035	19,378	19,862	20,400
900 Net interest:							
Mandatory:							
Interest on Treasury debt securities (gross):							
Interest paid on Treasury debt securities (gross)	359,507	337,600	347,617	363,996	375,887	385,888	396,382
Interest received by on-budget trust funds:							
Civil service retirement and disability fund	–34,953	–36,050	–38,379	–39,554	–40,645	–41,663	–43,042
Military retirement	–13,366	–13,074	–13,271	–13,478	–13,696	–13,930	–14,173

Table 15–12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Foreign service retirement and disability trust fund	–752	–778	–804	–831	–858	–886	–914
Medicare trust funds	–15,525	–15,639	–17,631	–19,334	–21,266	–23,366	–25,791
Unemployment trust fund	–5,749	–5,606	–4,719	–4,545	–4,699	–5,029	–5,484
Railroad retirement	–2,347	–572	–214	–207	–209	–209	–206
Airport and airway trust fund	–882	–869	–623	–536	–447	–335	–220
Other on-budget trust funds	–1,728	–1,699	–1,613	–1,537	–1,457	–1,384	–1,311
Total, Interest received by on-budget trust funds	–75,302	–74,287	–77,254	–80,022	–83,277	–86,802	–91,141
Interest received by off-budget trust funds:							
Interest received by social security trust funds	–68,811	–76,822	–83,849	–92,029	–101,015	–110,959	–122,109
Other interest:							
Interest on loans to Federal Financing Bank	–2,157	–1,930	–1,484	–1,724	–2,044	–2,342	–2,230
Interest on refunds of tax collections	2,726	2,351	2,206	2,107	2,275	2,419	2,608
Payment to the Resolution Funding Corporation	464	1,157	2,124	2,231	2,117	2,188	2,231
Interest paid to loan guarantee financing accounts	4,708	3,775	3,802	3,919	4,093	4,316	4,556
Interest received from direct loan financing accounts	–10,336	–10,748	–11,590	–12,191	–12,677	–13,137	–13,564
Interest on deposits in tax and loan accounts	–951	–451	–585	–585	–585	–585	–585
Interest, employees health benefits fund	....	....	–772	–1,333	–1,897	–2,488	–3,109
Interest, DoD retiree health care fund	....	....	–1,038	–2,664	–4,480	–6,473	–8,656
Interest, other special and revolving funds	–1,530	–897	–1,014	–1,102	–1,185	–1,243	–1,294
All other interest	–2,119	–2,222	–2,190	–2,187	–2,328	–2,112	–2,071
Total, Other interest	–9,195	–8,965	–10,541	–13,529	–16,711	–19,457	–22,114
Other investment income:							
Private sector holdings, National Railroad Retirement Investment Trust	....	–374	–784	–802	–802	–810	–801
Total, Net interest	206,199	177,152	175,189	177,614	174,082	167,860	160,217
920 Allowances:							
Mandatory:							
Spectrum relocation fund	....	....	–100	–315	–200	....	–50
950 Undistributed offsetting receipts:							
Mandatory:							
Employer share, employee retirement (on-budget):							
Contributions to HI trust fund	–2,704	–2,894	–3,032	–3,158	–3,319	–3,453	–3,591
Contributions to military retirement fund	–11,371	–12,491	–11,934	–12,396	–12,911	–13,383	–13,847
Postal Service contributions to Civil Service Retirement and Disability Fund	–6,600	–6,780	–6,932	–7,089	–7,320	–7,555	–7,745
Employing agency contributions, DoD Retiree Health Care Fund	....	....	–8,312	–15,475	–16,416	–17,418	–18,500
Other contributions to civil and foreign service retirement and disability fund	–10,208	–10,746	–31,213	–32,689	–34,180	–35,698	–37,324
Retirement accrual offset	–8,219	–8,683	193	165	4	–198	–380
Total, Employer share, employee retirement (on-budget)	–39,102	–41,594	–61,230	–70,642	–74,142	–77,705	–81,387
Employer share, employee retirement (off-budget):							
Contributions to social security trust funds	–7,910	–9,243	–9,564	–10,232	–11,034	–11,744	–12,448
Rents and royalties on the Outer Continental Shelf:							
OCS Receipts	–7,194	–3,806	–2,832	–2,952	–3,670	–3,969	–4,018
Sale of major assets:							
Privatization of Elk Hills	....	....	....	....	–323	....	....
Other undistributed offsetting receipts:							
Spectrum auction	–1,024	–530	–4,510	–10,565	–8,770	–675	–680
Total, Undistributed offsetting receipts	–55,230	–55,173	–78,136	–94,391	–97,939	–94,093	–98,533
Total	1,863,926	2,019,886	2,079,907	2,142,005	2,217,547	2,288,884	2,366,467
On-budget	(1,516,933)	(1,658,187)	(1,713,272)	(1,763,381)	(1,826,428)	(1,883,461)	(1,944,799)
Off-budget	(346,993)	(361,699)	(366,635)	(378,624)	(391,119)	(405,423)	(421,668)

OTHER TECHNICAL PRESENTATIONS

16. 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 of these two fund groups. Information is provided about the income and outgo of the major trust funds and a number of Federal funds that are financed by earmarked collections in a manner similar to trust funds. Since the effects on the existing Medicare trust funds and on Federal funds of the President's proposed reforms of Medicare have not yet been determined, the effects of these reforms are not reflected in detail in this chapter.

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 earmark collections for spending on specific purposes. Where the law requires that Federal fund collections from a specified source be earmarked to finance a particular program, such as a portion of the Outer Continental Shelf mineral leasing receipts 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. They must be appropriated before they can be obligated and spent. However, significant amounts of collections credited to special funds are derived from business-like activity, such as the receipts from Outer Continental Shelf mineral leasing.

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 in the revolving funds, which are expenditure accounts. These collections generally are available automatically for obligation and making payments. Outlays for revolving funds are reported net of offsetting collections. 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. Like special funds and revolving funds, they earmark collections for spending on specific purposes. Many of the larger trust funds finance social insurance payments for individuals, such as Social Security, Medicare, and unemployment compensation. Other major trust funds finance military and Federal civilian employees' retirement, highway and transit construction, and airport and airway development. There are a few trust revolving funds that are credited with collections earmarked by law to carry out a cycle of business-type operations. Trust funds also include a few small funds established to carry out the terms of a conditional gift or bequest.

There is no substantive difference between trust funds and special funds or between revolving funds and trust revolving funds. Whether a particular fund is designated in law as a trust fund is, in many cases, arbitrary. For example, the National Service Life Insurance Fund is a trust fund, but the Servicemen's Group Life Insurance Fund is a Federal fund, even though both are financed by earmarked fees paid by veterans and both provide life insurance payments to veterans' beneficiaries.[1]

The Federal budget meaning of the term "trust" differs significantly from the private sector usage. The beneficiary of a private trust owns the trust's income and often its assets. A custodian manages the assets on behalf of the beneficiary according to the stipulations of the trust, which he or she cannot change unilaterally. In contrast, the Federal Government owns the assets and earnings of most Federal trust funds, and it can unilaterally raise or lower future trust fund collections and payments, or change the purpose for which the collections are used, by changing existing law. Only a few small Federal trust funds are managed pursuant to a trust agreement where the Government is the trustee, and the Government generally has some ability to determine the amount deposited into or paid out of these funds. Other amounts are held in deposit funds by the Government as a custodian on behalf of some entity outside the Government. The Government makes no decisions about the amount of these deposits or how they are spent. Therefore, they are considered to be

[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, notwithstanding the presence of the words "Trust Fund" in its official name.

non-budgetary instead of Federal trust funds and are excluded from the Federal budget.

A trust fund must use its income for the purposes designated by law. Some, such as the Federal Employees Health Benefits fund, spend their income almost as quickly as it is collected. Others, such as the Social Security and the Federal civilian employees retirement trust funds, currently spend considerably less than they collect each year. A surplus of income over outgo adds to the trust fund's balance, which is available to finance future expenditures. The balances are generally invested, by law, in Treasury securities.[2] Any net cash inflow from the public to the trust funds decreases the Treasury's need to borrow from the public in order to finance a Federal funds deficit.

A trust fund normally consists of one or more receipt accounts (to record income) and an expenditure account (to record outgo). However, a few trust funds, such as the Veterans Special Life Insurance fund, are established by law as revolving funds. These funds are similar to revolving funds in the Federal funds group. They conduct a cycle of business-type operations, offsetting collections are credited to the funds (which are expenditure accounts), and their outlays are displayed net of the offsetting collections.

Table 16–1. RECEIPTS, OUTLAYS, AND SURPLUS OR DEFICIT BY FUND GROUP

(In billions of dollars)

	2001 actual	Estimate					
		2002	2003	2004	2005	2006	2007
Receipts:							
Federal funds cash income:							
From the public	1,298.2	1,232.5	1,295.0	1,395.4	1,508.2	1,585.2	1,657.3
From trust funds	3.1	1.1	2.8	0.7	0.8	0.8	0.9
Total, Federal funds cash income	1,301.3	1,233.6	1,297.8	1,396.1	1,509.0	1,586.0	1,658.1
Trust funds cash income:							
From the public	773.1	789.7	834.9	879.1	928.7	966.8	1,010.6
From Federal funds:							
Interest	146.1	153.0	162.7	173.7	186.1	199.6	215.3
Other	165.6	184.3	200.6	206.1	215.5	225.7	236.7
Total, trust funds cash income	1,084.8	1,127.0	1,198.2	1,258.9	1,330.3	1,392.1	1,462.6
Offsetting receipts	–395.1	–414.5	–448.0	–479.7	–501.2	–522.9	–549.0
Total, unified budget receipts	1,991.0	1,946.1	2,048.1	2,175.4	2,338.0	2,455.3	2,571.7
Outlays:							
Federal funds cash outgo	1,402.6	1,552.4	1,635.3	1,699.4	1,762.5	1,820.8	1,883.0
Trust funds cash outgo	856.4	914.4	940.9	969.4	1,015.6	1,071.1	1,133.7
Offsetting receipts	–395.1	–414.5	–448.0	–479.7	–501.2	–522.9	–549.0
Total, unified budget outlays	1,863.9	2,052.3	2,128.2	2,189.1	2,276.9	2,369.1	2,467.7
Surplus or deficit (–):							
Federal funds	–101.3	–318.8	–337.5	–303.3	–253.5	–234.8	–224.9
Trust funds	228.4	212.6	257.3	289.5	314.6	321.0	328.8
Total, unified surplus/deficit (–)	127.1	–106.2	–80.2	–13.7	61.1	86.2	104.0

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

[2] An exception is the National Railroad Retirement Investment Trust, which under recently-enacted legislation will be able to invest its balances in private securities in hopes of being able to finance higher benefit payments with lower contribution rates. Budgetary treatment of the gains or losses from these investments are discussed in Chapter 25 of this volume, "The Budget System and Concepts and Glossary."

Table 16–2. INCOME, OUTGO, AND BALANCES OF TRUST FUNDS GROUP

(In billions of dollars)

	2001 actual	Estimate					
		2002	2003	2004	2005	2006	2007
Total Trust Funds							
Balance, start of year	2,111.7	2,340.4	2,546.0	2,803.3	3,092.8	3,407.4	3,728.4
Income:							
Governmental receipts	737.8	752.1	795.2	837.6	884.9	920.7	962.1
Proprietary receipts	44.3	47.4	43.2	45.0	47.3	49.7	52.2
Receipts from Federal funds:							
Interest	146.1	153.0	162.7	173.7	186.1	199.6	215.3
Other	194.0	213.2	212.1	216.7	226.4	236.8	248.0
Subtotal, income	1,122.2	1,165.7	1,213.1	1,273.0	1,344.7	1,406.8	1,477.5
Outgo:							
To the public	890.3	951.6	953.0	982.7	1,029.3	1,085.0	1,147.8
Payments to Federal funds	3.1	1.1	2.8	0.7	0.8	0.8	0.9
Subtotal, outgo	893.5	952.8	955.8	983.5	1,030.0	1,085.8	1,148.7
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	82.7	59.9	94.6	115.8	128.6	121.3	113.6
Interest	146.1	153.0	162.7	173.7	186.1	199.6	215.3
Subtotal, surplus or deficit (–)	228.7	212.9	257.3	289.5	314.6	321.0	328.8
Adjustments:							
Transfers/lapses (net)	–*	....	–0.1	....	....	....	....
Other adjustments	–*	–*	*	....	....	....	....
Total, change in fund balance	228.7	212.9	257.3	289.5	314.6	321.0	328.8
Balance, end of year	2,340.4	2,553.3	2,803.3	3,092.8	3,407.4	3,728.4	4,057.2

* $50 million or less.

Income and Outgo by Fund Group

Table 16–1 shows income, outgo, and surplus or deficit by fund group and adds them together (and removes double-counting) 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 receipts (derived from governmental activity—primarily income, payroll, and excise taxes—and gifts). It also consists of offsetting receipts, which include 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.[3] These intrafund transactions constitute outgo and income for the individual funds that make and collect the payments. However, because the totals for each fund group measure its transactions with the public and the other fund group, intrafund transactions must be subtracted from the sum of the income and outgo of all individual funds within the fund group to calculate the consolidated income and outgo for that fund group as a whole. Second, income excludes the offsetting collections, which are offset against outgo in revolving fund expenditure accounts instead of being deposited in receipt accounts.[4] 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 16–1 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.[5] 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

[3] For example, the railroad retirement trust funds pay the equivalent of social security benefits to railroad retirees, in addition to the regular railroad pension. These benefits are financed by a payment from the Federal Old-Age and Survivors Insurance trust fund to the railroad retirement trust funds. The payment and collection are both deducted so that total trust fund income and outgo measure disbursements to the public and to Federal funds.

[4] For example, postage stamp fees are deposited as offsetting collections in the Postal Service fund. As a result, the Fund's outgo is disbursements net of collections.

[5] 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 16–3. RELATIONSHIP OF TOTAL FEDERAL FUND AND TRUST FUND RECEIPTS TO UNIFIED BUDGET RECEIPTS, FISCAL YEAR 2001

(In billions of dollars)

Gross trust fund receipts	1,088.1
Gross Federal fund receipts	1,320.2
Total of trust fund receipts and Federal fund receipts	2,408.2
Deduct intrafund receipts (from funds within the same fund group):	
Trust intrafund receipts	–3.3
Federal intrafund receipts	–18.8
Subtotal, intrafund receipts	–22.1
Total of trust funds cash income and Federal funds cash income	2,386.1
Deduct offsetting receipts: [1]	
Trust fund receipts from Federal funds:	
Interest in receipt accounts	–144.1
General fund payment to Medicare Part B	–69.8
Employing agencies' payments for pensions, Social Security, and Medicare	–38.8
General fund payments for unfunded liabilities of Federal employees retirement funds	–38.0
Transfer of taxation of Social Security benefits to OASDI, HI, and RRB	–18.4
Other receipts from Federal funds	–2.5
Subtotal, trust fund receipts from Federal funds	–311.7
Federal fund receipts from trust funds	–3.1
Proprietary receipts	–80.3
Subtotal, offsetting receipts	–395.1
Unified budget receipts	1,991.0

[1] Offsetting receipts are included in cash income for each fund group, but in the unified budget totals are excluded from the receipts total and instead deducted from outlays.

recorded as an outlay of the fund or included in fund outgo.

Some income in both Federal funds and trust funds consists of offsetting receipts. In contrast, for most budget purposes, offsetting receipts are excluded from receipts figures and subtracted from gross outlays. There are two reasons for this treatment:

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

Because the income for Federal funds and for trust funds recorded in Table 16–1 includes offsetting receipts, those offsetting receipts must be deducted from the two fund groups' combined gross income in order to reconcile to total (net) unified budget receipts. Similarly, because the outgo for Federal funds and for trust funds in Table 16–1 consists of gross outlays, the amount of the offsetting receipts must be deducted from the sum of the Federal funds' and the trust funds' gross outgo in order to reconcile to total (net) unified budget outlays. Table 16–3 reconciles, for fiscal year 2001, the gross total of all trust fund and Federal fund receipts with the net total of the Federal fund group's and the trust fund group's cash income (as shown in Table 16–1), and with the unified budget's receipt total.

Income, Outgo, and Balances of Trust Funds

Table 16–2 shows, for the trust funds group as a whole, the funds' balance at the start of each year, income and outgo during the year, and the end of year balance. Income and outgo are divided between transactions with the public and transactions with Federal funds. Receipts from Federal funds are divided between interest and other interfund receipts.

The definition of income and outgo in this table differs from those in Table 16–1 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 16–1. 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 $37 billion in 2001. Table 16–2, therefore, provides a more complete summary of trust fund income and outgo.

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

Primarily because of these changes, but also because of the impact of real growth and inflation, trust fund balances increased tenfold from 1982 to 2000, from $205 billion to $2.1 trillion. Under the proposals in the President's budget, the balances are estimated to nearly double again by the year 2007, rising to $4.1 trillion. Almost all of these balances are invested in Treasury securities and earn interest. Therefore, they represent the value, in current dollars, of taxes and user fees that have been paid in advance for future benefits and services.

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 1984 a new system was set up to finance military retirement benefits on a full accrual basis. In 1986 full accrual funding of retirement benefits was mandated for Federal civilian employees hired after December 31, 1983. The latter two changes require Federal agencies and their employees to make annual payments to the Federal employees' retirement trust funds in an amount equal to the value of the retirement benefits earned by employees in that year. Since many years will pass before current employees are paid retirement benefits, the trust funds will accumulate substantial balances over time.

These balances are available to finance future benefit payments and other trust fund expenditures—but only in a bookkeeping sense. These funds are not set up to be pension funds, like the funds of private pension plans. They do not hold real economic assets that can be drawn down in the future to fund benefits. Instead, they are claims on the Treasury. When trust fund holdings are redeemed to pay benefits, Treasury will have to finance the expenditure in the same way as any other Federal expenditure: out of current receipts, by borrowing from the public, or by reducing benefits or other expenditures. The existence of large trust fund balances, therefore, does not, by itself, increase the Government's ability to pay benefits.

From an economic standpoint, the Government is able to prefund benefits only by increasing saving and investment in the economy as a whole. This can be fully accomplished only by simultaneously running trust fund surpluses equal to the actuarial present value of the accumulating benefits and not allowing the Federal fund deficit to increase, so that the trust fund surplus reduces a unified budget deficit or increases a unified budget surplus. This would reduce Federal borrowing by the amount of the trust funds surplus and increase the amount of national saving available to finance investment. Greater investment would increase future incomes and wealth, which would provide more real economic resources to support the benefits.

Table 16–4 shows estimates of income, outgo, and balances for 2001 through 2007 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 16–2 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 16–5, which immediately follows Table 16–4, at the end of this chapter, shows income, outgo, and balances of four existing Federal funds—a revolving fund and three special funds. It also shows several proposed new or expanded special funds of the same general type: a health benefits fund for Federal civilian employees and retirees that would supercede the existing trust fund; a new and expanded fund for military retirees' health benefits; and new funds for Coast Guard and other uniformed services retirement benefits. All 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 16–4. INCOME, OUTGO, AND BALANCES OF MAJOR TRUST FUNDS

(In billions of dollars)

	2001 actual	Estimate					
		2002	2003	2004	2005	2006	2007
Airport and Airway Trust Fund							
Balance, start of year	13.9	14.5	12.8	13.0	13.7	14.7	16.1
Income:							
Governmental receipts	9.2	8.9	9.7	10.3	10.9	11.5	12.2
Proprietary receipts	*	*	*	*	*	*	*
Receipts from Federal funds:							
Interest	0.9	0.9	0.6	0.7	0.7	0.8	0.9
Other	0.1	0.2	0.1	0.1	0.1	0.1	0.1
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	10.1	10.0	10.4	11.1	11.7	12.4	13.2
Outgo:							
To the public	9.6	11.7	10.2	10.5	10.7	11.1	11.3
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, outgo	9.6	11.7	10.2	10.5	10.7	11.1	11.3
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	–0.3	–2.6	–0.4	–*	0.4	0.6	1.0
Interest	0.9	0.9	0.6	0.7	0.7	0.8	0.9
Subtotal, surplus or deficit (–)	0.5	–1.7	0.3	0.6	1.1	1.4	1.9
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	....	–*	*	....	....	....	....
Total, change in fund balance	0.5	–1.7	0.3	0.6	1.1	1.4	1.9
Balance, end of year	14.5	12.8	13.0	13.7	14.7	16.1	18.0
Federal Employees Health Benefits Fund [1]							
Balance, start of year	6.0	6.7	....	....	....	....	....
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	5.9	6.5	....	....	....	....	....
Receipts from Federal funds:							
Interest	0.4	0.3	....	....	....	....	....
Other	15.2	17.1	*	*	*	*	*
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	21.5	23.9	*	*	*	*	*
Outgo:							
To the public	20.8	23.3	*	*	*	*	*
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, outgo	20.8	23.3	*	*	*	*	*
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	0.3	0.3	....	....	....	....	....
Interest	0.4	0.3	....	....	....	....	....
Subtotal, surplus or deficit (–)	0.7	0.6	....	....	....	....	....
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	....	....	....	....	....	....	....
Total, change in fund balance	0.7	0.6	....	....	....	....	....
Balance, end of year	6.7	7.3	....	....	....	....	....
Federal Civilian Employees Retirement Funds [2]							
Balance, start of year	523.2	554.4	585.3	626.8	666.8	705.3	742.4
Income:							
Governmental receipts	4.7	4.6	4.6	4.4	4.4	4.2	4.1
Proprietary receipts	....	....	....	....	....	....	....
Receipts from Federal funds:							
Interest	35.7	36.9	39.2	40.4	41.5	42.6	44.0
Other	38.7	39.9	51.0	51.5	52.1	52.6	53.1

Table 16–4. INCOME, OUTGO, AND BALANCES OF MAJOR TRUST FUNDS—Continued

(In billions of dollars)

	2001 actual	Estimate 2002	2003	2004	2005	2006	2007
Receipts from Trust funds	*	*	*	*	*	*	*
Subtotal, income	79.1	81.4	94.8	96.4	98.0	99.5	101.2
Outgo:							
To the public	48.0	50.5	53.3	56.3	59.5	62.4	64.8
Payments to Other funds	*	*	*	*	*	*	*
Subtotal, outgo	48.0	50.5	53.3	56.3	59.5	62.4	64.8
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	–4.6	–6.0	2.2	–0.4	–3.0	–5.5	–7.7
Interest	35.7	36.9	39.2	40.4	41.5	42.6	44.0
Subtotal, surplus or deficit (–)	31.2	30.9	41.5	40.1	38.5	37.1	36.3
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	....	....	*	....	....	....	....
Total, change in fund balance	31.2	30.9	41.5	40.1	38.5	37.1	36.3
Balance, end of year	554.4	585.3	626.8	666.8	705.3	742.4	778.8
Social Security: Old-Age, Survivors and Disability Insurance (OASDI) Trust Funds							
Balance, start of year	1,006.9	1,169.8	1,327.5	1,504.6	1,700.0	1,916.7	2,144.0
Income:							
Governmental receipts	507.5	517.2	545.3	573.5	608.2	633.7	665.3
Proprietary receipts	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Receipts from Federal funds:							
Interest	68.8	76.8	83.8	92.0	101.0	111.0	122.1
Other	20.4	22.7	23.8	25.4	27.1	28.6	30.4
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	596.9	616.9	653.2	691.0	736.4	773.3	818.0
Outgo:							
To the public	429.4	455.0	471.9	491.5	515.5	542.1	571.0
Payments to Other funds	4.5	4.2	4.2	4.1	4.1	4.0	4.2
Subtotal, outgo	433.9	459.2	476.0	495.7	519.7	546.1	575.3
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	94.2	80.9	93.3	103.3	115.7	116.3	120.6
Interest	68.8	76.8	83.8	92.0	101.0	111.0	122.1
Subtotal, surplus or deficit (–)	163.0	157.7	177.1	195.4	216.7	227.2	242.7
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	....	....	....	....	....	....	....
Total, change in fund balance	163.0	157.7	177.1	195.4	216.7	227.2	242.7
Balance, end of year	1,169.8	1,327.5	1,504.6	1,700.0	1,916.7	2,144.0	2,386.7
Foreign Military Sales Trust Fund							
Balance, start of year	5.8	5.8	5.8	5.8	5.8	5.8	5.8
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	10.2	10.3	10.4	10.4	10.6	10.7	10.9
Receipts from Federal funds:							
Interest	....	....	....	....	....	....	....
Other	....	....	....	....	....	....	....
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	10.2	10.3	10.4	10.4	10.6	10.7	10.9
Outgo:							
To the public	10.2	10.3	10.4	10.4	10.6	10.7	10.9
Payments to Other funds	....	....	....	....	....	....	....

Table 16–4. INCOME, OUTGO, AND BALANCES OF MAJOR TRUST FUNDS—Continued

(In billions of dollars)

	2001 actual	Estimate					
		2002	2003	2004	2005	2006	2007
Subtotal, outgo	10.2	10.3	10.4	10.4	10.6	10.7	10.9
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	0.1	–*	....	....	....	....	....
Interest	....	....	....	....	....	....	....
Subtotal, surplus or deficit (–)	0.1	–*	....	....	....	....	....
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	–*	*	....	....	....	....	....
Total, change in fund balance	0.1	....	....	....	....	....	....
Balance, end of year	5.8	5.8	5.8	5.8	5.8	5.8	5.8
Highway Trust Fund							
Balance, start of year	31.1	27.7	24.2	22.2	24.3	28.5	33.7
Income:							
Governmental receipts	31.5	31.9	33.0	34.1	35.4	36.9	38.0
Proprietary receipts	*	0.1	0.1	0.1	0.1	0.1	0.1
Receipts from Federal funds:							
Interest	....	....	....	....	....	....	....
Other	0.1	*	*	*	*	*	*
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, Income	31.6	32.1	33.1	34.3	35.5	37.0	38.1
Outgo:							
To the public	34.9	35.6	35.1	32.1	31.4	31.8	32.4
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, Outgo	34.9	35.6	35.1	32.1	31.4	31.8	32.4
Change in fund balance:							
Surplus or deficit:	....	....	....	....	....	....	....
Excluding interest	–3.4	–3.5	–2.0	2.1	4.2	5.3	5.8
Interest	....	....	....	....	....	....	....
Subtotal, surplus or deficit	–3.4	–3.5	–2.0	2.1	4.2	5.3	5.8
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	–*	....	*	....	....	....	....
Total, Change in fund balance	–3.4	–3.5	–2.0	2.1	4.2	5.3	5.8
Balance, End of Year	27.7	24.2	22.2	24.3	28.5	33.7	39.5
Medicare: Hospital Insurance (HI) Trust Fund							
Balance, start of year	168.1	197.4	232.5	271.3	314.7	361.5	413.7
Income:							
Governmental receipts	150.1	152.2	159.9	168.2	178.8	186.5	196.0
Proprietary receipts	1.4	1.5	1.5	1.6	1.7	1.8	1.9
Receipts from Federal funds:							
Interest	12.3	12.7	14.9	16.6	18.5	20.6	22.9
Other	8.3	14.5	12.5	13.0	13.7	14.4	15.3
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	172.2	180.9	188.8	199.4	212.8	223.4	236.1
Outgo:							
To the public	141.7	145.8	150.0	156.0	166.0	171.2	182.1
Payments to Other funds	1.2	....	....	....	....	....	....
Subtotal, outgo	142.9	145.8	150.0	156.0	166.0	171.2	182.1
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	17.0	22.4	23.9	26.8	28.3	31.6	31.0
Interest	12.3	12.7	14.9	16.6	18.5	20.6	22.9
Subtotal, surplus or deficit (–)	29.3	35.1	38.8	43.4	46.8	52.2	54.0
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....

Table 16–4. INCOME, OUTGO, AND BALANCES OF MAJOR TRUST FUNDS—Continued

(In billions of dollars)

	2001 actual	Estimate					
		2002	2003	2004	2005	2006	2007
Other adjustments	–*	....	....	....	....	....	....
Total, change in fund balance	29.3	35.1	38.8	43.4	46.8	52.2	54.0
Balance, end of year	197.4	232.5	271.3	314.7	361.5	413.7	467.6
Medicare: Supplementary Medical Insurance (SMI) Trust Fund							
Balance, start of year	45.9	41.8	39.9	38.8	38.9	38.6	41.5
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	22.3	24.1	25.8	27.4	29.4	31.4	33.6
Receipts from Federal funds:							
Interest	3.2	2.9	2.7	2.7	2.6	2.6	2.7
Other	73.0	78.6	81.5	84.8	90.1	96.4	103.1
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	98.5	105.6	110.1	114.9	122.1	130.4	139.4
Outgo:							
To the public	102.6	107.5	111.2	114.8	122.5	127.5	137.8
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, outgo	102.6	107.5	111.2	114.8	122.5	127.5	137.8
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	–7.3	–4.8	–3.8	–2.6	–3.0	0.3	–1.1
Interest	3.2	2.9	2.7	2.7	2.6	2.6	2.7
Subtotal, surplus or deficit (–)	–4.1	–1.9	–1.1	0.1	–0.4	2.9	1.6
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	....	....	....	....	....	....	....
Total, change in fund balance	–4.1	–1.9	–1.1	0.1	–0.4	2.9	1.6
Balance, end of year	41.8	39.9	38.8	38.9	38.6	41.5	43.0
Military Retirement Fund							
Balance, start of year	158.0	164.7	171.9	178.6	185.6	193.1	201.0
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	....	....	....	....	....	....	....
Receipts from Federal funds:							
Interest	13.4	13.1	13.3	13.5	13.7	13.9	14.2
Other	27.5	29.5	29.6	30.7	31.8	32.9	34.1
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	40.8	42.6	42.8	44.1	45.5	46.9	48.3
Outgo:							
To the public	34.1	35.4	36.2	37.1	38.0	39.0	40.0
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, outgo	34.1	35.4	36.2	37.1	38.0	39.0	40.0
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	–6.6	–5.9	–6.6	–6.4	–6.2	–6.0	–5.9
Interest	13.4	13.1	13.3	13.5	13.7	13.9	14.2
Subtotal, surplus or deficit (–)	6.7	7.2	6.6	7.1	7.5	7.9	8.3
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	....	....	....	....	....	....	....
Total, change in fund balance	6.7	7.2	6.6	7.1	7.5	7.9	8.3
Balance, end of year	164.7	171.9	178.6	185.6	193.1	201.0	209.3
Railroad Retirement Trust Funds							
Balance, start of year	15.5	17.2	17.8	18.1	18.2	18.1	17.7

Table 16–4. INCOME, OUTGO, AND BALANCES OF MAJOR TRUST FUNDS—Continued

(In billions of dollars)

	2001 actual	Estimate					
		2002	2003	2004	2005	2006	2007
Income:							
Governmental receipts	4.3	4.3	4.1	4.1	4.1	4.1	4.2
Proprietary receipts	....	0.4	0.8	0.8	0.8	0.8	0.8
Receipts from Federal funds:							
Interest	2.3	0.6	0.2	0.2	0.2	0.2	0.2
Other	0.3	0.3	0.4	0.4	0.4	0.4	0.4
Receipts from Trust funds	3.3	3.9	3.9	3.8	3.8	3.7	3.9
Subtotal, income	10.2	9.4	9.3	9.2	9.3	9.2	9.5
Outgo:							
To the public	8.4	8.6	8.8	9.0	9.2	9.4	9.6
Payments to Other funds	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Subtotal, outgo	8.6	8.8	9.0	9.2	9.4	9.6	9.8
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	–0.7	–*	0.1	–0.2	–0.3	–0.6	–0.5
Interest	2.3	0.6	0.2	0.2	0.2	0.2	0.2
Subtotal, surplus or deficit (–)	1.7	0.6	0.3	*	–0.1	–0.4	–0.3
Adjustments:							
Transfers/lapses (net)	*	*	*	....	....	....	....
Other adjustments	–*	*	....	....	....	....	....
Total, change in fund balance	1.7	0.6	0.3	*	–0.1	–0.4	–0.3
Balance, end of year	17.2	17.8	18.1	18.2	18.1	17.7	17.4
Unemployment Trust Fund							
Balance, start of year	86.7	89.0	77.0	73.5	76.6	80.7	84.6
Income:							
Governmental receipts	27.8	30.3	35.8	40.1	40.3	40.7	39.2
Proprietary receipts	*	*	*	*	*	*	*
Receipts from Federal funds:							
Interest	5.7	5.6	4.7	4.5	4.7	5.0	5.5
Other	0.4	0.5	0.5	0.5	0.5	0.5	0.5
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	34.0	36.4	41.1	45.2	45.5	46.3	45.3
Outgo:							
To the public	31.6	48.5	44.6	42.1	41.4	42.4	44.9
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, outgo	31.6	48.5	44.6	42.1	41.4	42.4	44.9
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	–3.4	–17.7	–8.2	–1.4	–0.6	–1.2	–5.1
Interest	5.7	5.6	4.7	4.5	4.7	5.0	5.5
Subtotal, surplus or deficit (–)	2.4	–12.0	–3.5	3.1	4.1	3.8	0.4
Adjustments:							
Transfers/lapses (net)	–*	–*	–*	....	....	....	....
Other adjustments	....	–*	....	....	....	....	....
Total, change in fund balance	2.4	–12.1	–3.5	3.1	4.1	3.8	0.4
Balance, end of year	89.0	77.0	73.5	76.6	80.7	84.6	84.9
Veterans Life Insurance Trust Funds							
Balance, start of year	13.6	13.5	13.3	13.0	12.6	12.2	11.7
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	0.8	0.8	0.7	0.7	0.6	0.6	0.5
Receipts from Federal funds:							
Interest	1.0	1.0	0.9	0.9	0.8	0.8	0.7
Other	*	*	*	*	*	*	*
Receipts from Trust funds	....	....	....	....	....	....	....

Table 16–4. INCOME, OUTGO, AND BALANCES OF MAJOR TRUST FUNDS—Continued

(In billions of dollars)

	2001 actual	Estimate					
		2002	2003	2004	2005	2006	2007
Subtotal, income	1.8	1.7	1.7	1.6	1.5	1.4	1.3
Outgo:							
To the public	1.9	1.9	1.9	1.9	1.9	1.8	1.8
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, outgo	1.9	1.9	1.9	1.9	1.9	1.8	1.8
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	–1.1	–1.2	–1.2	–1.2	–1.2	–1.2	–1.3
Interest	1.0	1.0	0.9	0.9	0.8	0.8	0.7
Subtotal, surplus or deficit (–)	–0.1	–0.2	–0.3	–0.4	–0.4	–0.5	–0.5
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	....	–*	–*	....	....	....	....
Total, change in fund balance	–0.1	–0.2	–0.3	–0.4	–0.4	–0.5	–0.5
Balance, end of year	13.5	13.3	13.0	12.6	12.2	11.7	11.2
Other Trust Funds							
Balance, start of year	37.1	37.8	38.0	37.5	35.5	32.1	16.2
Income:							
Governmental receipts	2.8	2.7	2.8	2.9	3.0	3.1	3.1
Proprietary receipts	3.5	3.5	3.6	3.8	3.9	4.0	4.1
Receipts from Federal funds:							
Interest	2.3	2.3	2.2	2.2	2.2	2.2	2.1
Other	9.9	9.7	12.6	10.4	10.5	10.7	10.9
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	18.5	18.3	21.3	19.2	19.6	19.9	20.3
Outgo:							
To the public	17.1	17.5	19.5	21.1	22.7	35.6	41.2
Payments to Other funds	0.6	0.6	2.2	0.2	0.2	0.3	0.3
Subtotal, outgo	17.7	18.1	21.7	21.3	23.0	35.8	41.5
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	–1.5	–2.1	–2.6	–4.3	–5.6	–18.1	–23.4
Interest	2.3	2.3	2.2	2.2	2.2	2.2	2.1
Subtotal, surplus or deficit (–)	0.8	0.2	–0.4	–2.1	–3.4	–15.9	–21.2
Adjustments:							
Transfers/lapses (net)	–*	....	–0.1	....	....	....	....
Other adjustments	–*	–*	–*	....	....	....	....
Total, change in fund balance	0.8	0.2	–0.5	–2.1	–3.4	–15.9	–21.2
Balance, end of year	37.8	38.0	37.5	35.5	32.1	16.2	–5.0

* $50 million or less.
Note: Balances shown include committed and uncommitted cash balances.
[1] See "Employees Health Benefits Fund" in next table (Table 16 - 5) for continuation of this activity.
[2] Budget proposes to fully accrue retirement and health benefit costs beginning 2004.

Table 16–5. INCOME, OUTGO, AND BALANCES OF SELECTED FEDERAL FUNDS

(In billions of dollars)

	2001 actual	Estimate					
		2002	2003	2004	2005	2006	2007
Abandoned Mine Reclamation Fund							
Balance, start of year	1.8	1.9	2.0	2.1	2.3	2.1	1.9
Income:							
Governmental receipts	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
Other	....	....	....	....	....	....	....
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	0.4	0.3	0.4	0.4	0.1	0.1	0.1
Outgo:							
To the public	0.3	0.2	0.2	0.2	0.3	0.3	0.3
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, outgo	0.3	0.2	0.2	0.2	0.3	0.3	0.3
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	–0.1	0.1	0.1	0.1	–0.3	–0.3	–0.3
Interest	0.1	*	0.1	0.1	0.1	0.1	0.1
Subtotal, surplus or deficit (–)	*	0.1	0.1	0.1	–0.2	–0.2	–0.2
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	*	....	....	....	....	....	....
Total, change in fund balance	*	0.1	0.1	0.1	–0.2	–0.2	–0.2
Balance, end of year	1.9	2.0	2.1	2.3	2.1	1.9	1.7
Coast Guard and Other Commissioned Corps Retirement Funds [2]							
Balance, start of year	....	....	....	0.2	0.3	0.5	0.6
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	....	....	....	....	....	....	....
Receipts from Federal funds:							
Interest	....	....	*	*	*	*	*
Other	....	....	1.3	1.4	1.4	1.4	1.4
Receipts from Trust funds	....	....	*	*	0.1	0.1	0.1
Subtotal, income	....	....	1.4	1.4	1.4	1.5	1.5
Outgo:							
To the public	....	....	1.2	1.3	1.3	1.4	1.4
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, outgo	....	....	1.2	1.3	1.3	1.4	1.4
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	....	....	0.2	0.1	0.1	0.1	0.1
Interest	....	....	....	*	*	*	*
Subtotal, surplus or deficit (–)	....	....	0.2	0.1	0.1	0.1	0.1
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	....	....	–*	....	....	....	....
Total, change in fund balance	....	....	0.2	0.1	0.1	0.1	0.1
Balance, end of year	....	....	0.2	0.3	0.5	0.6	0.6
Employees Health Benefits Fund [1 2]							
Balance, start of year	....	....	7.3	19.1	30.6	42.5	54.7
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	....	....	8.4	9.1	9.7	10.4	11.1
Receipts from Federal funds:							
Interest	....	....	0.8	1.3	1.9	2.5	3.1
Other	....	....	28.0	28.5	29.6	30.8	32.2

Table 16–5. INCOME, OUTGO, AND BALANCES OF SELECTED FEDERAL FUNDS—Continued

(In billions of dollars)

	2001 actual	Estimate					
		2002	2003	2004	2005	2006	2007
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	....	....	37.2	38.9	41.2	43.7	46.4
Outgo:							
To the public	....	....	25.4	27.4	29.3	31.5	33.9
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, outgo	....	....	25.4	27.4	29.3	31.5	33.9
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	....	....	11.0	10.2	10.0	9.7	9.4
Interest	....	....	0.8	1.3	1.9	2.5	3.1
Subtotal, surplus or deficit (–)	....	....	11.8	11.5	11.9	12.2	12.6
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	....	....	....	....	....	....	....
Total, change in fund balance	....	....	11.8	11.5	11.9	12.2	12.6
Balance, end of year	....	....	19.1	30.6	42.5	54.7	67.3
Nuclear Waste Disposal Fund							
Balance, start of year	9.2	11.0	12.1	13.3	14.5	15.8	17.0
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	0.7	0.6	0.6	0.6	0.6	0.6	0.6
Receipts from Federal funds:							
Interest	1.2	0.7	0.8	0.8	0.8	0.9	0.9
Other	....	....	....	....	....	....	....
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	1.9	1.3	1.4	1.4	1.5	1.5	1.5
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	0.5	0.5	0.5	0.4	0.4	0.4	0.4
Interest	1.2	0.7	0.8	0.8	0.8	0.9	0.9
Subtotal, surplus or deficit (–)	1.7	1.2	1.2	1.2	1.3	1.3	1.3
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	–*	–*	....	....	....	....	....
Total, change in fund balance	1.7	1.2	1.2	1.2	1.3	1.3	1.3
Balance, end of year	11.0	12.1	13.3	14.5	15.8	17.0	18.3
Overseas Private Investment Corporation							
Balance, start of year	3.0	3.3	3.5	3.8	4.0	4.3	4.6
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	0.3	0.3	0.3	0.3
Other	*	*	*	*	*	*	*
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	0.3	0.3	0.4	0.4	0.4	0.4	0.4
Outgo:							
To the public	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, outgo	0.1	0.1	0.1	0.1	0.1	0.1	0.1

Table 16–5. INCOME, OUTGO, AND BALANCES OF SELECTED FEDERAL FUNDS—Continued

(In billions of dollars)

	2001 actual	Estimate					
		2002	2003	2004	2005	2006	2007
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	*	0.1	*	*	*	*	*
Interest	0.2	0.2	0.2	0.3	0.3	0.3	0.3
Subtotal, surplus or deficit (–)	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Adjustments:							
Transfers/lapses (net)	–*	–*	–*	....	....	....	....
Other adjustments	....	....	....	....	....	....	....
Total, change in fund balance	0.2	0.3	0.2	0.3	0.3	0.3	0.3
Balance, end of year	3.3	3.5	3.8	4.0	4.3	4.6	4.9
Uniformed Services Retiree Health Care Fund [2]							
Balance, start of year	....	....	....	19.0	47.3	78.4	112.5
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	....	....	....	....	....	....	....
Receipts from Federal funds:							
Interest	....	....	1.0	2.7	4.5	6.5	8.7
Other	....	....	23.6	37.3	39.0	40.8	42.7
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	....	....	24.7	39.9	43.4	47.2	51.3
Outgo:							
To the public	....	....	5.7	11.6	12.4	13.1	14.0
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, outgo	....	....	5.7	11.6	12.4	13.1	14.0
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	....	....	17.9	25.6	26.6	27.6	28.7
Interest	....	....	1.0	2.7	4.5	6.5	8.7
Subtotal, surplus or deficit (–)	....	....	19.0	28.3	31.1	34.1	37.4
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	....	....	....	....	....	....	....
Total, change in fund balance	....	....	19.0	28.3	31.1	34.1	37.4
Balance, end of year	....	....	19.0	47.3	78.4	112.5	149.8
Uranium Enrichment Decontamination and Decommissioning Fund							
Balance, start of year	2.2	2.6	3.0	3.6	4.0	4.5	5.1
Income:							
Governmental receipts	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Proprietary receipts	....	....	....	....	....	....	....
Receipts from Federal funds:							
Interest	0.5	0.6	0.6	0.7	0.7	0.7	0.8
Other	....	....	....	....	....	....	....
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	0.7	0.8	0.8	0.8	0.9	0.9	1.0
Outgo:							
To the public	0.3	0.3	0.2	0.4	0.4	0.4	0.4
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, outgo	0.3	0.3	0.2	0.4	0.4	0.4	0.4
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	–0.1	–0.2	–*	–0.2	–0.2	–0.2	–0.2
Interest	0.5	0.6	0.6	0.7	0.7	0.7	0.8
Subtotal, surplus or deficit (–)	0.4	0.4	0.6	0.5	0.5	0.5	0.6
Adjustments:							
Transfers/lapses (net)	–*	....	....	....	....	....	....

Table 16–5. INCOME, OUTGO, AND BALANCES OF SELECTED FEDERAL FUNDS—Continued

(In billions of dollars)

	2001 actual	Estimate					
		2002	2003	2004	2005	2006	2007
Other adjustments	*	*	–*	....	....	....	....
Total, change in fund balance	0.4	0.4	0.6	0.5	0.5	0.5	0.6
Balance, end of year	2.6	3.0	3.6	4.0	4.5	5.1	5.7

* $50 million or less.
Note: Balances shown include committed and uncommitted cash balances.
[1] Continues activity shown under "Federal Employees Health Benefits Fund" in previous table (Table 16 - 4).
[2] Budget proposes to fully accrue retirement and health benefit costs beginning 2004.

17. NATIONAL INCOME AND PRODUCT ACCOUNTS

The National Income and Product Accounts (NIPA's) are an integrated set of measures of aggregate U.S. economic activity that are prepared by the Department of Commerce. Because the NIPA's are widely used in economic analysis, it is important to show the NIPA presentation of Federal transactions and contrast it with the Budget.

One of the main purposes of the NIPA's 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 a measure of the Nation's final output, which excludes intermediate product to avoid double counting. Government consumption expenditures and gross investment—State and local as well as Federal—are included in GDP as part of final output, together with personal consumption expenditures, gross private domestic investment, and net exports of goods and services (exports minus imports).

Other government expenditures—transfer payments, grants to State and local governments, subsidies, and net interest payments—are not purchases of final output and as such are not included in GDP; however, these transactions are recorded in the NIPA government receipts and expenditure account, together with government consumption expenditures and gross investment.

Federal transactions are included in the NIPA's as part of the government sector[1]. The Federal sector is 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. 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.

Differences Between the NIPA's and the Budget

Federal transactions in the NIPA's are measured according to NIPA accounting concepts in order to be compatible with the purposes of the NIPA's and other transactions recorded in the NIPA's. As a result they differ from the budget in *netting, timing,* and *coverage*. These differences cause total receipts and expenditures in the NIPA's to differ from total receipts and outlays in the budget. Differences in timing and coverage also cause the NIPA current surplus or deficit to differ from the budget surplus or deficit. Netting differences have equal effects on receipts and expenditures and thus have no effect on the current surplus/deficit. Besides these differences, the NIPA's 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 NIPA's (or vice versa). The budget treats all income that comes to the Government due to its sovereign powers—mainly, but not exclusively, taxes—as governmental receipts. The budget offsets against outlays any income that arises from voluntary business-type transactions with the public. The NIPA's 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 NIPA's have a narrower definition of "business-type transactions". Rents, royalties, and regulatory or inspection fees (offsetting receipts in the budget) are recorded in the NIPA's as Government receipts (business nontaxes). The NIPA's include Medicare premiums as Government receipts, while the budget classifies them as business-type transactions (offsetting 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 Federal employee social insurance (such as social security) is an example: the budget offsets these payments against outlays. In contrast, the NIPA's treat the Federal Government like any other employer and show contributions for Federal employee social insurance as expenditures by the employing agencies and as governmental (rather than offsetting) receipts. The NIPA's also impute certain transactions that are not explicit in the budget. For example, unemployment benefits for Federal employees are financed by direct appropriations rather than social insurance contributions. The NIPA's impute social insurance contributions by employing agencies to finance these benefits—again, treating the Federal Government like any other employer.

[1] The other part of the government sector is a set of transactions for all U.S. State and local units of government, treated as a single consolidated entity.

Table 17–1. FEDERAL TRANSACTIONS IN THE NATIONAL INCOME AND PRODUCT ACCOUNTS, 1992–2003

(In billions of dollars)

Description	Actual										Estimate	
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
CURRENT RECEIPTS												
Personal tax and nontax receipts	473.9	500.9	541.2	583.7	654.7	736.3	822.7	878.4	989.7	1,004.7	938.8	987.1
Corporate profits tax accruals	115.6	131.0	152.5	177.8	187.8	198.6	206.4	211.3	237.2	191.6	168.6	194.7
Indirect business tax and nontax accruals	80.0	84.1	94.2	93.8	90.3	97.9	97.3	98.2	109.8	111.6	107.4	111.5
Contributions for social insurance	434.9	458.4	487.9	515.8	535.8	566.1	604.2	641.4	695.2	721.1	746.4	786.8
Total current receipts	1,104.4	1,174.3	1,275.8	1,371.0	1,468.6	1,599.0	1,730.7	1,829.3	2,031.9	2,029.1	1,961.2	2,080.1
CURRENT EXPENDITURES												
Consumption expenditures	442.0	444.8	441.6	441.5	435.8	453.8	452.0	464.8	490.2	520.2	577.7	625.2
Defense	314.9	311.1	304.6	299.6	295.5	304.0	300.3	306.1	321.4	336.5	370.2	407.4
Nondefense	127.1	133.7	137.1	141.9	140.2	149.8	151.7	158.7	168.7	183.6	207.5	217.9
Transfer payments	548.4	590.2	614.8	646.6	680.4	711.0	727.9	741.6	770.2	827.8	926.3	933.7
To persons	537.1	573.4	599.3	633.8	668.6	699.9	716.9	730.6	756.4	817.2	911.9	921.1
To the rest of the world	11.3	16.8	15.5	12.8	11.9	11.2	11.0	10.9	13.8	10.6	14.4	12.5
Grants-in-aid to State and local governments	145.5	157.7	172.8	184.3	188.4	191.9	207.2	225.2	242.9	268.8	302.1	333.4
Net interest paid	229.7	228.4	234.0	261.9	272.6	275.4	278.3	267.2	263.0	250.5	221.7	226.3
Subsidies less current surplus of Government enterprises	28.4	38.6	32.9	34.3	34.4	30.8	31.8	34.6	52.4	56.5	45.7	39.6
Wage disbursements less accruals												
Total current expenditures	1,394.1	1,459.7	1,496.0	1,568.6	1,611.6	1,663.0	1,697.1	1,733.3	1,818.6	1,923.8	2,073.5	2,158.2
Current surplus or deficit (-)	–289.7	–285.4	–220.2	–197.5	–143.0	–64.0	33.5	96.0	213.3	105.3	–112.4	–78.1
ADDENDUM												
Gross investment	87.5	86.2	82.1	83.0	85.5	80.7	85.0	91.2	96.3	100.8	106.0	113.4
Defense	60.5	56.8	55.2	53.7	54.9	47.9	49.6	51.5	52.8	56.2	57.6	60.7
Nondefense	27.0	29.4	26.9	29.3	30.6	32.9	35.4	39.7	43.5	44.6	48.3	52.7

* $50 million or less.

Timing differences for receipts occur because the NIPA's generally record personal taxes and social insurance contributions when they are paid and business taxes when they accrue, while the budget generally records all receipts when they are received. When the NIPA's attribute corporations' final settlement payments back to the quarter(s) in which the profits that gave rise to the tax liability were generated, significant timing differences with the budget arise. When the first of a month falls on a weekend, monthly benefit checks normally mailed on the first of the month may be mailed out a day or two earlier; the budget then reflects two payments in one month and none the next. On occasion, the budget totals reflect 13 monthly payments in one year and only 11 the next. NIPA expenditure figures always reflect 12 benefit payments per year again giving rise to a timing difference compared to the budget.

The budget and the NIPA's also have *coverage differences*. The NIPA's exclude transactions with U.S. territories. The NIPA's 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 NIPA's these transactions are excluded as an exchange of assets with no production involved.

A type of coverage difference arises on the expenditure side because of the NIPA treatment of government investment. The budget includes outlays for Federal investments as they are paid, while the Federal sector of the NIPA instead excludes current investments but includes a depreciation charge on past investments ("consumption of general government fixed capital") as part of "current expenditures." The inclusion of depreciation on fixed capital (structures, equipment and software) in current expenditures is a proxy for the services of capital; i.e., for its contribution to government output of public services.

The treatment of government pension plan income and outgo creates a coverage difference. Where the budget treats employee payments to these pension plans as governmental receipts, and employer contributions by agencies as offsets to outlays, the NIPA's treat both of these components of employee compensation as personal income, in the same way as it treats contributions to pension plans in the private (household) sector. Likewise, the budget records a government check to a retired government employee as a current outlay, but under NIPA concepts, no government expenditure occurs at that time; the payment is treated as a transfer of income within the household sector.

Federal investment grants to State and local governments (such as for interstate highway construction), investment subsidies to business, and forgiveness of debt owed by foreign governments are included as outlays in the budget but excluded from the NIPA's as being capital transfers. Likewise, estate and gift taxes, included in budget receipts, are excluded from the NIPA's as capital transfers.

Financial transactions such as loan disbursements, loan repayments, loan asset sales, and loan guarantees are excluded from the NIPA's 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 as an outlay when the loan is disbursed. The cash flows with the public are recorded in nonbudgetary accounts as a means of financing the budget rather than as budgetary transactions themselves. This treatment recognizes that part of a Federal direct loan is an exchange of assets with equal value but part is a subsidy to the borrower. It also recognizes the subsidy normally granted by loan guarantees. In the NIPA's, neither the subsidies nor the loan transactions are included. However, the NIPA's, like the budget, 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 NIPA's on the grounds that there are no offsetting current income flows from these transactions. In 1991, this exclusion was the largest difference between the NIPA's 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 were sold, these collections tended to make the budget deficit smaller than the NIPA current deficit.

Federal Sector Current Receipts

Table 17–1 shows Federal current receipts in the four major categories used in the NIPA's, which are similar to the budget categories but with significant differences.

Personal tax and nontax receipts is the largest category of current receipts. It is composed primarily of personal income taxes, but also includes fees, fines, and other receipts from persons.

Corporate profits tax accruals differs in classification from the corresponding budget category primarily because the NIPA's 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 NIPA's and the budget is especially large for corporate receipts.

Indirect business tax and nontax accruals is composed of excise taxes, customs duties, royalties, fines, and other receipts from business.

Contributions for social insurance differs from the corresponding budget category primarily because: (1) the NIPA's include Federal employer contributions for social insurance as a governmental receipt, while the budget offsets these contributions against outlays as undistributed offsetting receipts; (2) the NIPA's include premiums for Part B of Medicare as governmental receipts, while the budget nets them against outlays; (3) the NIPA's treat government employee contributions to their pension plans as personal income, while the budget includes them in governmental receipts; and (4) the NIPA's impute contributions for Federal employees' unemployment insurance and workers' compensation.

Federal Sector Current Expenditures

Table 17–1 shows current expenditures in the six major NIPA categories, which are very different from the budget categories.

Government consumption expenditures are the goods and services purchased by the Federal Government in the current account, including compensation of employees and depreciation. Gross investment (shown as addendum items in Table 17–1) is thus excluded from current expenditures in computing the government current surplus or current deficit on a NIPA basis, whereas depreciation—charges on federally owned fixed capital ("consumption of general government fixed capital")—is included. The NIPA's treat State and local investment and capital consumption in the same way—regardless of the extent to which it is financed with Federal aid (capital transfers) or from State and local own source receipts.

Although gross investment is not included in government current expenditures, both government gross investment and current consumption expenditures (including depreciation) are included in total GDP, which makes the treatment of the government sectors in the NIPA's similar to that of the private sector. Investment includes structures, equipment, and computer software.

Transfer payments are the largest expenditure category. Transfer payments to persons are mainly for income security and health programs, such as Social Security and Medicare. Payment of pension benefits to former government employees is not included, as explained previously . 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 help finance a range of programs, including income security, Medicaid, education, and others (but capital transfers for construction of highways, airports, waste-water treatment plants, and mass transit are excluded).

Table 17–2. RELATIONSHIP OF THE BUDGET TO THE FEDERAL SECTOR, NIPA's

	Actual										Estimate	
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
RECEIPTS												
Budget receipts	1,091.3	1,154.4	1,258.6	1,351.8	1,453.1	1,579.3	1,721.8	1,827.5	2,025.2	1,991.0	1,946.1	2,048.1
Contributions to government employee retirement plans	–4.8	–4.8	–4.7	–4.6	–4.5	–4.4	–4.3	–4.5	–4.8	–4.7	–4.6	–4.6
Capital transfers received	–11.0	–12.3	–15.1	–14.5	–17.1	–19.7	–23.9	–27.6	–28.8	–28.2	–27.3	–22.8
Other coverage differences	–2.0	–2.0	–2.4	–2.5	–3.6	–3.8	–6.2	–7.1	–8.2	–9.2	–9.7	–10.7
Netting and grossing	32.8	37.5	39.2	37.3	37.0	41.6	40.8	41.3	45.3	53.3	53.4	56.3
Timing differences	–1.9	1.6	0.1	3.4	3.6	6.0	2.5	–0.2	3.1	26.9	3.3	13.8
NIPA current receipts	1,104.4	1,174.3	1,275.8	1,371.0	1,468.6	1,599.0	1,730.7	1,829.3	2,031.9	2,029.1	1,961.2	2,080.1
EXPENDITURES												
Budget outlays	1,381.7	1,409.5	1,461.9	1,515.8	1,560.6	1,601.3	1,652.6	1,701.9	1,788.8	1,863.9	2,052.3	2,128.2
Government employee retirement plan transactions	32.7	31.7	30.1	29.0	27.0	31.8	31.6	32.4	31.8	32.0	32.1	41.7
Deposit insurance and other financial transactions	–9.5	20.2	1.5	7.1	–2.0	–8.0	–6.9	–12.1	–4.3	25.7	0.9	–2.6
Capital transfers paid	–21.8	–23.2	–24.6	–27.1	–27.6	–28.8	–28.2	–31.3	–35.0	–39.8	–41.9	–41.7
Net purchases of nonproduced assets	–0.2	–0.2	–0.2	7.4	0.1	11.0	5.2	1.5	–0.1	0.8	0.3	0.2
Net investment	–12.7	–8.3	–1.4	0.4	–0.5	5.6	2.8	–0.5	–1.0	1.3	–0.1	–2.5
Other coverage differences	–5.6	–8.1	–4.8	–3.0	3.0	11.5	0.7	2.0	3.0	–17.0	–18.3	–19.8
Netting and grossing differences	32.8	37.5	39.2	37.3	37.0	41.6	40.8	41.3	45.3	53.3	53.4	56.3
Timing differences	–3.2	0.6	–5.7	1.7	14.0	–3.0	–1.3	–2.0	–10.1	3.8	–5.2	–1.6
NIPA current expenditures	1,394.1	1,459.7	1,496.0	1,568.6	1,611.6	1,663.0	1,697.1	1,733.3	1,818.6	1,923.8	2,073.5	2,158.2
ADDENDUM												
Budget surplus or deficit (–)	–290.4	–255.1	–203.3	–164.0	–107.5	–22.0	69.2	125.5	236.4	127.1	–106.2	–80.2
NIPA current surplus or deficit (–)	–289.7	–285.4	–220.2	–197.5	–143.0	–64.0	33.5	96.0	213.3	105.3	–112.4	–78.1

* $50 million or less.

Net interest paid is the interest paid by the Government on its debt (excluding debt held by trust funds, other than Federal employee pension plans; and other Government accounts), less interest received on its loans.

Subsidies less current surplus of Government enterprises consist of two elements: (1) subsidy payments for resident businesses (excluding subsidies for investment); and (2) the current surplus (or 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. Depreciation (consumption of enterprise fixed capital) is netted in calculating the current surplus of government enterprises.

NIPA subsidies do not include the imputed credit subsidies estimated as budget outlays under credit reform. Rather, loans and guarantees are categorized as financial transactions and are excluded from the NIPA's except for associated interest and fees.

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

Differences in the Estimates

Since the introduction of the unified budget in January 1968, NIPA receipts have been less than budget receipts in most years. This is due principally to the fact that estate and gift taxes, which they exclude (as capital transfers), have exceeded Medicare premiums, which they include as a governmental receipt but the budget treats as an offsetting receipt. (In the budget, offsetting receipts are netted against the outlay total and not included in the governmental receipts total.) NIPA current expenditures have usually been higher than budget outlays (from which the Medicare premiums and employer retirement contributions are netted out as offsetting receipts), despite the omission from NIPA expenditures of grants for capital construction and pension benefit payments to former government employees.

Two components of budget outlays, however, are sometimes sufficiently large in combination to match the netting adjustments. These are financial transactions and payments to U.S. territories. Large outlays associated with resolving the failed savings and loan associations and banks in 1990 and 1991 caused those year's budget outlays to exceed NIPA current expenditures. With the change in budgetary treatment of direct loans in 1992 under credit reform, 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 made since that time are recorded outside the budget as in the Federal sector of the NIPA's, although, unlike the NIPA's, credit subsidies are recorded as budget outlays.

Table 17–3. FEDERAL RECEIPTS AND EXPENDITURES IN THE NIPA's, QUARTERLY, 2000–2002

(In billions of dollars; seasonally adjusted at annual rates)

Description	Actual				Estimate							
	Oct.-Dec. 2000	Jan.-Mar. 2001	Apr.-June 2001	July-Sept. 2001	Oct.-Dec. 2001	Jan.-Mar. 2002	Apr.-June 2002	July-Sept. 2002	Oct.-Dec. 2002	Jan.-Mar. 2003	Apr.-June 2003	July-Sept. 2003
CURRENT RECEIPTS												
Personal tax and nontax receipts	1,040.5	1,051.4	1,060.0	897.2		947.9	945.9	950.9	963.2	985.7	1,010.2	1,041.6
Corporate profits tax accruals	219.4	205.0	197.3	177.4		115.9	123.2	132.1	156.1	161.9	170.3	177.9
Indirect business tax and nontax accruals	112.7	112.2	112.0	110.2		109.8	109.8	109.9	112.0	112.8	114.3	116.3
Contributions for social insurance	704.9	718.8	722.2	722.3		737.3	743.4	750.3	756.6	778.6	786.9	795.9
Total current receipts	2,077.5	2,087.4	2,091.5	1,907.1		1,910.9	1,922.3	1,943.2	1,987.9	2,039.0	2,081.7	2,131.8
CURRENT EXPENDITURES												
Consumption expenditures	494.1	507.5	510.1	513.7		554.1	566.0	573.3	582.2	600.8	610.3	617.1
Defense	325.3	338.3	339.5	343.1		368.8	376.5	381.2	390.1	405.2	412.5	416.7
Nondefense	168.8	169.2	170.6	170.6		185.3	189.5	192.1	192.0	195.6	197.8	200.4
Transfer payments	802.9	811.7	823.3	838.6		899.2	920.1	946.1	939.9	925.9	909.0	894.2
Domestic ("to persons")	777.4	805.8	816.3	830.9		887.5	906.8	931.2	914.5	914.9	900.1	885.8
Foreign	25.5	5.8	7.1	7.7		11.7	13.3	14.9	25.4	10.9	8.9	8.4
Grants-in-aid to State and local governments	250.1	264.0	281.2	266.4		296.8	309.2	316.9	325.0	331.2	336.4	340.9
Net interest paid	259.9	253.5	242.5	232.5		214.4	210.8	210.0	212.0	215.9	219.1	222.2
Subsidies less current surplus of Government enterprises	48.1	45.4	47.6	69.5		48.7	45.2	39.0	37.5	38.7	40.6	42.6
Wage disbursements less accruals	...	...	...	...		...	...	...	...	...	...	...
Total current expenditures	1,855.0	1,882.1	1,904.7	1,920.7		2,013.2	2,051.3	2,085.4	2,096.5	2,112.5	2,115.4	2,117.0
Current surplus	222.5	205.3	186.7	–13.6		–102.3	–129.0	–142.2	–108.6	–73.6	–33.7	14.8
ADDENDUM												
Gross investment	100.1	97.8	99.9	102.0		104.3	106.9	110.2	110.7	113.2	113.6	116.9
Defense	57.1	54.6	56.7	56.5		56.4	57.9	60.0	59.2	60.8	60.2	62.7
Nondefense	43.0	43.2	43.2	45.5		47.9	49.0	50.2	51.5	52.5	53.4	54.1

Department of Commerce advance estimates for the Oct.-Dec. quarter, released January 30, 2002, were not available in time for inclusion in this table.
* $50 million or less.

During the period 1975–1992, the budget deficit exceeded the Federal current deficit as measured in the NIPA's every year. The largest difference, $78.7 billion, occurred in 1991 as a result of resolving failed financial institutions as discussed above; the budget deficit was then $269.4 billion, while the NIPA current deficit was $190.7 billion. In 1993–1997, the NIPA current account deficit was slightly larger than the budget deficit each year. For 1998–2001, the NIPA current account surplus was lower than the budget surplus. For 2002 the NIPA current account deficit is projected to be larger than the budget deficit, but that for 2003, slightly smaller.

Table 17–1 displays Federal transactions using NIPA concepts with actual data for the years 1992–2001 and estimates for 2002 and 2003 consistent with the Administration's budget proposals. Table 17–2 summarizes the reasons for differences between the data using budget concepts and NIPA concepts. Table 17–3 displays quarterly data using NIPA concepts beginning in October 2000. Annual NIPA data for 1960–2003 are published in Section 14 of a separate budget volume, *Historical Tables, Budget of the U.S. Government, Fiscal Year 2003.*

Additional detailed estimates of receipts and current expenditures will be published in a forthcoming issue of the Department of Commerce publication, *Survey of Current Business*.

18. COMPARISON OF ACTUAL TO ESTIMATED TOTALS

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

The budget is legally required to compare budget year estimates of receipts and outlays with the subsequent actual receipts and outlays for that year.[1] Part I of this chapter meets that requirement by comparing the actual results for 2001 with the current services estimates shown in the 2001 Budget published in February 2000.

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

PART I: COMPARISON OF ACTUAL TO ESTIMATED TOTALS FOR 2001

This part of the chapter compares the actual receipts, outlays, and surplus for 2001 with the current services estimates[2] shown in the 2001 Budget published in February 2000. This part also presents a more detailed comparison for mandatory and related programs, and reconciles the actual receipts, outlays, and surplus totals shown here with the figures for 2001 previously published by the Department of the Treasury.

Receipts

Receipts in 2001 were $1,991.0 billion, which is $18.9 billion less than the current services estimate of $2,009.9 billion in the 2001 Budget. As shown in Table 18–1, this shortfall was the net effect of legislative and administrative changes; economic conditions that differed from what had been expected; and technical factors that resulted in different collection patterns and effective tax rates than had been assumed.

Table 18–1. COMPARISON OF ACTUAL 2001 RECEIPTS WITH THE INITIAL CURRENT SERVICES ESTIMATES

(In billions of dollars)

	Feb. 2000 estimate	Enacted legislation/ administrative actions	Different economic conditions	Technical factors	Net change	Actual
Individual income taxes	978.2	–40.6	17.0	39.7	16.1	994.3
Corporation income taxes	189.6	–31.9	8.2	–14.8	–38.5	151.1
Social insurance and retirement receipts	682.5	–0.4	6.7	5.2	11.5	694.0
Excise taxes	69.4	–0.5	1.0	–3.8	–3.3	66.1
Estate and gift taxes	32.0	....	0.3	–3.9	–3.6	28.4
Customs duties	22.2	–0.7	–0.9	–1.2	–2.8	19.4
Miscellaneous receipts	36.0	....	0.8	1.0	1.8	37.8
Total	**2,009.9**	**–74.2**	**33.0**	**22.3**	**–18.9**	**1,991.0**

[1] These requirements, for receipts and "uncontrollable outlays," are in 31 USC 1105(a)(18) through (20).

[2] The current services concept is discussed in Chapter 15: "Current Services Estimates." For mandatory programs and receipts the February 2000 current services estimate is based on laws then in place. For discretionary programs the current services estimate is based on enacted appropriations adjusted for inflation.

Policy differences.—The Economic Growth and Tax Relief Reconciliation Act of 2001 reduced 2001 receipts by $68.1 billion (see Chapter 4: "Federal Receipts" for a description of this Act). Other legislative and administrative changes, including the extension of filing deadlines for taxpayers adversely affected by the terrorist attacks of September 11, 2001, reduced 2001 receipts relative to the February 2000 current services estimate by an additional $6.1 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 2001 receipts of $33.0 billion.[3] Higher-than-anticipated wages and salaries and other sources of personal income were in large part responsible for the increases in individual income taxes and social insurance and retirement receipts of $17.0 billion and $6.7 billion, respectively. Increased corporation income taxes, attributable to higher-than-expected corporate profits, increased 2001 receipts by an additional $8.2 billion relative to the February 2000 estimate. Higher-than-estimated levels of gross domestic product (GDP), which affect excise taxes, and higher-than-expected interest rates, which affect deposits of earnings by the Federal Reserve (miscellaneous receipts), increased receipts above the budget estimates by an additional $1.0 billion and $0.8 billion, respectively. Customs duties were $0.9 billion below the budget estimate, reflecting lower-than-expected imports.

Technical reestimates.—Technical factors increased 2001 receipts a net $22.3 billion above the February 2000 current services estimate. This net increase was attributable to higher-than-anticipated collections of individual income taxes, social insurance and retirement receipts, and miscellaneous receipts, which were partially offset by lower-than-anticipated collections of corporation income taxes and other sources of receipts. Higher effective tax rates on personal income than estimated in February 2000, and the effect of the stock market on capital gains, were primarily responsible for the net increase in individual income taxes of $39.7 billion. Higher-than-expected collections of payroll taxes, attributable in large part to adjustments for prior year receipts, partially offset by lower-than-expected unemployment insurance receipts, increased social insurance and retirement receipts a net $5.2 billion above the budget estimate. Different collection patterns and effective tax rates than assumed in February 2000 were primarily responsible for the lower-than-anticipated collections of corporation income taxes of $14.8 billion.

Outlays

Outlays for 2001 were $1,863.9 billion. This was $25.2 billion more than the $1,838.8 billion current services estimate in the 2001 Budget (February 2000).

Table 18–2 distributes the $25.2 billion net increase in outlays among discretionary and mandatory programs and net interest.[4] The table also makes rough estimates according to three reasons for the changes: policy; economic conditions; and technical estimating differences, a residual.

Policy changes are the result of legislative actions that change spending levels, primarily through higher or lower appropriations or changes in authorizing legislation. For 2001, policy changes increased outlays an estimated $41.7 billion relative to the initial current services estimates.

Policy changes increased discretionary outlays by $18.0 billion, because outlays from final appropriations were above the initial current services estimates. Defense discretionary outlays increased by $7.6 billion and nondefense discretionary outlays increased by $10.4 billion. Policy changes increased mandatory outlays by $20.6 billion above current law. The largest changes

[3] Changes in economic assumptions between the 2001 and 2002 Budgets, reflecting improvements in the economic outlook over that period, increased the estimate of receipts by $54.2 billion. This improvement was offset by weaker-than-expected economic outcomes subsequent to the 2002 budget, which reduced receipts by $21.2 billion.

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

Table 18–2. COMPARISON OF ACTUAL 2001 OUTLAYS WITH THE INITIAL CURRENT SERVICES ESTIMATES

(In billions of dollars)

	Current Services (Feb. 2000)	Changes				Actual [1]
		Policy	Economic	Technical	Total changes	
Discretionary:.						
Defense	295.2	7.6	....	3.4	10.9	306.1
Nondefense	340.3	10.4	....	–7.5	2.9	343.3
Subtotal, discretionary	635.5	18.0	....	–4.1	13.8	649.3
Mandatory:						
Social Security	422.2	5.5	3.4	–1.7	7.2	429.4
Other programs	573.0	15.2	1.9	–11.0	6.0	579.0
Subtotal, mandatory	995.2	20.6	5.2	–12.7	13.2	1,008.4
Net interest	208.1	3.1	–4.4	–0.6	–1.9	206.2
Total outlays	**1,838.8**	**41.7**	**0.9**	**–17.4**	**25.2**	**1,863.9**

[1] Actuals do not reflect the accrual funding of Federal retiree costs in the 2003 Budget.

were an increase of $10.8 billion for agricultural programs, mostly for emergency assistance; an increase of $5.5 billion for Social Security benefit payments from repealing the Social Security earnings test and correcting a Consumer Price Index error; and an increase of $4.8 billion for expansion of Medicare benefits.

Economic conditions that differed from those forecast in February 2000 resulted in a net increase in outlays of $0.9 billion. Outlays for mandatory programs increased an estimated $5.2 billion, largely due to a higher-than-expected rise in prices, and consequently in cost-of-living-adjustments (COLAs), which increased outlays for Social Security benefit payments, refundable Earned Income Tax Credits, Medicare, and Federal employee retirement benefits. Lower-than-expected unemployment contributed to reduced outlays for Food Stamps, which partially offset the outlay increases resulting from higher-than-expected COLAs. The increased outlays for mandatory programs were largely offset by a decrease of $4.4 billion in net interest due to decreased borrowing requirements that resulted from the effect of economic factors on receipts.

Technical estimating differences and other changes resulted in a net decrease in outlays of $17.4 billion. Outlays for discretionary programs decreased an estimated $4.1 billion. Outlays for mandatory programs decreased an estimated $12.7 billion, largely due to lower-than-anticipated outlays for Medicare. Technical changes result from changes in such factors as the number of beneficiaries for entitlement programs, crop conditions, or other factors not associated with policy changes or economic conditions.

Table 18–3. COMPARISON OF THE ACTUAL 2001 SURPLUS WITH THE INITIAL CURRENT SERVICES SURPLUS ESTIMATE

(In billions of dollars)

	Current Services (Feb. 2000)	Changes				Actual
		Policy	Economic	Technical	Total changes	
Receipts	2,009.9	–74.2	33.0	22.3	–18.9	1,991.0
Outlays	1,838.8	41.7	0.9	–17.4	25.2	1,863.9
Surplus	**171.2**	**–115.9**	**32.1**	**39.7**	**–44.1**	**127.1**

Note: Surplus changes are receipts minus outlays. For these changes, a plus indicates an increase in the surplus.

Surplus

The preceding two sections discussed the differences between the initial current services estimates and the actual receipts and outlays for 2001. This section combines these effects to show the net impact of these differences on the surplus.

As shown in Table 18–3, the 2001 current services surplus was initially estimated to be $171.2 billion. The actual surplus was $127.1 billion, which was a $44.1 billion decrease from the initial estimate. Receipts were $18.9 billion less than the initial estimate, and outlays were $25.2 billion more. The table shows the distribution of the changes according to the categories in the preceding two sections.

The net effect of policy changes for receipts and outlays reduced the surplus by $115.9 billion. Economic conditions that differed from the initial assumptions in February 2000 accounted for an estimated $32.1 billion increase in the surplus. This was the combined effect of an increase in receipts of $33.0 billion and an increase in outlays of $0.9 billion. Technical factors increased the surplus by an estimated $39.7 billion. This was due to an increase in receipts of $22.3 billion and a decrease in outlays of $17.4 billion for technical estimating reasons.

Comparison of the Actual and Estimated Outlays for Mandatory and Related Programs for 2001

This section compares the original 2001 outlay estimates for mandatory and related programs under current law in the 2001 Budget (February 2000) with the actual outlays. Major examples of these programs include Social Security and Medicare benefits for the elderly, agricultural price support payments to farmers, and deposit insurance for banks and thrift institutions. This category also includes net interest outlays and undistributed offsetting receipts.

A number of factors may cause differences between the amounts estimated in the budget and the actual 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 18–4 shows the differences between the actual outlays for these programs in 2001 and the amounts originally estimated in the 2001 Budget, based on laws in effect at that time. Actual outlays for mandatory spending and net interest in 2001 were $1,214.6 billion, which was $11.3 billion more than the initial estimate of $1,203.3 billion, based on existing law in February 2000.

Table 18–4. COMPARISON OF ACTUAL AND ESTIMATED OUTLAYS FOR MANDATORY AND RELATED PROGRAMS UNDER CURRENT LAW

(In billions of dollars)

	2001		
	Feb. 2000 estimate [1]	Actual [2]	Change
Mandatory outlays:			
Human resources programs:			
Education, training, employment, and social services	10.7	2.9	–7.8
Health:			
Medicaid	124.2	129.4	5.2
Other	8.1	9.7	1.6
Total health	132.3	139.1	6.8
Medicare	218.3	214.1	–4.2
Income security:			
Retirement and disability	85.2	86.2	1.0
Unemployment compensation	24.6	27.9	3.3
Food and nutrition assistance	31.4	29.4	–2.0
Other	80.6	82.1	1.5
Total, income security	221.9	225.6	3.8
Social security	422.2	429.4	7.2
Veterans benefits and services:			
Income security for veterans	24.3	22.5	–1.8
Other	1.6	0.2	–1.4
Total veterans benefits and services	25.9	22.6	–3.3
Total mandatory human resources programs	1,031.2	1,033.7	2.5
Other functions:			
Agriculture	14.3	21.3	7.0
Mortgage Credit	–4.5	–*	4.5
Deposit insurance	–1.5	–1.4	0.1
Other functions	1.5	1.9	0.4
Total, other functions	9.7	21.7	12.0
Undistributed offsetting receipts:			
Employer share, employee retirement	–38.5	–38.8	–0.3
Rents and royalties on the outer continental shelf	–3.7	–7.2	–3.5
Other undistributed offsetting receipts	–3.6	–1.0	2.5
Total undistributed offsetting receipts	–45.7	–47.0	–1.3
Total, mandatory	995.2	1,008.4	13.2
Net interest:.			
Interest on Treasury debt securities (gross)	359.3	359.5	0.2
Interest received by trust funds	–141.9	–144.1	–2.2
Other interest	–9.4	–9.2	0.2
Total net interest	208.1	206.2	–1.9
Total outlays for mandatory and net interest	1,203.3	1,214.6	11.3

* $50 million or less.
[1] Estimates reflect the function shift for foster care and adoption assistance in the 2003 Budget.
[2] Actuals do not reflect the accrual funding of Federal retiree costs in the 2003 Budget.

Actual outlays for mandatory human resources programs were $1,033.7 billion, $2.5 billion more than originally estimated. This increase was the net effect of legislative action, differences between actual and assumed economic conditions, differences between the anticipated and actual number of beneficiaries, and other technical differences.

Outlays for other functions were $12.0 billion more than originally estimated, largely due to increases of $7.0 billion for agriculture programs and $4.5 billion for mortgage credit programs. Undistributed offsetting receipts were $1.3 billion more than expected.

Outlays for net interest were $206.2 billion, or $1.9 billion less than the original estimate. This decrease was the net effect of changes in interest rates from those initially assumed, changes in borrowing requirements due to differences in surpluses, and technical factors.

Reconciliation of Differences with Amounts Published by Treasury for 2001

Table 18–5 provides a reconciliation of the receipts, outlays, and surplus totals published by the Department of the Treasury in the September 2001 Monthly Treasury Statement and those published in this budget. The Department of the Treasury made adjustments to the estimates for the U.S. Government Annual Report, which increased receipts by $727 million and outlays by $870 million. Additional adjustments for this budget increased receipts by $100 million and outlays by $17 million. The major changes were for student loan reserve funds, highway trust fund revenues, the Federal Communications Commission universal service fund, and the transactions of the United Mine Workers of America benefit funds.

Table 18–5. RECONCILIATION OF FINAL AMOUNTS FOR 2001

(In millions of dollars)

	Receipts	Outlays	Surplus
Totals published by Treasury (September 2001 MTS)	1,990,203	1,863,039	127,165
Miscellaneous Treasury adjustments	727	870	–144
Totals published by Treasury in U.S. Government Annual Report	1,990,930	1,863,909	127,021
United Mine Workers of America benefit funds	150	150	....
Federal Communications Commission Universal Service Fund	109	87	22
Highway trust fund	–164	....	–164
Student loan reserve fund	....	–231	231
Other	5	11	–6
Total adjustments, net	100	17	83
Totals in the budget	1,991,030	1,863,926	127,104
MEMORANDUM:			
Total change since year-end statement	827	887	–61

Part II: HISTORICAL COMPARISON OF ACTUAL TO ESTIMATED SURPLUSES

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

Historical Comparison of Actual to Estimated Surpluses for the Budget Year

Table 18–6 compares the estimated and actual surpluses or deficits since the deficit estimated for 1982 in the 1982 Budget. The estimated surpluses or deficits here for each budget include the Administration's policy proposals. Therefore, the estimated surplus for 2001 differs from that shown in Table 18–3, which is on a current services basis. Earlier comparisons of actual and estimated surpluses were on a policy basis, so for consistency the figures in Table 18–6 are on this basis.

On average, the estimates for the budget year underestimated actual surpluses (or overestimated actual deficits) by $5 billion over the twenty-year period. Policy outcomes that differed from the original proposals reduced the surplus by an average of $16 billion. Differences between economic assumptions and actual economic performance reduced the surplus an average of $1 billion. Differences due to these two factors were more than offset by technical revisions, which increased the surplus an average of $23 billion.

The relatively small average difference between actual and estimated surpluses conceals a wide variation in the differences from budget to budget. The differences ranged from a $206 billion overestimate to a $190 billion underestimate. The $206 billion overestimate, in the 1991 Budget, was due to the combination of weaker-than-expected economic performance (largely the effect of the 1990–91 recession) and unexpectedly large outlays to resolve the savings and loan crisis. The $190 billion underestimate of the surplus, in the 1998 Budget, stemmed largely from stronger-than-expected economic growth and a surge in individual income tax collections beyond that accounted for by economic factors.

Table 18–6. COMPARISON OF ACTUAL AND ESTIMATED SURPLUSES SINCE 1982

(In billions of dollars)

Budget	Surplus or deficit (-) estimated for budget year [1]	Differences due to			Total difference	Actual surplus or deficit(-)
		Enacted legislation	Economic factors	Technical factors		
1982	–62	15	–70	–11	–66	–128
1983	–107	–12	–67	–22	–101	–208
1984	–203	–21	38	–*	17	–185
1985	–195	–12	–17	12	–17	–212
1986	–180	–8	–27	–7	–41	–221
1987	–144	2	–16	8	–6	–150
1988	–111	–9	–19	–16	–44	–155
1989	–130	–22	10	–11	–23	–152
1990	–91	–21	–31	–79	–131	–221
1991	–63	21	–85	–143	–206	–269
1992	–281	–36	–21	48	–10	–290
1993	–350	–8	–13	115	95	–255
1994	–264	–8	16	52	61	–203
1995	–165	–18	1	18	1	–164
1996	–197	6	53	30	89	–108
1997	–140	1	–4	121	118	–22
1998	–121	–9	48	151	190	69
1999	10	–22	56	81	115	125
2000	117	–42	88	74	119	236
2001	184	–129	32	40	–57	127
Average		–16	–1	23	5	
Absolute average [2]		21	36	52	75	
Standard deviation		31	45	68	97	

* $500 million or less.
[1] Surplus or deficit estimate includes the effect of the budget's policy proposals.
[2] Absolute average is the average without regard to sign.

Because the average surplus difference obscures the degree of under- and overestimation in the historical data, a more appropriate statistic to measure the magnitude of the differences is the average absolute difference. This statistic measures the difference without regard to whether it was an under- or overestimate. Since 1982, the average absolute difference has been $75 billion.

Another measure of variability is the standard deviation. This statistic measures the dispersion of the data around the average value. The standard deviation of the surplus differences since 1982 is $97 billion. Like the average absolute difference, this measure illustrates the high degree of variation in the difference between estimates and actual surpluses.

Five-Year Comparison of Actual to Estimated Surpluses

The substantial differences between actual surpluses and the budget year estimates made less than two years earlier raises questions about the degree of variability for estimates of years beyond the budget year. Table 18–7 shows the summary statistics for the surplus differences for the current year (CY), budget year (BY), and the four succeeding years (BY+1 through BY+4). These are the years that are required to be estimated in the budget by the Budget Enforcement Act.

On average, the budget estimates since 1982 understated the surplus in the current year and the budget year, by $19 billion and $5 billion respectively. The budget estimates overstated the surplus in the years following, by amounts growing from $4 billion for BY+1 to $26 billion for BY+4. While these results suggest a slight tendency to overestimate surpluses toward the end of the budget horizon, the averages are not statistically different from zero in light of the high variation in the data.

The average absolute difference between estimated and actual surpluses grows dramatically over the six years from CY through BY+4, from $47 billion in the current year to $75 billion for the budget year, to $205 billion for BY+4. While under- and overestimates of the surplus have historically tended to average out, the absolute size of the under- or overestimates grows as the estimates extend further into the future. The standard deviation of the surplus differences shows the same pattern. The standard deviation grows from $60 billion for current year estimates to $97 billion for the budget year estimates and continues to increase steadily as the estimates extend further out, reaching $241 billion for BY+4.

The estimates of variability in the difference between estimated and actual surpluses can be used to construct a range of uncertainty around a given set of surplus estimates. Statistically, if these differences are normally distributed, the actual surplus will be within a range of two standard deviations above or below the estimate about 90% of the time. Chart 18–1 shows this range of uncertainty applied to the surplus estimates in this budget. This chart illustrates that unforeseen economic developments, policy outcomes, or other factors could give rise to large swings in the surplus estimates.

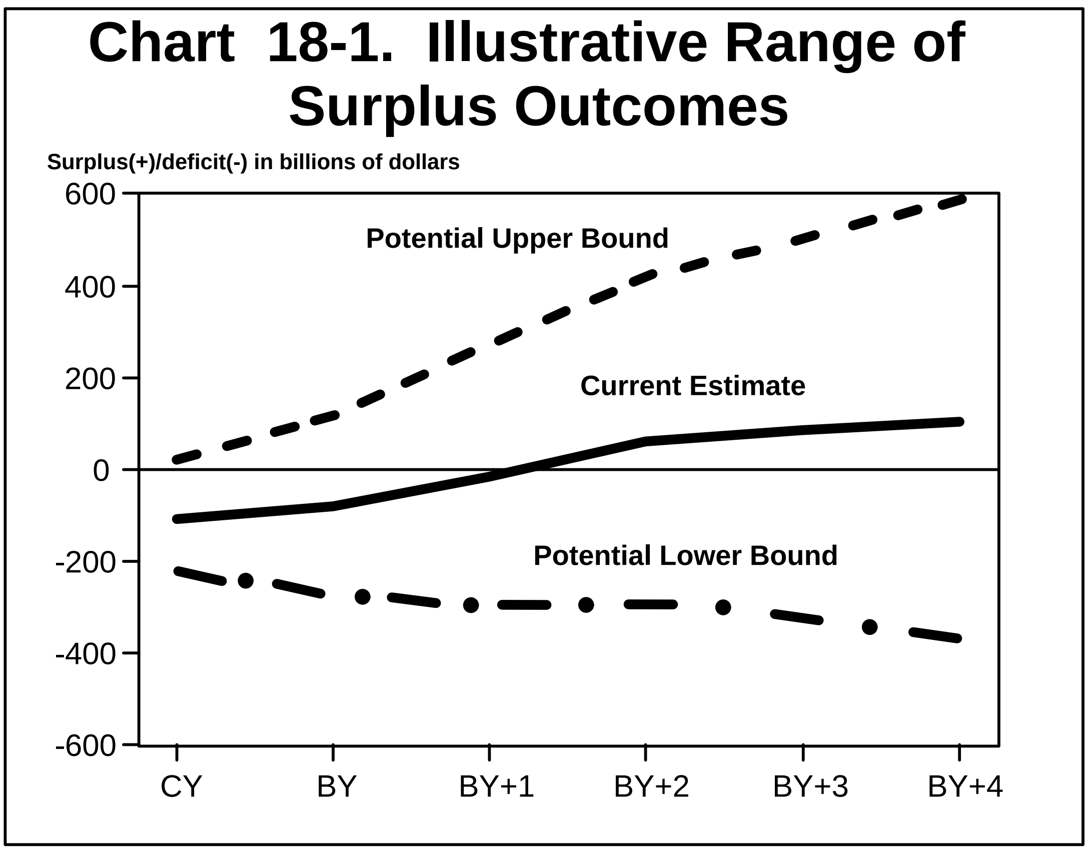
Table 18–7. DIFFERENCES BETWEEN ACTUAL AND ESTIMATED SURPLUSES FOR FIVE-YEAR BUDGET ESTIMATES SINCE 1982

(In billions of dollars)

Measure	Current year estimate	Budget year estimate	Estimate for budget year plus: One year (BY+1)	Two years (BY+2)	Three years (BY+3)	Four years (BY+4)
Average difference [1]	19	5	–4	–12	–28	–26
Average absolute difference [2]	47	75	109	147	179	205
Standard deviation	60	97	142	178	207	241

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

[2] Average absolute difference is the average difference without regard to sign.



19. RELATIONSHIP OF BUDGET AUTHORITY TO OUTLAYS

Budget authority is the authority provided by law to incur financial obligations that will result in outlays.[1] Budget authority must be provided in laws, in accordance with Article I, Section 9, of the Constitution: "No money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law..." Hence, Federal agencies cannot obligate the Government to make outlays until budget authority has been provided to them by appropriation.

New budget authority for most Federal programs is provided in 13 annually enacted appropriations acts.[2] However, new budget authority for more than half of all outlays is made available through permanent appropriations under existing laws. These permanent appropriations take three main forms. The first is 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. The second is interest on the public debt, for which budget authority is automatically provided under a permanent appropriation enacted in 1847 and equals interest outlays. The third is the authority to spend offsetting collections credited to appropriation or fund accounts.

Not all of the new budget authority for 2003 will be obligated or spent in 2003:[3]

- 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 for 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 the 1998 budget, 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 new budget authority is therefore now appropriated year-by-year.
- New budget authority for most other long-term contracts covers the estimated maximum obligation of the Government.
- Budget authority for most education and job training activity is appropriated for school or program years that begin in the fourth quarter of the fiscal year. Most of these funds result in outlays in the year after the year of appropriation.
- Government enterprises are occasionally given budget authority for standby reserves that will be used only in special circumstances.

As a result of these factors, a substantial amount of budget authority carries over from one year to the next. Most of this is earmarked for specific uses and is not available for new programs. A small part may never be obligated or spent, primarily the amount for contingencies that do not occur or reserves that never have to be used. Also, some budget authority results in an exchange of assets for which no corresponding outlays are scored; budget authority backing International Monetary Fund arrangements to resolve international monetary crises is an example.

As shown in the following chart, $399 billion of the outlays in 2003 (19 percent of the total) will be made from budget authority enacted in previous years. At the same time, $434 billion of the new budget authority proposed for 2003 (20 percent of the total amount proposed) will not lead to outlays until future years. Although outlays in 2003 are, coincidentally, very nearly equal to budget authority for that year (98.4 percent), this coincidence only occurs because the prior-year authority that will produce 2003 outlays ($399 billion) nearly equals the new 2003 authority that will not be spent until future years ($434 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.

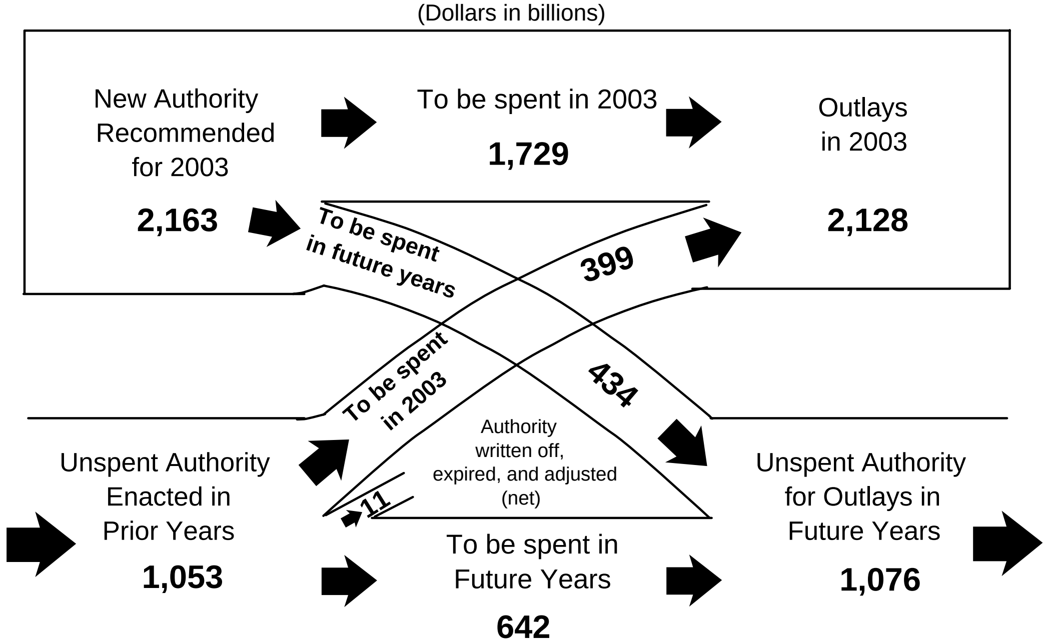
[1] The relationship of budget authority, obligations, and outlays is discussed generally in Chapter 25 of this volume, "Budget System and Concepts and Glossary"; for most individual budget accounts, this relationship is traced in a "program and financing" schedule [table] in the budget Appendix volume.

[2] Some or all of the 13 "regular" appropriation bills have sometimes been consolidated into a few acts or a single act.

[3] This subject is also discussed in a separate OMB report, "Balances of Budget Authority," which can be purchased from the National Technical Information Service shortly after the budget is transmitted and is available on the internet, with the other budget documents.

Chart 19-1. Relationship of Budget Authority to Outlays for 2003

(Dollars in billions)



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

The unified budget of the Federal Government is divided by law between on-budget and off-budget entities. The off-budget Federal entities conduct programs that result in the same kind of spending and receipts as on-budget entities. Despite their off-budget classification, these programs channel economic resources toward particular uses in the same way as on-budget spending. They are discussed in the following section on off-budget Federal entities.

The budget does not include activities that are related to the Federal Government but that are non-budgetary by their inherent nature. In some cases this is because they are not activities of the Government itself, and in other cases this is because the transactions are not costs to the Government. Nevertheless, many of these activities are discussed in the budget documents, and in some cases the amounts involved are presented in conjunction with budget data. They are discussed in the section of this chapter on non-budgetary activities.

TABLE 20–1. COMPARISON OF TOTAL, ON-BUDGET, AND OFF-BUDGET TRANSACTIONS [1]

(In billions of dollars)

Fiscal Year	Receipts			Outlays			Surplus or deficit (–)		
	Total	On-budget	Off-budget	Total	On-budget	Off-budget	Total	On-budget	Off-budget
1975	279.1	216.6	62.5	332.3	271.9	60.4	–53.2	–55.3	2.0
1976	298.1	231.7	66.4	371.8	302.2	69.6	–73.7	–70.5	–3.2
TQ.	81.2	63.2	18.0	96.0	76.6	19.4	–14.7	–13.3	–1.4
1977	355.6	278.7	76.8	409.2	328.5	80.7	–53.7	–49.8	–3.9
1978	399.6	314.2	85.4	458.7	369.1	89.7	–59.2	–54.9	–4.3
1979	463.3	365.3	98.0	504.0	404.1	100.0	–40.7	–38.7	–2.0
1980	517.1	403.9	113.2	590.9	476.6	114.3	–73.8	–72.7	–1.1
1981	599.3	469.1	130.2	678.2	543.1	135.2	–79.0	–74.0	–5.0
1982	617.8	474.3	143.5	745.8	594.4	151.4	–128.0	–120.1	–7.9
1983	600.6	453.2	147.3	808.4	661.3	147.1	–207.8	–208.0	0.2
1984	666.5	500.4	166.1	851.9	686.1	165.8	–185.4	–185.7	0.3
1985	734.1	547.9	186.2	946.4	769.6	176.8	–212.3	–221.7	9.4
1986	769.2	569.0	200.2	990.5	807.0	183.5	–221.2	–238.0	16.7
1987	854.4	641.0	213.4	1004.1	810.3	193.8	–149.8	–169.3	19.6
1988	909.3	667.8	241.5	1064.5	861.8	202.7	–155.2	–194.0	38.8
1989	991.2	727.5	263.7	1143.7	932.8	210.9	–152.5	–205.2	52.8
1990	1032.0	750.3	281.7	1253.2	1028.1	225.1	–221.2	–277.8	56.6
1991	1055.0	761.2	293.9	1324.4	1082.7	241.7	–269.4	–321.6	52.2
1992	1091.3	788.9	302.4	1381.7	1129.3	252.3	–290.4	–340.5	50.1
1993	1154.4	842.5	311.9	1409.5	1142.9	266.6	–255.1	–300.5	45.3
1994	1258.6	923.6	335.0	1461.9	1182.5	279.4	–203.3	–258.9	55.7
1995	1351.8	1000.8	351.1	1515.8	1227.2	288.7	–164.0	–226.4	62.4
1996	1453.1	1085.6	367.5	1560.6	1259.7	300.9	–107.5	–174.1	66.6
1997	1579.3	1187.3	392.0	1601.3	1290.7	310.6	–22.0	–103.4	81.4
1998	1721.8	1306.0	415.8	1652.6	1336.0	316.6	69.2	–30.0	99.2
1999	1827.5	1383.0	444.5	1701.9	1381.2	320.8	125.5	1.8	123.7
2000	2025.2	1544.6	480.6	1788.8	1458.1	330.8	236.4	86.6	149.8
2001	1991.0	1483.5	507.5	1863.9	1516.9	347.0	127.1	–33.4	160.5
2002 estimate	1946.1	1428.9	517.2	2052.3	1690.6	361.7	–106.2	–261.7	155.5
2003 estimate	2048.1	1502.7	545.3	2128.2	1761.5	366.8	–80.2	–258.8	178.6
2004 estimate	2175.4	1601.9	573.5	2189.1	1810.1	379.0	–13.7	–208.3	194.5
2005 estimate	2338.0	1729.8	608.2	2276.9	1885.5	391.4	61.1	–155.6	216.8
2006 estimate	2455.3	1821.6	633.7	2369.1	1963.4	405.7	86.2	–141.8	228.0
2007 estimate	2571.7	1906.4	665.3	2467.7	2045.8	421.9	104.0	–139.4	243.4

[1] Off-budget transactions consist of the social security trust funds for all years and the Postal Service fund as of 1989.

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.

Every year since 1971, however, at least one Federal entity has been off-budget. Off-budget Federal entities are federally owned and controlled, but their transactions are excluded from the on-budget totals by law. When a Federal entity is off-budget, its receipts, outlays, and surplus or deficit are not included in the on-budget receipts, outlays, and surplus or deficit; and its budget authority is not included in the totals of budget authority for the on-budget Federal entities. The Budget Enforcement Act of 1990 excludes off-budget entities from general enforcement provisions (except for the administrative expenses of Social Security), although it has special enforcement provisions for Social Security.

The off-budget Federal entities conduct programs of the same type as the on-budget entities. Most of the tables in the budget documents include the on-budget and off-budget amounts both separately and in combination, or add them together, in order to arrive at the unified budget totals that 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 as of 1986 and the Postal Service fund in 1989. A number of other entities were off-budget at different times before 1986 but were moved onto the budget by law in 1985 or earlier.

The preceding table divides the total Federal Government receipts, outlays, and surplus or deficit between the on-budget and off-budget amounts. Within this table 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.

The off-budget entities are a significant part of total spending and receipts. In 2003, the off-budget receipts are an estimated 27 percent of total receipts, and the off-budget outlays are a moderately smaller percentage of the total. The unified budget deficit in that year is $80 billion—a $259 billion on-budget deficit partly offset by a $179 billion off-budget surplus. The off-budget surplus is virtually the same as the Social Security surplus. Social Security had a deficit in the latter 1970s and early 1980s, but since the middle 1980s it has had a large and growing surplus. This surplus is expected to continue to grow by large amounts throughout the projection period. While the on-budget deficit is estimated to be larger than the off-budget surplus in 2002 and 2003 due to the recession and the response to the terrorist attacks, the unified budget for the Government as a whole is estimated to return to surplus in 2004 or 2005.

Non-Budgetary Activities

Federal credit: budgetary and non-budgetary transactions.—The Federal Credit Reform Act of 1990 refined budget concepts by distinguishing between the costs of credit programs, which are budgetary in nature, and the other transactions of credit programs, which are not. For 1992 and subsequent years, the costs of direct loans and loan guarantees are 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 complete 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 financing accounts also include, as an offsetting collection, an amount equal to the outlays of the credit program accounts for the costs of direct loans and loan guarantees. The net transactions of the financing accounts—i.e., the cash transactions with the public net of these offsetting collections—are not costs to the Government. Therefore, the net transactions of the financing accounts 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 credit decisions, and they reflect this cost when the Federal credit assistance is provided. This enables the budget to fulfill better 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. Because the financing accounts do affect the Government's cash position, they change the amount of the Government's debt repayment or borrowing requirement as explained in chapter 13 of this volume, "Federal Borrowing and Debt."[2]

Credit programs are discussed in chapter 9 of this volume, "Federal Credit and Insurance."

[1] See sec. 505(b).

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

Premiums and discounts on debt buybacks.—The Treasury Department has been buying back outstanding bonds as part of its efforts to manage the debt held by the public. The premiums on debt buybacks are recorded outside the budget totals as a "financing other than the change in debt held by the public." The concept is explained in a section of chapter 25, "Budget System and Concepts and Glossary." Buyback premiums are discussed further in chapter 13 of this volume, "Federal Borrowing and Debt," and their actual or estimated amounts are shown for 2001 and 2002.

Deposit funds.—Deposit funds are non-budgetary accounts that record amounts held by the Government temporarily until ownership is determined (such as earnest money paid by bidders for mineral leases) or held by the Government as an agent for others (such as State income taxes withheld from Federal employees' salaries and not yet paid to the States). The largest deposit fund is the Thrift Savings Fund, which holds stocks and bonds for Federal employees who participate in the Thrift Savings Plan, a defined contribution retirement plan. Because these assets are the property of the employees and are held by the Government in a fiduciary capacity, the transactions of the fund are not transactions of the Government itself and therefore are non-budgetary in concept. The administrative costs and the transactions of budgetary accounts with the fund are included in the budget. For similar reasons, the budget excludes funds that are owned by Indian tribes and held and managed by the Government in a fiduciary capacity on the tribes' behalf. Deposit funds as such are further discussed in a section of chapter 25 of this volume, "Budget System and Concepts and Glossary."

Taxation and tax expenditures.—Taxation provides the Government with income, which is included in the budget as "receipts," and which withdraws purchasing power from the private sector to finance Government expenditure. In addition to this primary economic effect, taxation has important effects on the allocation of resources among private uses and the distribution of income among individuals. These effects depend on the composition of the Federal tax system and the rates and other structural characteristics of each Federal tax. The 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 the latter effects of taxes on resource allocation and income distribution, but not all, arise from revenue losses caused by special exclusions, exemptions, deductions, and similar provisions that are identified by comparing the tax law with a baseline. Revenue losses caused by these special provisions are defined as "tax expenditures" and are discussed in chapter 6 of this volume, "Tax Expenditures." The chapter includes tables with estimates for all tax expenditures arising from individual and corporation income taxes.

The specification of a baseline is essential in defining and calculating tax expenditures. A "normal tax" baseline is currently used to identify most of the tax expenditures listed in chapter 6. However, this baseline, although partly patterned on a comprehensive income tax, is somewhat subjective, which makes it controversial and open to question in a number of respects. The Treasury Department has begun to consider a number of ways to improve the traditional tax expenditure presentation. They plan to focus on three aspects: using a comprehensive income tax as a baseline concept, identifying as "negative" tax expenditures those tax receipts that would not be paid under the baseline income tax, and using a hypothetical consumption tax as an alternative baseline in addition to the comprehensive income tax.

Government-sponsored enterprises.—The Federal Government has established a number of Government-sponsored enterprises, such as the Federal National Mortgage Association and the Farm Credit Banks, to provide financial intermediation for specified public purposes. They are excluded from the budget because they are privately owned and controlled. However, primarily because they were established by the Federal Government for public-policy purposes, estimates of their activities are reported in a separate chapter of the budget Appendix, their activities are analyzed in chapter 9 of this volume, "Credit and Insurance," and their lending and borrowing are summarized in tables 9–11 and 9–12 of that chapter.

Regulation.—Some types of regulation have economic effects that are similar to budget outlays by requiring the private sector to make expenditures for specified purposes, such as safety and pollution control. The regulatory planning process is described annually in *The Regulatory Plan and the Unified Agenda of Federal Regulatory and Deregulatory Actions.*[3]

The Office of Management and Budget began to publish a report on the costs and benefits of Federal regulation in 1997. The latest report, *Making Sense of Regulation*, was released in December 2001 and includes in the same document a report on unfunded mandates.[4] The report estimates the total annual costs and benefits of Federal regulatory programs, the costs and benefits of recent major rules, and the impact of Federal regulation on groups such as state governments and on wages and economic growth. It also discusses the impact of the change in Administration on the rulemaking process, directions for regulatory improvement, and public comments on the draft report. The report on regulation is required by statute to be updated annually and delivered to Congress with the budget beginning next year.

[3] The most recent publication was issued by the Regulatory Information Service Center in October 2001 and printed in the Federal Register of December 3, 2001.

[4] Office of Information and Regulatory Affairs, Office of Management and Budget, *Making Sense of Regulation: 2001 Report to Congress on the Costs and Benefits of Regulations and Unfunded Mandates on State, Local, and Tribal Entities* (2001).

21. OUTLAYS TO THE PUBLIC, NET AND GROSS

Table 21–1 shows net and gross outlays, and the relationship between them, for all major agencies. Outlays are the measure of Government spending. The budget records outlays when the Government makes payment for such things as Federal employee salaries, the purchase of supplies and equipment, grants to state and local governments, and benefits to individuals. The Government's gross outlays are the sum of all these payments.

The outlay totals in the budget, however, whether for the Government as a whole or for agencies, programs, and functions (such as national defense), are net outlays, unless otherwise specified. Gross outlays, as the table shows, equal the net outlays plus offsetting receipts and collections from the public. Offsetting receipts and collections constitute the income the Government receives from its business-like enterprises and other market activities with the public, such as the proceeds from selling postage stamps, the fees charged for admittance to recreational areas, and the proceeds from selling land or natural resources. The budget refers to them as "offsetting," because they are subtracted from gross outlays rather than added to taxes and other collections from the public resulting from the exercise of the Government's sovereign or governmental powers to levy or impose taxes, fees, fines, and the like. The budget focuses on net outlay totals in order to show outlays and receipts that measure governmental activity rather than a combination of governmental and market activity. As a result, the budget totals represent the amount of resources allocated and distributed by political decision making rather than by private choice and the market mechanism. The surplus or deficit is calculated by subtracting total outlays from total receipts. It would be the same if offsetting collections and receipts were to be included in total receipts and not subtracted from gross outlays.

The table shows that offsetting receipts and collections are relatively much more important for some agencies than for others. In this table, negative net outlays occur when collections exceed payments, for example insurance premiums. The amounts for "Allowances" cover certain transactions that are expected to increase or decrease outlays but are not, for various reasons, attributed to any specific agency. The amounts labeled "undistributed offsetting receipts" are deducted from the Government-wide outlay totals but not from any specific agency. Chapter 5, "User Fees and Other Collections," in this volume discusses offsetting collections and receipts in more detail.

Table 21–1. TOTAL OUTLAYS, NET AND GROSS OF OFFSETTING COLLECTIONS AND RECEIPTS FROM THE PUBLIC, BY AGENCY, 2001–2003

(In millions of dollars)

(Department or Other Unit)	2001			2002			2003		
	Net Outlays	Offsetting Collections and Receipts from the Public	Outlays Gross of Collections from the Public	Net Outlays	Offsetting Collections and Receipts from the Public	Outlays Gross of Collections from the Public	Net Outlays	Offsetting Collections and Receipts from the Public	Outlays Gross of Collections from the Public
Legislative Branch	3,135	94	3,229	3,625	102	3,727	3,970	90	4,060
Judicial Branch	4,519	22	4,541	4,977	24	5,001	5,497	26	5,523
Executive Branch.									
Agriculture	68,599	21,669	90,268	76,565	21,151	97,716	74,443	19,880	94,323
Commerce	5,137	1,415	6,552	5,495	1,681	7,176	5,670	1,843	7,513
Defense—Military	293,995	10,617	304,612	330,553	10,804	341,357	360,989	10,118	371,107
Education	35,748	1,554	37,302	47,587	1,399	48,986	53,800	1,222	55,022
Energy	16,490	6,337	22,827	19,093	6,934	26,027	19,784	6,631	26,415
Health and Human Services	426,767	25,759	452,526	459,366	27,617	486,983	488,794	29,600	518,394
Housing and Urban Development	33,994	3,515	37,509	30,948	4,493	35,441	34,600	2,471	37,071
Interior	8,249	3,759	12,008	10,290	2,926	13,216	10,822	2,816	13,638
Justice	21,296	2,519	23,815	23,073	3,040	26,113	29,385	3,124	32,509
Labor	39,367	2,506	41,873	58,579	2,694	61,273	56,554	2,570	59,124
State	7,524	667	8,191	11,132	620	11,752	9,883	776	10,659
Transportation	54,838	349	55,187	60,788	1,717	62,505	58,843	2,853	61,696
Treasury	390,569	18,078	408,647	382,616	17,347	399,963	398,188	19,199	417,387
Veteran Affairs	45,839	4,432	50,271	51,451	5,134	56,585	56,513	3,864	60,377
Corps of Engineers—Civil Works	4,834	386	5,220	4,975	395	5,370	4,347	486	4,833
Other Defense Civil Programs	34,167	12	34,179	35,537	13	35,550	40,933	15	40,948
Environmental Protection Agency	7,490	231	7,721	7,790	206	7,996	8,061	249	8,310
Executive Office of the President	254	....	254	464	....	464	334	....	334
Federal Emergency Management Agency	4,426	1,628	6,054	5,789	1,745	7,534	7,550	1,802	9,352
General Services Administration	–1	242	241	586	272	858	–52	537	485
International Assistance Programs	11,792	12,128	23,920	13,287	11,851	25,138	12,969	11,609	24,578
National Aeronautics and Space Administration	14,199	73	14,272	14,484	89	14,573	14,885	75	14,960
National Science Foundation	3,696	....	3,696	4,564	....	4,564	4,886	....	4,886
Office of Personnel Management	50,919	7,404	58,323	54,277	8,037	62,314	67,940	9,969	77,909
Small Business Administration	–550	1,519	969	1,073	658	1,731	587	421	1,008
Social Security Administration	462,026	4,987	467,013	492,671	5,756	498,427	509,655	6,001	515,656
Export-Import Bank of the United States	–1,747	3,411	1,664	–201	1,254	1,053	322	358	680
Federal Deposit Insurance Corporation	–1,188	2,408	1,220	702	2,642	3,344	1,738	4,302	6,040
Postal Service	2,395	64,871	67,266	2,786	67,794	70,580	–1,371	73,727	72,356
Railroad Retirement Board	5,546	25	5,571	4,854	396	5,250	4,605	807	5,412
Other Independent Agencies	8,946	9,715	18,661	11,826	10,266	22,092	11,964	10,488	22,452
Allowances	....	....	....	27,000	....	27,000	6,356	....	6,356
Undistributed Offsetting Receipts	–199,344	8,219	–191,125	–206,282	4,336	–201,946	–235,214	3,292	–231,922
Total	**1,863,926**	**220,551**	**2,084,477**	**2,052,320**	**223,393**	**2,275,713**	**2,128,230**	**231,221**	**2,359,451**

INFORMATION TECHNOLOGY INVESTMENTS

22. PROGRAM PERFORMANCE BENEFITS FROM MAJOR INFORMATION TECHNOLOGY INVESTMENTS

The federal government's investment in information technology (IT) is estimated to be $50 billion for 2003. This investment makes the federal government the largest buyer of information technology (IT) in the world. Indeed, the federal government is likely one of the few organizations planning double-digit percentage IT spending increases in the next year. In addition to improving the government's overall performance within and across agencies in the federal government, the additional investment will support the three key priorities in the President's Budget: homeland security, the war on terrorism, and facilitating economic growth.

More specifically, to improve the results from federal IT spending, the President has made "Expanding Electronic Government" one of five management priorities. IT spending should focus on efforts that make the federal government citizen-centered and results-oriented, so that citizens can rapidly get service and decisions in minutes or hours instead of the current standard of weeks or months. Over the next two years, the Administration is deploying 24 high payoff E-Government initiatives that improve government productivity at multiple departments and agencies, while eliminating redundant systems and significantly improve government's quality of service for citizens and businesses. Overall, the President's E-government initiative will focus federal investments in technology to free-up billions of dollars of wasteful federal spending, reduce government's burden on citizens and businesses, and improve government operations.

A key principle of the Administration's approach is to simplify government processes and unify hundreds of redundant government computer systems across agencies that act as "islands of automation." Indeed, the complicated processes and redundant operations represent a legacy of operations that have held back necessary productivity gains. The United States can no longer afford to be the world's number one superpower yet run the risk of being second-rate as a federal government in providing services to its citizens. The Internet has placed government IT investments at a crossroads, and the President has chosen to invest in modernization that delivers results for the citizen rather than spend increasing amounts to maintain legacy systems without improving government's performance.

Achieving the President's vision requires effective IT management practices. The federal government is spending $45 billion on IT in 2002, and this Budget estimates an increase to $50 billion in 2003. But federal IT investments have not produced improvements in productivity and quality in service delivery that are commensurate with those of commercial firms. Expanding E-government is critical for the federal government to achieve the tremendous improvements in efficiency and customer service that the Internet has spawned throughout society. As the detail in the table that follows (and related documents identified below) demonstrates, the 2003 Budget represents a stark contrast to past approaches for federal IT investment. Under the Administration's IT management reforms, federal agencies will no longer pursue the costly strategy of automating paper intensive procedures that have long outlived their worth. Instead, the 2003 Budget focuses on using information technology to:

- Simplify and integrate processes across redundant or duplicative programs, so as to make it easy for citizens to get service,
- Directly improve the management of programs, so as to achieve better program outcomes,
- Ensure sound security of government information systems,
- Eliminate redundant or non-productive IT investments, and
- Bring successful e-business practices to government administrative operations, such as effective procurement and human capital management strategies.

As will be outlined below, the 2003 IT investment decisions have been made on the basis of business cases that review the costs, benefits, and risks. In executing these business plans, federal agencies will use information technology to improve their effectiveness through improving performance in individual agencies, and more importantly improving the way agencies work together to serve citizens. Expanding E-Government and improving IT management will both result in improved program performance and are inextricably linked.

Background

The Clinger-Cohen Act of 1996 (CCA) requires that, in conjunction with the President's budget submission, the Director submit a report to Congress on the results of federal IT spending. The Act requires that the report identify "net program performance benefits achieved as a result of major capital investments made by executive agencies in information systems and how the benefits relate to the accomplishments of the goals of the executive agencies." The Act requires that computer security be considered in IT investment decisions. In addition, the Clinger-Cohen Act and the Federal Acquisition Streamlining Act of 1994 contain IT management reform activities that must be documented in the President's budget submission to Congress:

- The Clinger-Cohen Act requires the Director to develop, as part of the budget process, a procedure for "analyzing, tracking, and evaluating the risks and results of all major capital investments made by an executive agency for information systems."

- The Federal Acquisition Streamlining Act, Title V, (FASA V) requires that agencies review for termination any major projects significantly exceeding cost, schedule, and performance goals, so that an agency's average cost overruns, performance shortfalls, and schedule delays do not exceed 10%.

This Budget fulfills the statutory requirements through two components: Table 22–1 and the Agency IT Investments Portfolios (Exhibit 53 as required by OMB Circular A–11). Table 22–1 summarizes the results of IT management processes at major agencies. The table documents how agency actions are improving the program results from IT investments, fulfilling the requirements of the Clinger Cohen Act.

The Agency IT Investment Portfolios (available in the Exhibit 53 on the Internet at *http://www.whitehouse.gov/OMB)* provide details for the 2003 IT investments, including:

- Agency summaries of major projects and many significant projects,
- Current and anticipated funding,
- Strategic goals, and
- Performance goals and measures.

Related documents on IT security and E-government are discussed below, and will also be available at *http://www.whitehouse.gov/OMB*.

Improving the Management of Government IT

Federal IT spending has risen from $32.9 billion in 1999 to an estimated $50 billion in 2003. However, government productivity has not noticeably improved. Achieving productivity growth requires executive focus on E-Government and IT management reform. Consequently, the Office of Management and Budget has implemented IT decisionmaking practices that review IT investments across agencies to resolve six issues that have previously limited productivity improvements:

1. **Automation of existing outdated processes, instead of fixing underlying management problems or simplifying agency procedures to take advantage of new e-business and E-Government capabilities.** This issue must be addressed for agencies to reduce burden and improve service to citizens, other government entities, and businesses that interact with the federal government. Rather than putting paper processes online, new federal IT systems reflect improvements in agency operations that are being tailored to better address to these customers' needs.
2. **Duplicative IT investments.** Multiple departments and agencies buy the same IT items, resulting in redundant investments and operations that make it difficult and time consuming for citizens to interact with the federal government. The President's management agenda requires agencies to work as a team across agency silos to create single points or websites where citizens and businesses can obtain service. Prior to the 2003 Budget, IT investment decisions often led to purchase of separate systems performing much the same functions (that is, stove-piped operations) at different agencies. With the 2003 Budget, operations and IT investments are being integrated into efficient, responsive operations, especially for citizen centered service delivery or information security investments.
3. **Few IT investments have significantly improved mission performance.** Although agencies have made progress in implementing capital planning and investment control, agency budget decisions and management practices rarely linked IT investments to program performance improvement. For example, agencies often evaluated IT investments by the percentage of time the computers work rather than the performance gain they deliver to the programs supported. Setting departmental priorities among competing project proposals has been exception, not the rule. For the 2003 Budget, IT investments are not being made without a valid business case.
4. **Few agencies have plans demonstrating and documenting the linkage between IT capabilities and the business needs of the agency.** Lack of such "enterprise architecture" plans can lead to IT investments that cannot work together, which further retards information flows across agencies and across the government. As a result, citizens and businesses supply the same information repeatedly because agencies cannot share information across systems. For the same reason, agencies make unnecessary investments in infrastructure because individual programs cannot ensure that their infrastructure requirements will be met collaboratively. Additionally, without such an architecture, agencies cannot easily analyze information security risks and determine investment needs. Virtually every agency is considering or investing in enterprise resource management (ERP) software to improve management of finances and human capital. Building on the lessons learned from similar private sector efforts, 2003 ERP investment decisions were made contingent on an enterprise architecture that documents how improved results will be obtained.
5. **Many major IT projects do not meet cost, schedule, and performance goals.** Under the Federal Acquisition Streamlining Act (FASA), agencies must report and track progress against cost, schedule and performance goals for IT and other capital projects, which is implemented through Administration budget guidance. There is wide variation in the performance of agencies against these benchmarks. The President's management agenda requires that IT investment performance be tracked and reported quarterly, with agencies identifying any needed corrective actions and the Chief Information Officers (CIO) Council

developing tools and best practices in support of achieving the FASA requirements.

6. **Major gaps exist in agency and government-wide computer-related security.** Under the Government Information Security Reform Act, agencies submitted reports to OMB based on annual assessments by CIOs and Inspectors General. The assessments show gaps both within and across agencies, which suggest that federal agency missions may be put at risk by a broad range of security problems. OMB guidance directs agencies to identify, prioritize, and resolve these problems to eliminate such gaps. The 2003 Budget reflects IT investment decisions made to address security gaps, through which IT investments have incorporated security or were terminated for lack of security.

The Administration's actions taken to address these are described in the key areas discussed in Table 22–1. An agency's IT management and governance process must contain three "legs"—capital planning and investment control (CPIC), enterprise architecture (EA), and IT performance management. Agencies over the last few years have focused primarily on the CPIC process, without sufficient focus on enterprise architecture and IT performance management. Also, as discussed below, security is a critically important element in IT management that has now been incorporated in agency IT investment and management decisions.

Development of Agency Capital Planning Processes. To manage investments in IT and as required by Clinger-Cohen, most agencies have a capital planning and investment control process in place. Capital Planning and Investment Control (CPIC) is a collective decision-making process for ensuring that IT investments integrate strategic planning, budgeting, procurement, and the management of IT in support of agency missions and business needs. Agencies have made mixed progress over the last few years in terms of capital planning. As agencies continue to improve these processes, they are integrating planned cost, schedule, and performance information as elements of the processes, thereby ensuring the only projects selected for funding are those that identify and capture the benefits to the agency's programs and business lines. As reflected in Table 22–1, agencies continue to fall into several categories in terms of the effectiveness of their CPIC process.

Development of Agency Enterprise Architectures. Enterprise Architecture (EA) is a tool required under the Clinger-Cohen Act and OMB policy to ensure agency management is kept effective and modern. The EA establishes an Agency-wide roadmap to achieve an Agency's mission by improving its core business processes and effectively using information technology (IT). Simply stated, Enterprise Architectures are "blueprints" for systematically and completely defining an organization's current (baseline) or desired (target) environment. Enterprise Architectures are essential for evolving information systems and developing new systems that optimize their value to the agency missions. EAs also allow an agency to continually identify redundant organizations, processes, and projects in order to unify and simplify their business lines, identify opportunities for cross-agency applications, and identify process and projects that could be better performed in the private sector. An EA also identifies an agency's capabilities in terms of delivering projects and investments, and the absence of an EA can be the sole reason for failure of a project. As expected, Table 22–1 shows that agencies have made mixed progress in terms of enterprise architecture.

Development of IT Performance Measures. The 2003 IT Budget information and the Administration's focus on E-Gov is leading to improvement on performance measurement for IT. As an example, 2002 budget reviews indicated less than 20 percent of the IT investments identified any performance goals and measures. The 2003 information detailed in the Agency IT Investment Portfolios (Exhibit 53) reveal a significant improvement in the performance metrics with a large number of the projects including performance information in three areas:

- Government Performance and Results Act and Agency performance goals;
- Contracts that are performance based with measures; and
- IT project goals in terms of increasing customer service, reducing process time, and reducing burden on the citizen by standardizing data and reusing it to address multiple business processes.

The Administration's increased emphasis on the business cases that are used to justify IT investments is also creating a mandate that agencies identify these performance measures in order to support the proposed or ongoing IT investment. Still, much work remains to ensure that when agencies request funding for investments, they can identify how much funding is needed, the agency's process goals and measures, the IT project and acquisition goals, and what the federal government will accrue in terms of benefit by investing in the project. The progress that agencies have made on identifying performance measures suggests that with continued significant, sustained attention by the Administration and at senior levels in the agencies, similar progress can be made on capital planning and enterprise architecture.

IT Security. The President has given a high priority to the security of government assets, including government information systems and the protection of our Nation's critical information assets from cyber threats and physical attacks to our cyber assets. To adequately protect the information and information systems that the federal government depends upon, agencies must identify and resolve current security weaknesses and risks as well as protect against future vulnerabilities and threats. Implementing sound security is a critically important enabler to the success of the E-government strategy outlined below, and is a key part of the agenda that this Budget outlines for Homeland Security.

OMB's review of 2001 agency security reports has identified six common government-wide security weaknesses. To appropriately address these weaknesses, federal agencies need to:

- Greatly increase the degree of *senior management attention*. Senior leaders must consistently establish and maintain control over the security of the operations and assets for which they are responsible.
- Establish *measures of performance* to ensure senior agency management can evaluate the performance of officials charged with securing agency operations and assets.
- Improve *security education and awareness*. Ensure that general users, IT professionals, and security professionals have the knowledge to do their jobs effectively.
- Fully integrate *security into capital planning and investment control*. Security must be built into and funded within each system and program through effective capital planning and investment control.
- Ensure *contractor services* are adequately secure as most federal IT projects are developed and ultimately operated through outsourcing.
- Improve their ability to *detect, report, and share information on vulnerabilities*.

To address these weaknesses and others, agencies are responsible for developing corrective action plans. These plans will assist agencies in identifying, assessing, prioritizing, allocating resources, and monitoring the progress of corrective efforts for their security weaknesses. They are important because they bring a discipline to the process, make tracking progress much easier for all involved, and are a valuable management and oversight tool.

For additional information on agency security programs, please see the 2001 OMB Summary Report on Government Information Security Reform, which will be available at *www.whitehouse.gov/omb/inforeg/infopoltech/FY01SecurityActReport*.

Improving Performance and Citizen Service Across the Government: The E-Gov Strategy

The President's Expanding E-Government initiative requires that agencies leverage technology to better serve citizens. While the government will not become a "dotcom," the U.S. government will mix its use of Internet and physical assets to become a "click and mortar" enterprise where organizations that serve citizens, businesses, internal federal government functions, and inter-governmental needs become more accessible, effective and efficient. In adopting a "click and mortar" model, the federal government will use the best practices of industry. The Administration's goal is that services and information will rarely be more than 3 clicks away.

Indeed, Electronic Government is one of the five key elements in the President's Management Agenda. Detailed elsewhere in the Budget, the President's vision for government reform under the Management Agenda is guided by three principles, that the government should be:

- **Citizen-centered**, not bureaucracy-centered;
- **Results-oriented**; and
- **Market-based**, actively promoting rather than stifling innovation through competition.

E-Government is critical to implementing these principles across agencies. The Administration is committed to advancing the E-Government strategy by supporting broad-ranged projects that provide performance gains and citizen services across agency boundaries. With that objective, the Administration, through OMB, established a Task Force in August 2001 to develop a roadmap for the implementation of E-Government (E-Gov). The E-Gov Task Force's objectives were to:

- Recommend highest-payoff-cross-agency initiatives that can be rapidly developed;
- Identify key barriers to becoming a citizen-centered E-Government and actions needed to overcome these barriers; and
- Develop an IT architecture that provides for the integration of government services and information.

Pursuing a coherent electronic government vision can result in an order-of-magnitude improvement in the federal government's value to the citizen. E-government efforts are critical to our ability to effectively and efficiently run the government, including achievement of the following goals:

- Simplified delivery of services to citizens;
- Citizens, businesses, and other levels of governments find it efficient and easy to access information and do business with the federal government on-line;
- Agencies' business processes are simplified and unified through integration and elimination of multiple, redundant (systems) operating elements; and
- Government services are organized around customer groups.

In short, by using information technology strategically to simplify business processes and unify information flows across government lines of business, agencies will:

- Provide high-quality customer service, regardless of whether the citizen contacts the agency by phone, in person, or on the Web;
- Reduce the expense and difficulty of doing business with the government;
- cut government operating costs;
- Provide citizens with readily available access to government services;
- Increase access for seniors and persons with disabilities to electronic services; and
- Make government more transparent and accountable.

Our E-Government strategy focuses initiatives on four citizen-centered groups, each providing opportunities to transform delivery of services.

- Individuals: We are focused on building easy to find one-stop-shops for citizens-creating single points of easy entry to access high-quality government services. Citizens should be able to find what they need quickly and easily and access information in minutes or seconds, instead of days or hours.
- Businesses: The federal government must reduce the burden on businesses through the use of the Internet. This is not about building government web sites, but rather about being able to communicate with businesses in the language of E-business. The Administration cannot continue to make businesses report the same data to multiple agencies because government fails to reuse the data appropriately or fails to take advantage of commercial electronic transaction protocols. This can help streamline myriad reporting requirements as well as facilitate a more efficient means for business to do business with the government. Businesses will be able to avoid significant cost and effort while becoming more aware of compliance requirements.
- Intergovernmental: The federal government must make it easier for states and localities to meet reporting requirements, while enabling better performance measurement, especially for grants. Other governments will see significant administrative savings and will be able to improve program delivery because of more accurate data is available in a timely fashion. Moreover, improving the way that information is shared among levels of government will improve the nation's ability to provide for homeland security.
- Internal Efficiency and Effectiveness: The federal government must use modern technology to rethink internal processes to reduce costs for federal government agency administration by using industry best practices in areas such as supply-chain management, financial management, and knowledge management. Agencies will be able to improve effectiveness and efficiency, eliminating delays in processing and improving employee satisfaction and retention.

To better identify opportunities to simplify and unify work across agencies, it was instructive to identify a clear organization of the government's business architecture and develop a model. The outcome indicated that there were 30 major business lines in the Executive Branch of government. Each of these business lines is supported by multiple IT systems. The E-Gov Task Force then reviewed the information technology budgets of the agencies and found that on average among 30 major agencies, each line of business is being performed by 19 agencies and that each agency is involved in 17 business lines.

In many cases, agencies buy redundant IT systems to support redundant operations; this generally overburdens and confuses the citizen, business, or local government that must hire experts who convert simple data into complex government filings four or five times over. Silos of federal operations create an untenable situation for citizens seeking service on-line. Today's federal government business architecture is expensive to operate and not customer-centered.

The business architecture points to opportunities to unify operations and simplify processes within lines of business. Basic management principles tell us that government operating costs will go down and effectiveness will go up if we make it simpler for citizens to get service. E-Government provides the tool kit for accomplishing these objectives. E-Government offers the opportunity to streamline this hodgepodge of activities, so that different agencies can perform different lines of business for the federal government as a whole, allowing all agencies to focus on their core competencies and mission requirements.

Part of the solution to unify islands of automation is to better use authorities under the Budget process to promote cross-agency work that serves citizens. Although agencies have made significant strides in improving their business cases for IT projects in preparing this Budget, many project plans remain non-compliant with the Clinger Cohen Act, FASA V, and OMB policy (including security requirements). Agencies must continue to revise IT business cases to make them compliant, and thus demonstrate productivity improvements as a result of making or continuing the investment. If an agency fails to demonstrate an acceptable business case for an IT project, OMB will take appropriate action, consistent with law and policy, to ensure either that an acceptable business case is presented or that funds are re-allocated to other high priority activities.

The result of all this work is detailed in the report of the E-Gov Task Force, which will be available online at *www.whitehouse.gov/OMB*. The report describes the 24 cross-cutting E-Gov initiatives that will lead to significant improvements in the productivity of agencies working across traditional boundaries to serve citizens. The 24 initiatives, along with the agency "managing partners" who are leading the cross-agency work that underlies each initiative, are:

Government to Citizen

Recreation One-Stop
Proposed Agency Managing Partner: Interior

This initiative will build upon "Recreation.Gov" and will provide a one-stop, searchable database of recreation areas nationwide, featuring on-line mapping and integrated transactions, including online campground reservations and the purchase of recreational passes, maps, and other products.

Eligibility Assistance Online
Proposed Agency Managing Partner: Labor

Through a common Internet access point citizens will gain an on-line tool for identifying federal government benefit programs for which they may be eligible. The site will provide direct access to an integrated array of services. This will enable individuals to easily learn about assistance programs that may help them and to start the process of gaining that assistance.

On-Line Access for Loans
Proposed Agency Managing Partner: Education

The On-line Access for Loans initiative will allow citizens and businesses to find the loan programs that meet their needs and access information for applying for loans. Citizens will have direct and faster access to the loan process in agencies.

USA Service
Proposed Agency Managing Partner: General Services Administration

The USA Service initiative will use best practices in customer relationship management to enable citizens to quickly obtain service on-line, while improving the responsiveness and consistency across government agencies. This would enable citizens to personalize the combination of services they obtain across multiple programs and agencies, in a privacy-protected environment.

EZ Tax Filing
Proposed Agency Managing Partner: Treasury/Internal Revenue Service

The initiative would make it easier for businesses and the public to files taxes in a web-enabled environment.

Government to Business

On-Line Rulemaking Management
Proposed Agency Managing Partner: Transportation

This initiative would provide access to the rulemaking process for citizens anytime, anywhere. An existing "e-docket" system would be expanded and enhanced to serve as a government-wide system for agency dockets. Other agency systems would use the system by creating "storefronts," consistent with statutory requirements for each agency under the Administrative Procedures Act. Comments would be organized using knowledge management tools to improve the quality of rules.

Simplified and Unified Tax and Wage Reporting
Proposed Agency Managing Partner: Treasury /Internal Revenue Service

This initiative's goals include decreasing the number of tax-related forms that an employer must file, providing timely and accurate tax information to employers, increasing the availability of electronic tax filing, and modeling simplified federal and state tax employment laws.

Federal Asset Sales
Proposed Agency Managing Partner: General Services Administration

Customers will be able to find assets that they are interested in regardless of the agency that holds those assets. Customers will be able to bid and/or make purchases electronically for financial, real, and disposable assets.

International Trade Process Streamlining
Proposed Agency Managing Partner: Commerce

The initiative would create a single customer-focused site, whereby new or existing exporters could be facilitated through the entire export process. The 20 current web sites would be organized and accessed through a single entry point.

One-Stop Business Compliance Information
Proposed Agency Managing Partner: Small Business Administration

This initiative would provide information on laws and regulations, help users understand this information, and offer wizards and tutorials to help users determine if rules apply to them and how to proceed. To the maximum extent possible permits would be completed, submitted, and approved online.

Consolidated Health Informatics (business case only)
Proposed Agency Managing Partner: Health and Human Services

The initiative would provide a simplified and unified system for sharing and reusing medical record information among government agencies and their private healthcare providers and insurers. It would provide a single mechanism for making those records accessible.

Government to Government

Geospatial Information One-Stop
Proposed Agency Managing Partner: Interior

The GIS One-Stop will provide access to the federal government's spatial data assets in a single location. Agencies will coordinate their planned future spatial data activities and make them available to state and local governments in an effort to promote collaboration and reduce duplicative efforts.

eGrants
Proposed Agency Managing Partner: Health and Human Services

This initiative will create an electronic grants portal for grant recipients and grant-making agencies that will streamline, simplify and provide an electronic option for grants management across the government. This effort will include the 26 federal grant-making agencies' work to implement P.L. 106–107.

Disaster Assistance and Crisis Response
Proposed Agency Managing Partner: Federal Emergency Management Agency

This initiative involves a public one-stop portal containing information from applicable public and private organizations involved in areas including disaster preparedness, response and recovery.

Wireless Networks for Emergency Communications
Proposed Agency Managing Partner: Treasury

To be effective before, during, and after their response, public safety officials throughout levels of government, must be able to communicate with each other. This initiative would provide standards to enable interoperability between federal, state, and local officials.

eVital
Proposed Agency Managing Partner: Social Security Administration

This initiative would expand the existing vital records on-line data exchange efforts between federal agencies and state governments.

Internal Efficiency and Effectiveness

eTraining
Proposed Agency Managing Partner: Office of Personnel Management

The vision is to provide a repository of government-owned courseware to be made available to all government (federal, state and local), to provide high interest and government required training to government employees at economies of scale pricing. In addition, this would foster development of communities of practice. This initiative supports achievement of the President's Human Capital initiative.

Recruiting One-Stop
Proposed Agency Managing Partner: Office of Personnel Management

The initiative will modify USAJOBS to create an automated resource for federal government information and career opportunities. It would allow for automated resume and assessment tools with the ability to route resumes, assess candidates and streamline the federal hiring process, as well as an up-to-the-minute application status for job seekers.

Enterprise HR
Proposed Agency Managing Partner: Office of Personnel Management

This initiative will eliminate the need for a paper employee records, enable the electronic transfer of HR data throughout the federal sector, better protect the rights and benefits of the federal workforce, and streamline and improve government-wide reporting and data analyses. This initiative will also reduce the time required to seek and access employee and contractor security clearance information through electronic application, shared clearance history and investigative data, and reciprocity among government agencies.

eTravel
Proposed Agency Managing Partner: General Services Administration

Agencies will use a common travel management system throughout the federal government. Existing travel management resources will be consolidated and processes will be simplified for cheaper more efficient operation.

Integrated Acquisition
Proposed Agency Managing Partner: General Services Administration

Agencies will begin sharing common data elements to enable other agencies to make better-informed procurement, logistical, payment and performance assessment decisions. It will also allow agencies to make maximum use of e-markets approaches.

eRecords Management
Proposed Agency Managing Partner: National Archives and Record Administration

This initiative will establish procedures, requirements and standards for electronic record keeping by agencies, including a prototype for the use of extensible markup language (XML).

ePayroll
Proposed Agency Managing Partner: Office of Personnel Management

The vision is to simplify and unify elements of the payroll process in order to consolidate and integrate payroll systems across the government with HR systems.

Initiatives that Address Barriers to E-Government Success

eAuthentication and digital signature
Proposed Agency Managing Partner: General Services Administration (infrastructure)

e-Authentication is the enabler of trust in Government to Citizen, Government to Business, and Government to Government transactions. Without an appropriate level of identity proofing the promise of e-Government will not reach its full potential.

Finally, underlying all of the previous initiatives is the necessity to develop a Federal Enterprise Architecture. This activity, being led by OMB, will map government processes by line of business. It will develop information, data and application interface standards to unify redundancies, yield improved operating efficiency and effectiveness.

Table 22–1 that follows provides agency by agency summaries of performance. For more detail on agency performance, see the Agency IT Investment Portfolios (Exhibit 53) at *www.whitehouse.gov/OMB*; for more detail on the E-Gov initiatives, see the Report of the E-Gov Task Force which will be available at *www.whitehouse.gov/OMB*; for more detail on security, see the FY 2001 OMB Summary Report on Government Information Security Reform, which will be available at *www.whitehouse.gov/omb/inforeg/infopoltech/FY01SecurityActReport*.

Table 22–1. EFFECTIVENESS OF AGENCY'S IT MANAGEMENT AND E-GOV PROCESSES

Capital Planning and Investment Control (CPIC) Effectiveness	Enterprise Architecture (EA) Effectiveness	Business Cases for IT Projects	E-Gov Progress	Process Improvement Milestones for Calendar Year 2002
Agriculture				
CPIC process is comprehensive, includes all parts of the Department and is used to make decisions about IT investments.	Agency has an EA framework and process in the very early stages and it is not yet used to make decisions about IT investments.	Many, but not all, major USDA system investments have been adequately justified and supported by well-drawn business cases. Many, but not all, of the projects are operating within 90 percent of cost, schedule, and performance targets. For those projects not making the business case, the CIO is actively involved in assisting the program areas to strengthen the business cases and the management of the project.	USDA is deploying Geospatial Information Systems and participates in Firstgov.gov. In the first quarter of FY 02, USDA defined its mission, vision, goals andobjectives and identified "smart choices" for its leader projects, in addition to participating in 12 of the 23 Quick Silver initiatives. In December 2001 most of the crop insurance providers began providing services electronically as required by the Freedom to E-File Act. By June 2002, USDA Service Center agencies will offer agricultural producers and customers involved in USDA rural development programs the option of electronically submitting forms.	Agency provided a detailed project plan for EA on January 4, 2002. OMB will work with the agency as it moves forward on this EA effort ensuring the EA addresses business, data, applications, and technology for its current architecture and any modernization plans. During FY 2002, the Department needs to assess how its projects meet the Administration's goals to unify and simplify and reduce redundancy in IT systems government-wide. This assessment should be completed by February 28, 2002 to allow for discussion during OMB's review of general IT issues next spring.
Commerce				
The Department has a robust CPIC process in the agency and the process informs decisions about IT Investments. Commerce is working to strengthen the CPIC process, integrate it with their EA efforts and create a comprehensive E-Government governance process for managing IT in the Department.	The EA in Commerce addresses most parts of the Department and the agency continues to work with the bureaus to educate them about EA, the implications for Commerce, and for the overall efforts of the Federal government. Commerce has engaged OMB on this improvement effort.	Commerce submitted sound business cases for nearly all major systems and continues to work to strengthen the remaining business cases.	Commerce bureaus are using the Internet to serve businesses interested in international trade and minority contracting opportunities. Census uses e-government for its economic surveys of firms, and will use it more for the 2010 census of population. Commerce is also the managing partner for the "International Trade Process Streamlining" E-Gov initiative of the President's Management Council.	Commerce will work to integrate its CPIC and EA processes and will update OMB on progress periodically. Commerce will also continue to strengthen their management of IT by making IT decisions based upon sound business cases and a portfolio management process of trade-offs between benefits and risks.

Table 22–1. EFFECTIVENESS OF AGENCY'S IT MANAGEMENT AND E-GOV PROCESSES—Continued

Capital Planning and Investment Control (CPIC) Effectiveness	Enterprise Architecture (EA) Effectiveness	Business Cases for IT Projects	E-Gov Progress	Process Improvement Milestones for Calendar Year 2002
Department of Defense				
DoD operates a lengthy budget review process, the Planning, Programming and Budgeting System (PPBS) which serves as the capital planning and investment control process for DoD. It often fails, however, to closely link IT with the departments mission. It also fails to consider a family of systems approach to IT investment decisions.	The DoDC4ISR Global Information Grid (GIG) Architecture is a well crafted technical architecture. DoD should build on this primarily technical architecture to create a comprehensive EA with fully developed business and data layers. It should also include an operational view that describes the plan for the future and the transitional plan.	Clinger-Cohen and DoD regulations require DoD to justify major IT investments. DoD has begun to implement this requirement and complete the necessary analysis. However, DoD has failed to submit complete business cases for a number of its major IT investments. In addition, many of the cases that were submitted require improvement to meet Clinger-Cohen standards.	DoD is a leader in some areas of e-gov, such as on-line education opportunities through programs like eArmyU. It has not, however, made significant progress in creating one stop service centers, implementing DoD-wide business process enterprise solutions, or developing electronic methods for data submission and collection. DoD does not have an department-wide e-gov plan.	DoD will review its major projects to improve visibility of IT funds. In addition, DoD will continue to work on a financial management Enterprise Architecture and will expand this effort to other areas. DoD will also work to improve the oversight of IT projects and the capital planning and investment control process, in part by including the Office of Program Analysis and Evaluation in the review of IT business cases.
Education				
The Department has developed a robust CPIC process but still needs to fully incorporate all business units throughout the agency.	The Department has had two separate EA issues ongoing in the agency—one for Student Financial Aid and another for the remainder of the agency. This non-integrated approach allows for possible duplication of process, systems, and technology.	Performance has been mixed. Initial submission of student aid modernization business cases were incomplete. Work continues to: 1) identify all major projects within the Department's Portfolio; 2) demonstrate that the business cases for all major projects; and 3) strengthen the business cases for some of the projects.	Education has success in using new technologies to simplify students' access to financial aid, such as using electronic signatures for aid applications and promissory notes.	The agency is working to develop a single, integrated and comprehensive EA. OMB is in active conversation with the agency as to the strategy and design of this integrated EA. In addition, the Department is undertaking a major reform of the IT security and testing process and is working to fully integrate all IT into a common process for IT management.
Energy				
The Department does not have an integrated and comprehensive CPIC process that includes all of the program offices and does not use the tenets of CPIC to make decisions about IT investments.	The Department has an EA that addresses only a small portion of the corporate issues of the department. The EA does not include program offices and is not used to make or control decisions about IT investments.	Initial submission of business cases were incomplete and work continues to 1) identify all major projects within the Department's Portfolio, 2) demonstrate the business cases for all major projects, 3) and continue to strengthen the business cases for the projects initially submitted that were not compliant with A–11.	DOE reports only 10% of its IT investments as "major", which excludes too many relevant projects from oversight and justification. DOE has not been extensively involved in the QuickSilver Initiatives of the President's Management Council (PMC).	Redefine its major IT investments to include a majority of the $1 Billion in IT investments. DOE is to consolidate the IT portfolio and manage it at a departmental level, and provide strong leadership from the CIO in the areas of IT management and E-Gov as the agency transforms and modernizes.

Table 22–1. EFFECTIVENESS OF AGENCY'S IT MANAGEMENT AND E-GOV PROCESSES—Continued

Capital Planning and Investment Control (CPIC) Effectiveness	Enterprise Architecture (EA) Effectiveness	Business Cases for IT Projects	E-Gov Progress	Process Improvement Milestones for Calendar Year 2002
		Health and Human Services		
HHS must continue strengthening central IT decision-making, and identifying duplicative IT systems across the Department, in order to consolidate and unify common-purpose systems. This should create savings, and enhance the setting of priorities and coordination of data use across the agency. Security planning in project plans and justifications must be strengthened.	HHS needs better enterprise architecture documentation, most particularly in the areas of baseline and target data architectures, business process descriptions, and systems and application descriptions. Recently initiated plans to unify financial and human resource systems across HHS are a step forward, but will be demanding in execution. The utility of extensive health data resources should be enhanced through architecture planning.	IT projects justifications have been extensive, but need to better inform budget decisions, and the quality of these justifications is uneven. HHS is working with OMB to establish more solid business cases for all major IT development projects and continuing legacy systems.	HHS leadership in grants streamlining/E-Grants is its highest priority. GPEA plans are adjusting to focus on transactions with the greatest impact on the public. As a partner in many E-Gov initiatives, HHS will advance plans for contributing technical assistance, staffing and funding resources.	HHS will develop an improved EA and its 5 year Strategic IT Plan, with a focus on E-Gov and IT security. HHS will also continue to assess internally duplicative systems, consolidate IT resources commencing with infrastructure support functions, and analyze overlaps of HHS systems with the President's Management Council's E-Gov initiatives.
		Housing and Urban Development		
CPIC process is comprehensive, includes all parts of the Department and is used to make decisions about IT investments.	EA is in the first year of implementation and work continues to populate the business, data, application, and technology layers of the EA. HUD should continue working to improve the integration of the CPIC and EA processes creating an E-Government governance process for selecting, managing, and evaluating IT investments.	All of HUD's major projects demonstrated business cases. However, many of HUD's projects start out seemingly well planned but fail to deliver on the planned benefits. Over the past year, HUD initiated an aggressive project management effort to correct this problem and continues to work on improving delivery of the systems within planned costs, schedule, and performance goals.	HUD is in the process of updating its tool for EA, the Enterprise Architecture Management System (EAMS) to reflect an E-Government view and are assessing their IT efforts against the E-Gov initiatives of the President's Management Council. One such effort has been noted, and HUD is integrating their Departmental Grants Management System (DGMS) effort into the E-Grants initiative.	During 2002, HUD will continue to integrate its CPIC and EA process, will continue with the project management education, and will work to fully integrate security efforts into the EA and CPIC.

Table 22–1. EFFECTIVENESS OF AGENCY'S IT MANAGEMENT AND E-GOV PROCESSES—Continued

Capital Planning and Investment Control (CPIC) Effectiveness	Enterprise Architecture (EA) Effectiveness	Business Cases for IT Projects	E-Gov Progress	Process Improvement Milestones for Calendar Year 2002
Interior				
Departmental CPIC process is designed and implemented in a decentralized manner. Some bureaus have comprehensive CPIC process for their individual bureau portfolios but there is not a comprehensive priority setting process at the Departmental Enterprise level. Therefore, there remains duplicative process and systems within the Department's IT portfolio.	Agency does not have an integrated and comprehensive EA. Like the CPIC process, individual bureaus have EA efforts for their IT investments but there is no enterprise view of these investments at the Departmental level.	Historically, Interior has made major information technology (IT) investments without thorough analysis of realistic cost, schedule, and performance goals for new acquisitions. As a result, Interior puts large sums of public funds at high risk for failure and does not comply with either the Paperwork Reduction Act or the Clinger-Cohen Act. Initial submission of business cases were incomplete and work continues to 1) identify all major projects within the Department's Portfolio, 2) demonstrate the business cases for all major projects, and 3) continue to strengthen the business cases for the projects initially submitted that were not compliant with A–11.	DOI has taken a government-wide leadership role as managing partner for an intergovernmental Recreation One-Stop project and a similar One-Stop project for geospatial information. In addition Interior's Budget includes the initiation of an E-Gov Transformation project that will transform the Outer Continental Shelf oil and gas business processes to increase efficiency and responsiveness to customers—states and federal agencies, industry, and citizens.	Interior is committed to improving its review and approval of IT investments centrally, and has already hired a contractor to survey Interior's IT environment and make recommendations, due in June 2002, that will guide future investment decisions. DOI's Inspector General is reviewing the Department's IT investment process as well. Further, Interior has agreed to create an integrated and comprehensive departmental EA that supports and coordinates the work of the bureaus in the area of EA. The Department is actively working to improve this situation and will have the first four phases of the EA completed in May 2002. The Department plans to have the last four phases of the EA completed by December 2002.
Justice				
In spite of recent progress, significant work remains to fully carry out a capital planning process. The CPIC process exists on paper but is not fully implemented throughout the agency though much progress was made in this area over the last reporting cycle. Justice's timetable calls for all bureaus to have completed a plan by the end of 2002.	EA is in the very early stages and was redirected during this past year to better accommodate the bureaus needs as well as those of the Department. Agency provided a detailed EA project plan with the initial budget submission. To ensure system compatibility and improve information sharing, Justice's enterprise architecture efforts must be a high priority throughout the Department.	Many, but not all, major projects have been adequately justified and supported by well-drawn business cases. Many, but not all, of the projects are operating within 90 percent of cost, schedule, and performance targets. The agency continues to strengthen the business cases for those not initially A–11 compliant. Discussions continue with OMB on these efforts.	DOJ is collaborating in a number of E-Gov initiatives, and are in the process of assessing the impact and collaboration opportunities against the other E-Gov initiatives and their related DOJ Projects. DOJ investments tied to the PMC E-Gov initiatives are being asked to assess their project vis-a-vis the federal initiative.	

Table 22–1. EFFECTIVENESS OF AGENCY'S IT MANAGEMENT AND E-GOV PROCESSES—Continued

Capital Planning and Investment Control (CPIC) Effectiveness	Enterprise Architecture (EA) Effectiveness	Business Cases for IT Projects	E-Gov Progress	Process Improvement Milestones for Calendar Year 2002
		Labor		
CPIC process is comprehensive, includes all parts of the Department and is used to make sound decisions about IT investments.	EA is in the first full year of implementation and is used to make decisions about IT investments. Labor is currently updating its EA to reflect the E-Gov Strategy of the Department and continues to work to complete the business, data, application, and technology portions of the EA. Completing the EA helps to ensure that planned investments in IT accrue savings or enhance business operations, or both.	All of the Department's major projects provided business cases for IT projects. There were a number of projects identified as "significant" that may meet the criteria for "major". The agency is updating its CPIC process to include E-Gov type criteria and will submit business cases for all of the "significant" projects that are upgraded to the "major" category.	DOL's information technology (IT) is built on a strong enterprise architecture and planning process. DOL is the only federal agency with Department-wide IT financing to ensure that its investments are cost effective and serve the entire organization mission. DOL has let IT serve citizens better. For example, OSHA accepts health and safety complaints over the Internet; individuals can use the Internet to discover lost pensions; and a pilot project allows people to calculate approximate retirement benefits on-line. Labor is also the managing partner for the "Eligibility Assistance On-line" E-Gov initiative of the President's Management Council.	The Department will work further to complete the business and other portions of its EA, which will help enhance its E-Gov focus and strategy. The agency will continue updating the EA information in the Enterprise Architecture Management System (EAMS).
		State		
The CPIC process does not routinely scrutinize a large portion of IT investments. For example, FY 2003 300s, only 49 percent of planned major project spending, totaling $329 million has been reviewed and approved by the CPIC.	The Department has not completed an enterprise architecture to guide IT investments although it plans to do so in 2002.	Initial submission of business cases were incomplete and work continues to 1) identify all major projects within the Department's Portfolio, 2) demonstrate the business cases for all major projects, 3) and continue to strengthen the business cases for the projects initially submitted that were not compliant with A–11.	Department of State is collaborating on a number of the E-Gov initiatives of the President's Management Council (PMC). The Department will assess how its projects meet the Administration's goals to unify, simplify, and reduce redundancy in IT systems.	Working with OMB, the department plans an aggressive effort to improve their business cases and make them A–11 compliant by August of 2002. Also, the Department will increase the central review of projects to at least 70 percent of total spending and all of the planned major project spending.

Table 22–1. EFFECTIVENESS OF AGENCY'S IT MANAGEMENT AND E-GOV PROCESSES—Continued

Capital Planning and Investment Control (CPIC) Effectiveness	Enterprise Architecture (EA) Effectiveness	Business Cases for IT Projects	E-Gov Progress	Process Improvement Milestones for Calendar Year 2002
		Transportation		
Transportation's CPIC process is currently being documented and vetted and is expected to be in place throughout the department during FY2002.	DOT is continuing its work to develop an IT EA. The Department's EA is being developed by an intermodal group representing all DOT components. The DOT EA will be completed by early FY2003.	DOT is working to strengthen its business cases for major Information Technology projects. In addition, cost, schedule, and performance milestones for some major projects, particularly those within the Federal Aviation Administration, will be monitored to ensure that potential problems are addressed in a timely fashion.	DOT is implementing e-business process initiatives that will improve agency operations, as part of their GPEA implementation. The Department has committed to an e-government leadership role for on-line rulemaking management.	Transportation will implement a comprehensive CPIC process by the end of FY 2002, and will complete EA business analyses for five Operating Administrations.
		Treasury		
Treasury has made progress in recent years in improving its technology investment planning and execution (i.e., using business cases and monitoring progress against performance targets). However, improvements are still needed to ensure that all investments are managed carefully to achieve maximum benefits.The Department needs to exert more control over and provide more guidance to the bureaus. Capital planning needs to include ongoing projects as well as proposed initiatives.	The Treasury Enterprise Architecture Framework needs to be strengthened. The CIO shop should exert more leadership and provide more guidance to the bureaus. Bureaus' architectures have surpassed the Department's in levels of planning and further independent development at the bureaus introduces the risk that they ultimately will be incompatible.	Initial submission of business cases were incomplete and work continues to 1) identify all major projects within the Department's Portfolio, 2) demonstrate the business cases for all major projects, 3) and continue to strengthen the business cases for the projects initially submitted that were not compliant with A–11.	Treasury has made progress in implementing electronic government options for citizens (e.g., electronic tax filing and benefits payments). The Budget proposes to further expand electronic government including new tax payer services and expanding the Treasury's Pay.gov on-line payment system.	Department: Expand improved IT planning and investment control processes at the bureaus and the Department. IRS: Demonstrate improved management process controls for the Business Systems Modernization program at the IRS before submission of the next spending plan. Extend disciplined controls to investments funded by the Information Systems account. Provide improved business cases in support of IS investments.Customs: Improve investment decision making and management process controls.

Table 22–1. EFFECTIVENESS OF AGENCY'S IT MANAGEMENT AND E-GOV PROCESSES—Continued

Capital Planning and Investment Control (CPIC) Effectiveness	Enterprise Architecture (EA) Effectiveness	Business Cases for IT Projects	E-Gov Progress	Process Improvement Milestones for Calendar Year 2002
		Veterans Affairs		
The Department needs to exert more control over and provide more guidance about project life cycle management to the Administrations. Capital planning needs to be strengthened for ongoing projects as well as proposed initiatives.	The Department has just begun an integrated comprehensive EA and submitted a detailed project plan for implementation with the initial Budget Submission. It is too early to determine whether this EA will be effective in managing and controlling IT investments in the Department. The EA does integrate CPIC and EA which as is required by OMB guidance; an application to automate the EA/CPIC interface is under development.	Initial submission of business cases were incomplete and work continues to 1) identify all major projects within the Department's portfolio, 2) demonstrate the business cases for all major projects, and 3) continue to strengthen the business cases for the projects initially submitted that were not compliant with A–11.	VA is currently reviewing its IT projects against the E-Gov initiatives of the President's Management Council (PMC) for opportunities to participate and collaborate. One project has already been redirected through this review process. Further, VA is committed to the OMB recommendation that it partner with DOD to develop an integrated enrollment system as well as a joint patient record system.	In early 2002, VA provide a detailed project plan for their EA efforts and are working with OMB to provide Business Cases for IT projects for all IT investments by March 2002. VA will also report to OMB periodically on status of the improvement efforts in the area of E-Gov and IT management.
		Environmental Protection Agency		
Most of EPA's capital asset planning for information technology acquisitions is well done although not fully documented.	EPA has the fundamental elements of an EA documented.	On average, major IT projects operate near cost, schedule, and performance targets.	EPA plans to make regulatory information more readily available through a consolidated docket. EPA also plans to participate in several other e-gov initiatives.	The agency aims to integrate enterprise architecture and its capital planning process; implement a broad based network for efficient electronic sharing of environmental information; and promote e-gov through a central data exchange.
		Federal Emergency Management Agency		
FEMA's CPIC process is comprehensive, includes all parts of the agency and is used to make decisions about IT investments.	FEMA's EA effort is comprehensive and addresses the business, data, application and technology layers of the agency. OMB recommends that FEMA continue to update its EA efforts with knowledge they gain via their role in the E-gov initiatives, and create an EA repository so that managing change becomes easier.	Many of FEMA's revised business cases demonstrated improvement. However, work remains for a number of FEMA's IT investments that failed to make the business case, particularly in regards to performance goals. Additionally, the agency failed to submit their initial business cases on time.	FEMA is involved with a number of e-gov initiatives including lead on the disaster assistance and crisis response initiative.	During 2002, FEMA will work to integrate its CPIC and EA process, will address all A–11 requirements when developing their business cases and submit the business cases in a timely manner, and will work to fully integrate security efforts into the EA and CPIC. Two recent initiatives — the establishment of an Office of Cyber Security reporting directly to the CIO and the revision of FEMA's CPIC — should significantly advance the Agency's efforts in these regards.

Table 22–1. EFFECTIVENESS OF AGENCY'S IT MANAGEMENT AND E-GOV PROCESSES—Continued

Capital Planning and Investment Control (CPIC) Effectiveness	Enterprise Architecture (EA) Effectiveness	Business Cases for IT Projects	E-Gov Progress	Process Improvement Milestones for Calendar Year 2002
		General Services Administration		
GSA's documented CPIC process appears to be very comprehensive and complies with OMB guidance. The resulting business cases from this process demonstrate that the processes is not fully integrated into agency decision-making. GSA is working to better educate the agency on the tenets of CPIC and integrating CPIC with their EA efforts.	GSA provided draft EA documents and OMB cannot officially assess or comment on the draft until it is signed and executive buy-in from the agency demonstrated. However, OMB does note that if the work continues as is defined in the draft, the agency will be well on their way to addressing EA and the principles of OMB guidance.	Initial submission of business cases were incomplete and work continues to demonstrate and strengthen business cases for all major projects.	GSA plays a major role in the area of E-gov. They are the managers of the Federal Government's portal (firstGov), and is the managing partner for 4 of the President's Management Council (PMC) E-Gov initiatives: 1) USA Service, 2) Federal Asset Sales, 3) E-Authentication, and 4) E-Travel.	GSA will continue during 2002 to educate the agency on CPIC and further integrate the processes into decision-making for IT investments within the agency. GSA will also continue integrating CPIC and EA with an emphasis on E-Gov within their IT governance structure at GSA. GSA should also update its agency EA efforts with knowledge learned from managing the E-Gov initiatives of the PMC.
		Agency for International Development		
Not integrated with overall IT management processes. USAID is undertaking a study to re-engineer Agency business practices, improve capital planning and integrate enterprise architecture.	Not integrated with overall IT management processes. USAID is undertaking a study to re-engineer Agency business practices, improve capital planning and integrate enterprise architecture.	None of the Agency's IT projects could make the business case. Revised business cases will submitted.	The agency has a comprehensive plan to go on-line and implement the Government Paperwork Elimination Act.	USAID is undertaking a study to address how it can make more effective use of capital planning, enterprise architecture, and modern business concepts. The FY 2003 budget includes a capital investment account to segregate and better manage IT funding.
		National Aeronautics and Space Administration		
NASA is working with OMB to develop a more complete, agency-level framework for managing all of its IT investments.	NASA has made progress in the area of EA and continues to populate the business, data, application, and technology layers of the EA. NASA should continue working to improve the integration of the CPIC and EA processes creating an E-Government governance process for selecting, managing, and evaluating IT investments.	NASA has 5 major projects that demonstrated business cases for IT projects. NASA is in the process of developing other business cases for major projects for submission to OMB in February. NASA is directed to continue work on the remaining FY 2003 major projects identified in their Exhibit 53.	NASA has been a strong leader in e-government. NASA should continue to assess its IT investments against the 23 major e-government initiatives of the President's Management Council to identify opportunities to collaborate and participate.	During 2002, NASA will continue to integrate its CPIC and EA process. NASA will continue work to fully integrate OMB Circular A–11 requirements into its internal reviews for FY 2004.

Table 22–1. EFFECTIVENESS OF AGENCY'S IT MANAGEMENT AND E-GOV PROCESSES—Continued

Capital Planning and Investment Control (CPIC) Effectiveness	Enterprise Architecture (EA) Effectiveness	Business Cases for IT Projects	E-Gov Progress	Process Improvement Milestones for Calendar Year 2002
		National Science Foundation		
The Foundation has a strong CPIC process in place in the agency that drives decision making about IT investments.	NSF has the tenets of a good EA working. The IT Architecture is being updated to reflect a more E-Government focus.	NSF provided business cases for IT projects for all of their major projects.	NSF was the first agency to perform all of its critical interactions with its proposal applicants through the web. Over 99 percent of the proposals the agency receives are submitted electronically.	Initiate Strategic Business Analysis and Business Case for Next Generation eGovernment capability and supporting Enterprise Architecture (June 02)
		Office of Personnel Management		
OPM's CPIC process is robust and informs decisions about IT investments based on trade-offs of benefits and risks.	OPM's EA effort is comprehensive and addresses the business, data, application and technology layers of the agency. OMB recommends that OPM continue to update its EA efforts with knowledge they gain via their role in the E-gov initiatives, to create an EA repository so that managing change becomes easier.	OPM submitted fully compliant business cases for all of their major projects with the initial budget request.	OPM will lead 5 of the President's Management Council (PMC) E-Gov initiatives: 1) Integrated HR, 2) Recruitment One Stop, 3) E-Clearance, 4) E-Training, and 5) Payroll Modernization.	OPM will continue to integrate its CPIC and EA processes to create an E-Government governance process for all IT investments including the PMC E-Gov initiatives, pre-existing IT initiatives (e.g., Retirement System Modernization), and strategic initiatives that will unify and simplify personnel processes across government, eliminating duplicate systems and reducing costs.
		Small Business Administration		
The agency has a strong CPIC process in place in the agency and it is used to make decisions about IT investments.	SBA has had an IT Architecture for several years. It is not clear whether the ITA in the past was used to govern decisions about IT. The agency is in the process of updating the ITA to an EA to capture a more comprehensive view of the agency and to integrate it with the CPIC process.	SBA has business cases for all IT projects that were approved via the budget process.	SBA has been very active in the President's Management Council (PMC) E-Gov efforts. SBA is managing partner for the "One Stop Business Compliance Information" E-Gov initiative.	Agency will continue working with OMB throughout 2002 to integrate its CPIC and EA processes. SBA is also reviewing its IT portfolio to ensure that 100 percent of the IT investments are subject to the CPIC and EA processes and ensuring IT security is planned and demonstrated for all IT projects.

Table 22–1. EFFECTIVENESS OF AGENCY'S IT MANAGEMENT AND E-GOV PROCESSES—Continued

Capital Planning and Investment Control (CPIC) Effectiveness	Enterprise Architecture (EA) Effectiveness	Business Cases for IT Projects	E-Gov Progress	Process Improvement Milestones for Calendar Year 2002
Social Security Administration				
SSA's capital planning process has improved markedly over the last two years. However, SSA still needs to improve its risk management assessment, set performance goals associated with specific IT projects, and develop a cost-tracking system that consolidates cost information for IT projects.	SSA has just begun an integrated comprehensive EA and submitted a detailed project plan for implementation with the initial Budget Submission. It is too early to determine whether this EA will be effective in managing and controlling IT investments in the agency.	All of SSA's major projects demonstrated business cases for IT projects. SSA continues to work on improving delivery of the systems within planned costs, schedule, and performance goals. OMB has asked the agency to review their "significant" projects against the criteria for "major" in an effort to increase the visibility of the IT portfolio. Negotiations continue with the agency in this area.	SSA has taken constructive steps in the last two years by rapidly expanding online customer service options. These include retirement claims, Medicare replacement cards, online "account" status, access to change one's address and telephone number, and direct deposit. Despite these new services, SSA remains a paper-driven agency that still relies on moving claims folders from one site to the next for processing. SSA is also managing partner for the President's Management Council (PMC) E-Gov initiative "E-Vital".	SSA will continue through 2002 to build upon the EA submitted to OMB with the FY03 budget and will focus on the integration of the CPIC and EA to create an E-Government governance process whereby all decisions for managing IT at SSA are made.
National Archives and Record Administration				
NARA submitted a CPIC process for the first time this year. NARA should continue to develop the CPIC , with an emphasis on developing an integrated framework for managing all of its IT investments across the agency.	NARA submitted an EA for the first time this year. NARA should continue to develop the EA and to improve the integration of the CPIC and EA processes.	NARA is working to strengthen its business cases for IT and will periodically inform OMB of its progress.	NARA is the managing partner for the "Electronic Records Management (ERM)" E-government initiative. This initiative will prototype the use of a markup language based approach in establishing uniform procedures and requirements for the creation, management, and interagency sharing of electronic records. NARA is also a partner on several other e-government initiatives, including Transportation's "Online Rulemaking Management"	During 2002, NARA will continue to integrate its CPIC and EA process. NARA continues to work on the "Electronic Records Archive (ERA). NARA will also continue to work on the ERM e-government initiative and to coordinate with the other partner agencies.

Table 22–1. EFFECTIVENESS OF AGENCY'S IT MANAGEMENT AND E-GOV PROCESSES—Continued

Capital Planning and Investment Control (CPIC) Effectiveness	Enterprise Architecture (EA) Effectiveness	Business Cases for IT Projects	E-Gov Progress	Process Improvement Milestones for Calendar Year 2002
		Nuclear Regulatory Commission		
The NRC CPIC process has been in place for several years. NRC strives for continuous improvements by incorporating best practices. NRC has underway a major review and update of the CPIC to better integrate the IT management processes within the agency and to promote a stronger business case approach for IT investments.	The NRC Enterprise Architecture (EA) process is based on OMB's Memorandum M–97–16, "Information Technology Architectures," and has been in place for several years. In response to more recent guidance, CIO Council's "A Practical Guide to Federal Enterprise Architecture," NRC is in the process of updating their EA efforts, integrating them with the updated CPIC processes and creating an E-Government framework which they will use to manage IT investments.	NRC's major projects are supported by business cases. NRC is also continuing to 1) include all major projects within the Department's Portfolio, 2) demonstrate the business cases for all new major projects, and 3) improve the decision making processes for IT investments.	NRC has implemented Electronic Information Exchange (EIE) with its nuclear reactor licensees. The agency has initiated a rulemaking activity to open the EIE program to all licensees by the end of FY 2002.	NRC will continue working throughout 2002 to improve the CPIC and EA processes in consultation with OMB. NRC will also review the President's Management Council (PMC) E-Gov initiatives for opportunities to participate.
		Corps of Engineers—Civil Works		
The Corps' CPIC process has been in place and not updated for several years. The Corps is reviewing and updating the CPIC to better integrate a myriad of IT management process within the agency and a stronger business case approach for IT investments.	The Corps' EA efforts were started prior to the issuance of Clinger-Cohen. The Corps' original 1995 architecture had a heavy preponderance in the areas of technology and infrastructure with no clear tie or mapping to the business and data layers as required in OMB guidance. The Corps web-based Enterprise Architecture Framework (CEA)is in place, but needs to be fully populated.	The Corps' initial submission of business cases were incomplete. The Corps engaged OMB in efforts to demonstrate the business cases and were successful in doing so for the major projects identified. The Corp is also continuing to: 1) identify all major projects within the Department's Portfolio; 2) demonstrate the business cases for all major projects; and 3) improve the decision -making processes for IT investments.	It is difficult to assess the agencies efforts and compliance is this area. The Corps only provided detailed justification for the three projects it identified as "major." which is only 14 percent of its IT investments. The agency is reassessing their entire IT portfolio to provide greater visibility into their efforts.	The Corps will continue working throughout 2002 to improve the CPIC and EA processes in consultation with OMB. It is recognized that the Corps is participating in one of the 23 multi-agency eGov initiatives, specifically, "Recreation One Stop." However, the Corps needs to provide increased visibility to its internal e-Gov initiatives and also review the President's Management Council (PMC) e-Gov initiatives for further opportunities to participate. Also, The Corps is in the process of updating their EA efforts, integrating them with an updated CPIC processes and creating an E-Government framework which they will use to manage IT investments.

SCORECARD STANDARDS FOR SUCCESS

23. SCORECARD STANDARDS FOR SUCCESS

In August 2001, the President launched his *Management Agenda* targeted to "address the most apparent deficiencies where the opportunity to improve performance is the greatest." The Agenda includes five government-wide initiatives, each of which is described more fully in the *Budget* chapter on Governing for Accountability.

- Strategic Management of Human Capital;
- Competitive Sourcing;
- Improved Financial Performance;
- Expanded Electronic Government; and
- Budget and Performance Integration.

In order to ensure accountability for performance and results, the Administration is using an Executive Branch Management Scorecard. The Administration will use this scorecard to track how well departments and agencies are executing the management initiatives, and where they stand at a given point in time against overall standards for success.

The scorecard employs a simple grading system common today in well-run businesses: green for success, yellow for mixed results, and red for unsatisfactory. Scores are based on five standards for success defined by the President's Management Council and discussed with experts throughout government and academe, including individual Fellows from the National Academy for Public Administration. The standards for financial management, for example, were reviewed by the Secretary of the Treasury, the Comptroller General, and the Director of the Office of Management and Budget.

Under each of the five standards, an agency is "green" if it meets all of the standards for success, "yellow" if it has achieved some but not all of the criteria, and "red" if it has any one of a number of serious flaws. For example, in financial management, an agency is "red" if its books are such a mess that auditors cannot express an opinion on the agency's financial statements, or if an agency has a history of spending more money than has been given to it in law by the Congress.

The initial scorecard shows a lot of poor scores, reflecting the state of the government this Administration inherited. This was to be expected since, as the President indicated when selecting the *Management Agenda* items, the areas are "targeted to address the most apparent deficiencies where the opportunity to improve performance is the greatest." The marks that really matter will be those that record improvement, or lack of it, from these starting points.

The initial scorecard can be found in the *Budget* chapter on Governing for Accountability. The agency chapters, which follow, discuss in greater detail the scores for individual departmental and agencies.

Over time, the scores should improve as departments and agencies correct the problems. The Administration will update this report twice a year and issue a mid-year report during the summer. This Administration will not indulge in grade inflation; we will hold ourselves responsible and report honestly when progress is too slow.

SCORECARD STANDARDS FOR SUCCESS

Human Capital

Green	Yellow	Red
Must Meet All Core Criteria: • Agency human capital strategy is aligned with mission, goals, and organizational objectives: 1) integrated into Budget and Strategic Plans; 2) consistent with OPM's human capital scorecard (issued by December 1, 2001); and 3) complies with standards for internal accountability systems to ensure effective merit-based HRM. • Agency has a citizen-centered organizational structure that is delayered and oriented toward performing the mission assigned to it. • Agency 1) sustains high-performing workforce that is continually improving in productivity; 2) strategically uses existing personnel flexibilities, tools, and technology; and 3) implements effective succession plans. • No skill gaps/deficiencies exist in mission critical occupations. • Agency differentiates between high and low performers through appropriate incentive and rewards. • Changes in agency workforce skill mix and organizational structure reflect increased emphasis on e-government and competitive sourcing.	**Achievement of Some but not All Core Criteria; No Red Conditions.**	**Has Any One of the Following Conditions:** • Agency human capital strategy is not aligned to support the mission, goals, and organizational objectives and is not integrated into Budget and Strategic Plans. • Agency organizational structure is not citizen-centered and not delayered. • Agency does not 1) strategically use existing personnel flexibilities, tools, and technology; and 2) implement succession plans. • Agency is not addressing skill gaps/deficiencies in mission critical occupations. • Agency fails to reward high performers and fails to address low performance. • Agency outsources without training and deploying adequate contract management staff, and/or without appropriate planning to accommodate displaced employees.

SCORECARD STANDARDS FOR SUCCESS

Competitive Sourcing

Green	Yellow	Red
Must Meet All Core Criteria: • Completed public-private or direct conversion competition on not less than 50 percent of the full-time equivalent employees listed on the approved FAIR Act inventories. • Competitions and direct conversions conducted pursuant to approved competition plan. • Commercial reimbursable support service arrangements between agencies are competed with the private sector on a recurring basis.	**Achievement of Some but not All Core Criteria; No Red Conditions.**	**Has Any One of the Following Conditions:** • Completed public-private or direct conversion competition on less than 15 percent of the full-time equivalent employees listed on the approved FAIR Act inventories. • Competitions and direct conversions are not conducted in accordance with approved competition plan.between agencies are competed with the private sector.

SCORECARD STANDARDS FOR SUCCESS

Financial Management

Green	Yellow	Red
Must Meet All Core Criteria: • Financial management systems meet Federal financial management system requirements and applicable Federal accounting and transaction standards as reported by the agency head. • Accurate and timely financial information. • Integrated financial and performance management systems supporting day-to-day operations. • Unqualified and timely audit opinion on the annual financial statements; no material internal control weaknesses reported by the auditors.	**Achievement of Some but not All Core Criteria; No Red Conditions.**	**Has Any One of the Following Conditions:** • Financial management systems fail to meet Federal financial management systems requirements and applicable Federal accounting standards as reported by the agency head. • Chronic or significant Anti-deficiency Act violations. • Agency head unable to provide unqualified assurance statement as to systems of management, accounting, and administrative controls. • Auditors cite material non-compliance with laws and regulations, or repeat material internal control weaknesses; or are unable to express an opinion on the annual financial statements.

SCORECARD STANDARDS FOR SUCCESS

Expanding E-Government

Green	Yellow	Red
Must Meet All Core Criteria: • Strategic Value: all major systems investments have a business case submitted that meets the requirements of OMB Circular A-11 (Exhibit 53, Form 300). • IT Program Performance: On average, all major IT projects operating within 90% of Form 300 cost, schedule, and performance targets. E-government and GPEA implementation: (must show department-wide progress or participation in multi-agency initiative in 3 areas) • Citizen one-stop service delivery integrated through Firstgov.gov, cross-agency call centers, and offices or service centers. • Minimize burden on business by re-using data previously collected or using ebXML or other open standards to receive information. • Intergovernmental: Deploying E-grants or Geospatial Information one-stop. • Obtaining productivity improvements by implementing customer relationship management, supply chain management, enterprise resource management, or knowledge management best practices.	**Achievement of Some but not All Core Criteria; No Red Conditions.**	**Has Any One of the Following Conditions:** • Less than 50% of major IT investments have a business case per OMB Circular A-11 (Exhibit 53, Form 300). • On average, all major IT projects operating at less than 70% of Form 300 cost, schedule and performance targets. Fulfills not more than one of the following: • Citizen one-stop service delivery integrated through Firstgov.gov, cross-agency call centers, and offices or service centers. • Minimize burden on business by re-using data previously collected or using ebXML or other open standards to receive information. • Intergovernmental: Deploying E-grants or Geospatial Information one-stop. • Obtaining productivity improvements by implementing customer relationship management, supply chain management, enterprise resource management, or knowledge management best practices.

SCORECARD STANDARDS FOR SUCCESS

Integrating Budget and Performance

Green	Yellow	Red
Must Meet All Core Criteria: • Integrated planning/evaluation and budget staff work with program managers to create an integrated plan/budget and to monitor and evaluate its implementation. • Streamlined, clear, integrated agency plan/budget sets forth outcome goals, output targets, and resources requested in context of past results. • Budget accounts, staff, and specifically program/activities are aligned to support achieving program targets. • Full budgetary cost is charged to mission accounts and activities. Cost of outputs and programs is integrated with performance in budget requests and execution. • Agency has documented program effectiveness. Analyses show how program outputs and policies affect desired outcomes. Agency systematically applies performance to budget and can demonstrate how program results inform budget decisions.	**Achievement of Some but not All Core Criteria; No Red Conditions.**	**Has Any One of the Following Criteria:** • Planning and budgeting separate with little collaboration. Levels of organization have little and formal communication. Focus on getting funds for independent use. • Traditional budget request with little attempt to tie resources to results or communicate with other than budget technicians. • Excessive numbers of accounts, historical anomalies, accounts that fund illogical parts of programs. Centralized accounts that fund program resources; accounts that fund multiple programs with little in common. • No attention to charging cost to the right bureau, let alone the activity. Substantial costs "mixed up" at the agency or bureau level. Program managers lack authority over resources. • Focus on getting money for a good cause. Justification by anecdote. Little focus on outcomes, or how program influences them.

RANKING REGULATORY INVESTMENTS IN PUBLIC HEALTH

24. RANKING REGULATORY INVESTMENTS IN PUBLIC HEALTH [1]

An essential role of government is to protect citizens from risks to human health, safety and the environment. Since the nation does not possess enough resources to eliminate all risks, an important performance goal for government is to deploy risk-management resources in a way that achieves the greatest public health improvement for the resources available—that is the most "cost-effective" allocation of risk-management resources. In this chapter, we demonstrate how cost-effectiveness ratios can be used to compare the payoffs from different regulatory investments in public health. We also discuss the promise and limitations of the use of cost-effectiveness analysis to inform decisions at regulatory agencies.

Using Cost-Effectiveness Ratios to Construct League Tables

A widely used tool for ranking purposes is the "league table," first used by the English to rank their soccer teams by point standings and later to rank their schools by student achievement scores. More recently, league tables have been used to rank programs, technologies, regulations and therapies aimed at saving lives and improving public health. There is a significant academic literature on the use of league tables in public health that began in the 1960s and continues to grow. OMB believes that government and the public can benefit from the insights generated by league tables.

The OMB first published a league table with the Budget in 1992. In this table, 50 risk-reducing regulations were ranked using cost per life saved as the measure of investment performance. The information in that table was based on analyses by Federal agencies and others in the 1970s and 1980s. The monetary resources required to save one "statistical" life ranged from several hundred thousand dollars to billions of dollars.

In Table 24–1 below, OMB presents a league table of 10 risk-reducing regulations based on information developed by three Federal agencies (DOT, OSHA, and EPA) in the 1995 to 2000 period. Our purpose in presenting this table is to illustrate how cost-effectiveness analysis of public health has changed over the last decade and what technical and policy issues are raised by presentation of league tables. [2]

Table 24–1. COST PER LIFE-YEAR SAVED FOR TEN SELECTED REGULATIONS

Regulation	Health or Safety	Net Costs ($2001)	Life-years saved	Cost per life-year saved ($2001)
Petroleum Refining NESHAP (EPA)	Health	<0	<10 per year	<0
Powered Industrial Truck Operating Training (OSHA)	Safety	<0	146 per year	<0
Head Impact Protection (DOT)	Safety	$390 to $516 million per year	8,360 to 10,007 per year	$50,00 to $53,000
Reflective Devices for Heavy Trucks (DOT)	Safety	$65 million (PV)	946 (PV)	$69,000
Child Restraints (DOT)	Safety	$54 to $112 million per year	370 to 515 per year	$105,000 to $331,000
Rail Roadway Workers (DOT) [a]	Safety	$227 million (PV)	434 (PV)	$523,000
Interim Enhanced Surface Water Treatment (EPA) [b]	Health	<0 to $95 million per year	140 to 640 per year	<0 to $679,000
NOx SIP Call (EPA) [c]	Health	$1265 million in 2007	1590 to 3390 per year	$373,000 to $714,000
Methylene Chloride (OSHA) [d]	Health	$112 million per year	96 per year	$1.16 million
Stage I Disinfection By-Products (EPA) [e]	Health	<0 to $764 million per year	0 to 5130 per year	<0 to infinite

Note: Net costs were calculated by subtracting from compliance costs an estimate of any non-fatality benefits such as a reduction in injuries or morbidity. PV = Present Value.

[a] The estimate does not include possible increased capacity of rail lines and improved worker morale.

[b] The estimate doe not include reduced risks from the pathogens (in addition to cryptosporidiosis) and avoided costs of averting behavior from a well-publicized outbreak.

[c] The estimate does not include a variety of potential benefit categories including possible reductions in ozone-related mortality, acute and chronic respiratory damage, nitrogen deposition in estuarine and coastal waters, damage to ecosystems and vegetation.

[d] The estimate does not include a variety of potential adverse health effects including: cancers resulting from dermal contact, central nervous system effects, and eye, nose, etc. irritation.

[e] The estimate does not include possible reductions in colon and rectal cancer and possible reductions in adverse reproductive and developmental effects.

[1] This chapter is prepared pursuant to Section 624 of the Treasury and General Government Appropriations Act, 2001, also known as the "Regulatory Right to Know Act," Public Law 106–554 (Dec. 21, 2000).

[2] The technical details that support the information presented in Table 24–1, including ratios based on a "lives saved" metric, can be found at *www.whitehouse.gov/omb* under regulatory policy or upon request.

These ten rules, which are a non-random sample of risk-related rulemakings, were selected because the regulatory analyses provided sufficient information to prepare a cost-effectiveness ratio. Many agency rules, even those with a primary purpose of protecting public health, do not provide adequate information to construct a cost-effectiveness ratio. The estimates presented in the table are based on data and estimates provided by the agencies. Where the agencies did not provide estimates of life-years saved, we calculated life-years using standard assumptions about age and life expectancies. Each of the ten rules was reviewed by OMB under Executive Order 12866; five address health issues and five address safety issues.

Interestingly, the tendency for safety rules to be more cost-effective than health rules (see Table 24–1) is consistent with the insights from the early league tables published more than a decade ago. The table also illustrates a finding not evident from the earlier league tables. The range of cost-effectiveness estimates for specific rules varies substantially. For example, the cost per life-year saved for EPA's disinfection by-products rule ranges from less than zero to infinite. The table suggests that we need to do a better job at both refining estimates of the cost-effectiveness of regulatory proposals and setting priorities for the use of the nation's limited resources to protect citizens from health, safety, and environmental risks.[3]

Which Rules Should Be Compared?

In constructing a league table, many issues arise about which rules to include. League tables are most useful if based on information about potential or proposed rules, since the decision makers can consider reallocating resources to those rulemaking opportunities that rank the highest in cost-effectiveness. The challenge is ensuring that league tables are generated early enough in the decision making process to inform regulatory priorities.

When league tables include only recently adopted (final) rules, the utility for policy makers is reduced. Once the agency has adopted a rule, it is difficult to reverse course based on a ranking reported in a league table. Moreover, it may be infeasible for an agency to adopt "more" of a final rule that ranks highly in a league table. Nonetheless, league tables of adopted rules can provide insight into their relative payoffs, which can provide a rough perspective to evaluate future rules.

An intra-agency league table compares only those rules within the jurisdiction of a particular agency. This type of table is appropriate in certain budgetary contexts where only matters in the jurisdiction of a specific agency are subject to comparison, ranking, and decision making. An inter-agency league table, such as Table 24–1, is more useful for synoptic purposes or for decision making by governmental entities with inter-agency responsibility (e.g., appropriations committees and OMB).

Identifying a Performance Measure

Early league tables in the public health field used the number of lives saved (premature deaths averted) as the metric of effectiveness. This metric has been criticized on the grounds that lives are never really saved, only extended. The expected number of life-years saved was developed as an alternative and continues to be used in the academic literature. "Life-years" gives relatively more credit to rules that reduce mortality rates early in the lifespan and less weight to rules that reduce mortality rates late in the lifespan. Although it is sometimes argued that "life-years" discriminates against the elderly, there are strong arguments that "life-years" is a better measure than "lives" of the effectiveness of regulatory alternatives.

Which Costs Should be Counted?

If one were only concerned about impacts on the Federal budget, then the only regulatory costs that would be counted would be those incurred (or saved) by a Federal agency. To reflect the full effect of a regulation, all costs to society—whether Federal, State, or private costs—should be counted when cost-effectiveness ratios are computed. This "societal perspective" on cost estimation is already embraced in OMB guidance and is widely practiced by Federal agencies and academic analysts.

Rulemakings may also yield cost savings (e.g., energy savings associated with using new technologies). It is generally accepted that the numerator in the cost-effectiveness ratio presented in a league table should be based on net costs, defined as the total cost incurred in meeting the requirements minus any cost savings. Similarly, the denominator of the ratio should reflect net life-years saved if the rule has both beneficial and adverse impacts on public health, such as the side effects of a vaccine.

Should Future Costs and Health Effectiveness be Discounted to Their Present Value?

Analysts generally agree that future costs and health effects should be discounted at the same rate, but there is a range of opinion about the appropriate rate of discount (e.g., 3 to 7 percent). If future health savings were discounted at a lower rate than future costs, then it can be shown that it always makes sense to delay adoption of a cost-effective rule. We have generally used 7 percent in our calculations, but following EPA's practice we have used a 5 percent discount rate in calculating life-years for EPA rules.

Limitations of League Tables

Generally, league tables are most helpful for comparing a set of government actions with the same primary outcome (e.g., a reduction in premature mortality risk or acres of wetlands saved). Where an action yields a variety of beneficial outcomes, the comparison be-

[3] OMB set forth its program to improve regulatory outcomes in *Making Sense of Regulation: 2001 Report to Congress on the Costs and Benefits of Regulations and Unfunded Mandates on State, Local, and Tribal Entities* (OMB 2001) available on our website at *www.whitehouse.gov/obm/inforeg/costbenefitreport.pdf* or upon request.

comes more problematic because these multiple benefits all need to be considered. Where the agency analysis provides a monetary estimate for these other benefit categories, we have subtracted the value of these benefits from the aggregate cost estimate to yield a net cost estimate. In some cases, the resulting net cost estimate for the rule is negative—that is, the other (non-mortality) benefits exceed the cost of the rule. Where the agency analysis fails to provide estimates for key benefit categories, the cost-effectiveness ratio may be overstated substantially, and thus, the regulatory action may be a more attractive candidate than suggested by the league table. For rules that have significant ecological as well as public health benefits, it is not clear how to construct a league table. Ecological benefits deserve serious consideration, but it is infeasible to express them in the same units as public health benefits. Finally, in some cases, the mortality reduction benefits may be largely ancillary to the overall effect of the rule, and the opportunity for realizing cost-effective improvements in risk reduction may be limited because the risk reduction gains are relatively small.

One of the most common ancillary benefits of lifesaving rules is a reduction in morbidity—i.e., the number of cases of nonfatal illness or injury. To account for such benefits, OMB is considering the use of new effectiveness measures that combine information on mortality and morbidity. Two such measures are already in widespread use in the academic literature. The "quality-adjusted life-year" (QALY) measure rates each year of life on a 0 to 1.0 scale based on an expert panel or patient assessment of the quality of life associated with different health states. The QALY measure is widely used in the medical literature in both the USA and Europe and has recently been recommended for use by an expert panel assembled by the U.S. Department of Health and Human Services. A close cousin to the QALY, the disability-adjusted life-year (DALY) measure, is widely used in the developing world and has been promoted by the World Health Organization and the World Bank. While the QALY measure values equally all healthy years of life, the DALY measure gives the greatest weight to healthy life-years in the prime of life, since these years—whether through work or child rearing—make a major contribution to societal production.

Strictly speaking, ranking regulatory investments based on cost-effectiveness ratios focuses on economic efficiency. Decision makers may desire (or be required) to consider other values as well (e.g., various notions of fairness and equity). There is no accepted approach to incorporating equity considerations into a league table. However, there is broad consensus that a qualitative description of equity and fairness concerns should be presented to regulators in a rulemaking process and such considerations are clearly authorized for consideration under E.O. 12866.

Taking Steps Toward Cost-Effectiveness in the Regulatory Process

OMB is in the process of taking modest steps toward greater use of cost-effectiveness and league tables in decision making. First, OMB has issued government-wide guidelines on information quality that will promote greater transparency and consistency in agency analyses of health and safety risks. The development of league tables as an analytical construct depends on achieving a degree of analytical consistency across agency evaluation of health and safety risks. Second, OMB has committed to update periodically its guidelines for regulatory analysis, which are used when OMB reviews agency rulemakings. OMB intends to use guideline revision as a vehicle to consider the analytic measures of effectiveness and performance used by agencies and the informational burdens associated with moving toward greater analytic consistency in agency practices. This multi-year process will involve analysts from multiple agencies and will include opportunities for public comment and peer review.

While this approach has been more fully developed in the public health and medical literature, it can be applied to other types of programs. One of the key challenges in extending this analysis into other areas, of course, is developing a suitable measure of the effectiveness of disparate programs directed toward enhancing other aspects of the nation's welfare (e.g., recreational opportunities). OMB encourages agencies to develop objective measures of program effectiveness that can facilitate cost-effectiveness analysis.

BUDGET SYSTEM AND CONCEPTS AND GLOSSARY

25. BUDGET SYSTEM AND CONCEPTS AND GLOSSARY

The budget system of the United States Government provides the means for the President and Congress to decide how much money to spend, what to spend it on, and how to raise the money they have decided to spend. Through the budget system, they determine the allocation of resources among the agencies of the Federal Government. The budget system focuses primarily on dollars, but it also allocates other resources, such as Federal employment. 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. The Congress and the President enact budget decisions into law. The budget system ensures that these laws are carried out.

This chapter provides an overview of the budget system and explains some of the more important budget concepts. It includes summary dollar amounts to illustrate major concepts. Other chapters of the budget documents discuss these amounts, and more detailed amounts, in greater depth. A glossary of budget terms appears at the end of the chapter.

Various laws, enacted to carry out requirements of the Constitution, govern the budget system. The chapter refers to the principal ones by title throughout the text and gives complete citations in the section just preceding the glossary.

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 Government. The primary focus of the budget is on the budget year the next fiscal year for which Congress needs to make appropriations, in this case 2003. (Fiscal year 2003 will begin on October 1, 2002 and end on September 30, 2003.) The budget also covers at least the four years following the budget year in order to reflect the effect of budget decisions over the longer term. It includes the funding levels provided for the current year, in this case 2002, so that the reader can compare the budget estimates to the most recently enacted levels, and it includes data on the most recently completed fiscal year, in this case 2001, so that the reader can compare budget estimates to actual accounting data.

The President begins the process of formulating the budget by establishing general budget and fiscal policy guidelines, usually by the spring of each year, at least nine months before the President transmits the budget to Congress and at least 18 months before the fiscal year begins. (See the Budget Calendar below.) 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 at least the following four years to guide the preparation of their budget requests.

During the formulation of the budget, the President, the Director of OMB, and other officials in the Executive Office of the President continually exchange information, proposals, and evaluations bearing on policy decisions with the Secretaries of the departments and the heads of the other Government agencies. Decisions reflected in previously enacted budgets, including the one for the fiscal year in progress, and reactions to the last proposed budget (which Congress is considering when the process of preparing the upcoming budget begins) influence decisions concerning the upcoming budget. So do projections of the economic outlook, prepared jointly by the Council of Economic Advisers, OMB, and the Treasury Department.

In early fall, agencies submit their budget requests to OMB, where analysts review them and identify issues that OMB officials need to discuss with the agencies. OMB and the agencies resolve many issues themselves. 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 number of people eligible for various benefit programs, among other things, affect Government spending and receipts. Small changes in these assumptions can affect budget estimates by billions of dollars. (Chapter 2, "Economic Assumptions," in the Analytical Perspectives volume of the budget provides more information on this subject.)

Statutory limitations on changes in receipts and outlays also influence budget decisions (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 agencies and functions of the Federal Government, the total outlays and receipts that are appropriate in relation to current and prospective economic conditions, and statutory constraints.

The law governing the President's budget specifies that the President is to transmit the budget to Congress on or after the first Monday in January but not later than the first Monday in February of each year for the following fiscal year, which begins on October 1. This gives Congress eight to nine months before the fiscal year begins to act on the budget.

In some years, for various reasons, the President cannot adhere to the normal schedule. One reason is that the current law does not require an outgoing President to transmit a budget, and it is impractical for an incoming President to complete a budget within a few days of taking office on January 20th. President Clinton, the first President subject to the current requirement, submitted a report to Congress on February 17, 1993, describing the comprehensive economic plan he proposed for the Nation and containing summary budget information. He transmitted the Budget of the United States for 1994 on April 8, 1993. President George W. Bush similarly submitted an initial document, *A Blueprint for New Beginnings A Responsible Budget for America's Priorities,* to Congress on February 28, 2001, and transmitted the Budget of the United States for Fiscal Year 2002 on April 9, 2001.

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, for example, 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. He transmitted a Budget Supplement and other budget volumes in March 1996.

Congressional Action [1]

Congress considers the President's budget proposals and approves, modifies, or disapproves them. It can change funding levels, eliminate programs, or add programs not requested by the President. It can add or eliminate taxes and other sources of receipts, or make other changes that affect the amount of receipts collected.

Congress does not enact a budget as such. Through the process of adopting a budget resolution (described below), it agrees on levels for total spending and receipts, the size of the deficit or surplus, and the debt limit. 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 regular appropriations acts each year (traditionally thirteen). It also enacts changes each year in other laws that affect spending and receipts. Both appropriations acts and these other laws are discussed in the following paragraphs.

In making appropriations, Congress does not vote on the level of outlays (spending) directly, but rather on budget authority, which is the authority provided by law to incur financial obligations that will result in outlays. In a separate process, prior to making appropriations, Congress usually enacts legislation that authorizes an agency to carry out particular programs and, in some cases, limits the amount that can be appropriated for the programs. Some authorizing legislation expires after one year, some expires after a specified number of years, and some does not expire. Congress may enact appropriations for a program even though there is no specific authorization for it.

Congress begins its work on the budget shortly after it receives the President's budget. Under the procedures established by the Congressional Budget Act of 1974, Congress decides on budget totals before completing action on individual appropriations. The Act requires each standing committee of the House and Senate to recommend budget levels and report legislative plans concerning matters within the committee's jurisdiction to the Budget Committee in each body. The Budget Committees then initiate the concurrent resolution on the budget. The budget resolution sets levels for total receipts and for budget authority and outlays, both in total and by functional category (see Functional Classification below). It also sets levels for the budget deficit or surplus and debt.

In the report on the budget resolution, the Budget Committees allocate the amounts of budget authority and outlays within the functional category totals to the House and Senate Appropriations Committees and the other committees that have jurisdiction over the programs in the functions. The Appropriations Committees are required, in turn, to allocate amounts of budget authority and outlays among their respective subcommittees. The subcommittees may not exceed their allocations in drafting spending bills. The other committees with jurisdiction over spending and receipts may make allocations among their subcommittees but are not required to. The Budget Committees' reports may discuss assumptions about the level of funding for major programs. While these assumptions do not bind the committees and subcommittees with jurisdiction over the programs, they may influence their decisions. The budget resolution may contain "reconciliation directives" (discussed below) to the committees responsible for tax laws and for spending not controlled by annual appropriation acts, in order to conform the level of re-

[1] For a fuller discussion of the congressional budget process, see Robert Keith and Allen Schick, Manual on the Federal Budget Process (Congressional Research Service Report 98–720 GOV, August 28, 1998) and Introduction to the Federal Budget Process (Congressional Research Service Report 98–721 GOV, January 2, 2001).

ceipts and this type of spending to the levels specified in the budget resolution.

The congressional timetable calls for the whole Congress to adopt the budget resolution by April 15 of each year, but Congress regularly misses this deadline. Once Congress passes a budget resolution, a member of Congress can raise a point of order to block a bill that would exceed a committee's allocation.

A concurrent resolution, such as the one on the budget, is not a law and, therefore, does not require the President's approval. However, Congress considers the President's views in preparing budget resolutions, because legislation developed to meet congressional budget allocations does require the President's approval. In some years, the President and the joint leadership of Congress have formally agreed on plans to reduce the deficit or balance the budget. These agreements were reflected in the budget resolution and legislation passed for those years.

Appropriations bills are initiated in the House. They provide the budget authority for the majority of Federal programs. The Appropriations Committee in each body has jurisdiction over annual appropriations. These 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 drafted by a subcommittee, the committee and the whole House, in turn, must approve the bill, usually with amendments to the original version. The House then forwards the bill to the Senate, where a similar review follows. If the Senate disagrees with the House on particular matters in the bill, which is often the case, the two bodies form a conference committee (consisting of Members of both bodies) to resolve the differences. The conference committee revises the bill and returns it to both bodies for approval. When the revised bill is agreed to, first in the House and then in the Senate, Congress sends it to the President for approval or veto.

The President can only approve or veto an entire bill. He cannot approve or veto selected parts of a bill. 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. However, in 1998, the Supreme Court declared the authority provided by the Act to be unconstitutional.

For 20 of the last 21 years, including 2002, appropriations bills have not been enacted by the beginning of the fiscal year. When Congress does not complete action on one or more appropriations bills by the beginning of the fiscal year, it usually enacts a joint resolution called a "continuing resolution," which is similar to an appropriations bill, 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 continuing resolution has funded a portion or all of the Government for the entire year. Congress must present these resolutions to the President for approval or veto. In some cases, Presidents have rejected continuing resolutions because they contained unacceptable provisions. Left without funds, Government agencies were required by law to shut down operations with exceptions for some activities until Congress passed a continuing resolution the President would approve. Shutdowns have lasted for periods of a day to several weeks.

As explained earlier, Congress also provides budget authority in laws other than appropriations acts. In fact, while annual appropriations acts control the spending for the majority of Federal programs, they control only one-third of the total spending in a typical year. Permanent laws, called authorizing legislation, control the rest of the spending. This category of spending includes interest the Government pays on the public debt. It also includes the spending of several major programs, such as Social Security, Medicare and Medicaid, unemployment insurance, and Federal employee retirement. This chapter discusses the control of budget authority and outlays in greater detail under BUDGET AUTHORITY AND OTHER BUDGETARY RESOURCES, OBLIGATIONS, AND OUTLAYS.

Almost all taxes and most other receipts result from permanent laws. The House initiates tax bills, specifically in the Ways and Means Committee. In the Senate, the Finance Committee has jurisdiction over tax laws.

The budget resolution often includes reconciliation directives, which require authorizing committees to change permanent laws that affect receipts and outlays. They direct each designated committee to report amendments to the laws under the committee's jurisdiction that would change the levels of receipts and spending controlled by the laws. The directives specify the dollar amount of changes that each designated committee is expected to achieve, but do not specify the laws to be changed or the changes to be made. However, the Budget Committees' reports on the budget resolution may discuss assumptions about how the laws would be changed. Like other assumptions in the report, they do not bind the committees of jurisdiction but may influence their decisions.

The committees subject to reconciliation directives draft the implementing legislation. Such legislation may, for example, change the tax code, revise benefit formulas or eligibility requirements for benefit programs, or authorize Government agencies to charge fees to cover some of their costs. In some years, Congress has enacted an omnibus budget reconciliation act, which combines the amendments to implement reconciliation directives in a single act. These acts, together with appropriations acts for the year, often implement agreements between the President and the Congress. They may include other matters, such as laws providing the means for enforcing these agreements, as described below.

Budget Enforcement

The Budget Enforcement Act (BEA), first enacted in 1990 and extended in 1993 and 1997, significantly amended the laws pertaining to the budget process, including the Congressional Budget Act, the Balanced Budget and Emergency Deficit Control Act, and the law pertaining to the President's budget (see PRINCIPAL BUDGET LAWS, later in the chapter). The BEA constrains legislation enacted through 2002 that would increase spending or decrease receipts. The BEA expires after 2002. The Administration will work with Congress to develop appropriate controls to ensure that enacted legislation is consistent with the proposed funding levels. Enforcement could include discretionary caps and PAYGO, a joint budget resolution that is signed by the President, or some other form of controls on legislative action.

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 permanent laws authorize payments for those purposes. The BEA specifically defines funding for the Food Stamp program as mandatory spending, even though appropriations acts provide the funding. The BEA includes receipts under the same rules that apply to mandatory spending, because permanent laws generally control receipts. The BEA constrains discretionary spending differently from mandatory spending and receipts, as explained in the following paragraphs.

The BEA defines categories of discretionary spending and specifies dollar limits ("caps") on the amount of spending in each category. The categories and their amounts are determined by negotiations within Congress, and between Congress and the President, each time the BEA is amended. Amounts cannot be shifted from one category to another, and the BEA provides no incentive for appropriating less than the cap levels. Thus, the caps tend to be targets for the amount of spending in each category. The caps apply to both budget authority and outlays—except in the case of the highway and mass transit caps, which apply only to outlays.

The categories have varied from year to year under the original and amended versions of the BEA. The current categories, except for the one called "Other Discretionary," were added by amendments to the BEA by other laws. The Transportation Equity Act for the 21st Century (TEA–21) (Public Law 105–178) added categories for highway and mass transit spending for 1999 through 2003. The Department of Interior and Related Agencies Appropriations Act, 2001 (Public Law 106–291) added a category for conservation spending for 2002 through 2006.[2]

[2] In addition to specifying caps for this category, the BEA specifies minimum levels of spending for six subcategories. The subcategories are not binding and are not enforced by sequestration.

Because the BEA itself expires after 2002, the categories in later years will apply to budgets for those years only if an extension of the BEA is enacted and those categories are retained. In some years prior to 2000, the BEA divided discretionary spending into the major categories of national defense, international, domestic spending, and violent crime reduction. The *Historical Tables* volume of the budget provides comparable data for the major BEA categories for 1962 through 2007.

The BEA includes general requirements for OMB to adjust the caps up or down for changes in concepts and definitions, to accommodate appropriations designated by the President and the Congress as emergency spending, and to allow a limited amount of leeway when the level of budget authority does not exceed the budget authority cap but the estimate of outlays resulting from the budget authority exceeds the outlay cap.

The BEA also specifies cap adjustments for certain programs for various reasons. For example, the caps must be increased up to a specified dollar limit to accommodate appropriations for continuing disability reviews by the Social Security Administration. This adjustment was included in the BEA because it was determined that the reviews reduce overall spending by eliminating benefit payments to ineligible individuals.

The caps adjustments required for the highways and mass transit categories are designed to ensure that spending levels are consistent with the level of receipts that are earmarked for those programs. The highways and mass transit caps on outlays were based on estimates, at the time TEA–21 was drafted, of gasoline excise taxes and other receipts credited to the Highway Trust Fund each year. The TEA–21 amendments require OMB to adjust these caps up or down for the difference in the amount of receipts actually collected in the past year and for Treasury's reestimates of the amount the Government expects to collect in the budget year. For 2003, the law requires OMB to make a downward adjustment, due to lower than expected collections of receipts. (See Chapter 14, "Preview Report," in the *Analytical Perspectives* volume of the budget for additional information.)

The cap adjustments required for the conservation spending category are designed to encourage Congress to appropriate up to the cap level. If appropriations for a given year in the conservation spending category are less than the caps, the BEA requires OMB to increase the caps for the following year by the shortfall. And, if appropriations for a given year in a subcategory of the conservation spending category are less than the specified level for that category, the BEA requires OMB to increase the minimum level for the following year by the shortfall.

In order to link the full cost of resources used with results achieved in support of budgeting and managing for performance, the Administration also proposes to fully accrue pensions and retiree health benefits for Federal employees. This additional funding does not constitute additional program level; instead, it ensures that the budget recognizes and accurately measures the full costs of existing programs. The Administration's budget requests sufficient funding by account for this conceptual budget change (see Chapter 1, "Budget Performance Integration" and Chapter 14, "Preview Report," in the *Analytical Perspectives* volume of the budget).

The following table shows the adjusted caps for 2000 through 2002. The Preview Report (described below) explains the cap adjustments.

Table 25–1. DISCRETIONARY SPENDING LIMITS

(In billions of dollars)

	2001	2002	2003
Highways:			
Budget Authority	N/A	N/A	N/A
Outlays	27	29	28
Mass transit:			
Budget Authority	N/A	N/A	N/A
Outlays	5	5	6
Conservation spending:			
Budget Authority	N/A	2	2
Outlays	N/A	1	2
Other discretionary:			
Budget Authority	661	706	N/A
Outlays	652	731	N/A
Total discretionary:			
Budget Authority	661	708	2
Outlays	684	767	35

N/A means that this category was not applicable in the specified year.

If the amount of budget authority provided in appropriations acts for a given year exceeds the cap on budget authority for a category, or the amount of outlays in that year exceeds the cap on outlays for a category, the BEA requires a procedure, called sequestration, for reducing the spending in that category. A sequestration reduces spending for most programs in the category by a uniform percentage. The BEA specifies special rules for reducing some programs and exempts some programs from sequestration entirely. In some years (including 2002), the caps have been circumvented by designating funds as emergency spending (such as spending for the decennial census) and by using advance appropriations to spread budget authority over more than one year, when there is no programmatic purpose for doing so.

The BEA does not cap mandatory spending or require a certain level of receipts. Instead, it requires that all laws enacted through 2002 that affect mandatory spending or receipts must be enacted on a ***"pay-as-you-go" (PAYGO)*** basis. This means that if a law increases the deficit or reduces a surplus in the budget year or any of the four following years, another law must be enacted with an offsetting reduction in spending or increase in receipts for each year that is affected. Legislated increases in benefit payments, for example, would have to be offset by legislated reductions in other mandatory spending or increases in receipts. Otherwise, a sequestration would be triggered at the end of the session of Congress in the fiscal year in which the deficit would be increased. The BEA sequestration procedures require a uniform reduction of mandatory spending programs that are neither exempt nor subject to special rules. The BEA exempts Social Security, interest on the public debt, Federal employee retirement, Medicaid, most means-tested entitlements, deposit insurance, other prior legal obligations, and most unemployment benefits. A special rule limits the sequestration of Medicare spending to no more than four percent, and special rules for some other programs limit the size of a sequestration for those programs. As a result of exemptions and special rules, only about three percent of all mandatory spending is subject to sequestration, including the maximum amounts allowed under special rules.

The PAYGO rules do not apply to increases in mandatory spending or decreases in receipts that are not the result of new laws. For example, mandatory spending for benefit programs, such as unemployment insurance, rises when the population of eligible beneficiaries rises, and many benefit payments are automatically increased for inflation under existing laws. Likewise, tax receipts decrease when the profits of private businesses decline as the result of economic conditions.

The BEA requires OMB to make the estimates and calculations that determine whether there is to be a sequestration and report them to the President and Congress. It requires the Congressional Budget Office (CBO) to make the same estimates and calculations, and the Director of OMB to explain any differences between the OMB and CBO estimates. The BEA requires the President to issue a sequestration order without changing any of the particulars of the OMB report. It requires the General Accounting Office to prepare compliance reports.

The BEA requires OMB and CBO to publish three sequestration reports—a "preview"' report at the time the President submits the budget, an "update" report in August, and a "final" report at the end of a session of Congress (usually in the fall of each year). The preview report discusses the status of discretionary and PAYGO sequestration, based on current law. This report also explains the adjustments that are required by law to the discretionary caps and publishes the revised caps. (See Chapter 14, "Preview Report," in the *Analytical Perspectives* volume of the budget.) The update and final reports revise the preview report estimates to reflect the effects of newly enacted discretionary and PAYGO laws. The BEA requires OMB and CBO to estimate the effects of appropriations acts and PAYGO laws immediately after each one is enacted and to include these estimates, without change, in the update and final reports. OMB's final report estimates trigger a sequestration if the appropriations enacted for the current year exceed the caps or if the cumulative effect of PAYGO legislation is estimated to increase a deficit or reduce a surplus. In addition, CBO estimates the effects of bills as they move through Congress for the purpose of the Budget Committees' enforcement of the budget resolution within Congress. OMB provides advisory estimates on bills that might have significant consequences as they move through Congress.

From the end of a session of Congress through the following June 30th, discretionary sequestrations take place whenever an appropriations act for the current fiscal year causes a cap to be exceeded. Because a sequestration in the last quarter of a fiscal year might be too disruptive, the BEA specifies that a sequestration that otherwise would be required then is to be accomplished by reducing the cap for the next fiscal year. These requirements ensure that supplemental appropriations enacted during the fiscal year are subject to the budget enforcement provisions.

Budget Execution

Government agencies may not spend more than Congress has appropriated, and they may use funds only for purposes specified in law. The Antideficiency Act prohibits them 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 budgetary resources available for 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 OMB to reapportion funds during the year to accommodate changing circumstances. This system helps to ensure that funds are available to cover operations for the entire year.

During the budget execution phase, the Government often finds that it needs to spend more money than Congress has appropriated for the fiscal year because of circumstances that were not anticipated when the budget was formulated and appropriations enacted for that fiscal year. For example, more money might be needed in order to provide adequate assistance to an area stricken by an unusually severe natural disaster. Under such circumstances, Congress may enact a supplemental appropriation.

On the other hand, changing circumstances may reduce the need for certain spending for which Congress has appropriated funds. Under the requirements of the Impoundment Control Act of 1974, the President cannot simply decline to spend appropriations. The President may propose deferrals or rescissions. Deferrals, which are temporary withholdings, take effect immediately unless overturned by an act of Congress. The President may only defer funds 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. He may not defer funds for policy reasons. In 2001, over $1.9 billion in deferrals were proposed, and Congress overturned none. Rescissions, which permanently cancel budget authority, take effect only if Congress passes a law approving them. The law may approve only part of a rescission. If Congress does not pass such a law within 45 days of continuous session, the President must make the funds available for spending. The President may propose a rescission for any reason. In total, Congress has rescinded about one-third of the amount of funds that Presidents have proposed for rescission since enactment of the Impoundment Control Act. In 2001, no rescissions were proposed.

Budget Calendar

The following timetable highlights the scheduled dates for significant budget events during the year.

Between the 1st Monday in January and the 1st Monday in February	President transmits the budget, including a sequestration preview report.
Six weeks later	Congressional committees report budget estimates to Budget Committees.
April 15	Action to be completed on congressional budget resolution.
May 15	House consideration of annual appropriations bills may begin.
June 15	Action to be completed on reconciliation.
June 30	Action on appropriations to be completed by House.
July 15	President transmits Mid-Session Review of the budget.
August 20	OMB updates the sequestration preview report.
October 1	Fiscal year begins.
15 days after the end of a session of Congress	OMB issues final sequestration report, and the President issues a sequestration order, if necessary.

COVERAGE OF THE BUDGET

Federal Government and Budget Totals

Table 25–2. TOTALS FOR THE BUDGET AND THE FEDERAL GOVERNMENT

(In billions of dollars)

	2001 actual	Estimate	
		2002	2003
Budget authority			
Unified	1,960	2,085	2,163
On-budget	1,604	1,721	1,789
Off-budget	356	364	374
Receipts:			
Unified	1,991	1,946	2,048
On-budget	1,484	1,429	1,503
Off-budget	508	517	545
Outlays:			
Unified	1,864	2,052	2,128
On-budget	1,517	1,691	1,762
Off-budget	347	362	367
Surplus/Deficit (-):			
Unified	127	–106	–80
On-budget	–33	–262	–259
Off-budget	161	156	179

The budget documents provide information on all Federal agencies and programs. However, because the laws governing Social Security (the Federal Old-Age and Survivors Insurance and the Federal Disability Insurance trust funds) and the Postal Service Fund exclude the receipts and outlays for those activities from the budget totals and from the calculation of the deficit or surplus for Budget Enforcement Act purposes, the budget presents on-budget and off-budget totals. The off-budget totals include the transactions excluded by law from the budget totals. The on-budget and off-budget amounts are added together to derive the totals for the Federal Government. These are sometimes referred to as the unified or consolidated budget totals.

Neither the on-budget nor the off-budget totals include transactions of Government-sponsored enterprises, such as the Federal National Mortgage Association (Fannie Mae). Federal laws established these enterprises for public policy purposes, but they are privately owned and operated corporations. Because of their close relationship to the Government, the budget discusses them and reports their financial data in the Appendix to the budget and in some detailed tables.

The *Appendix* includes a presentation for the Board of Governors of the Federal Reserve System 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 within the Government. However, the Federal Reserve System transfers its net earnings to the Treasury, and the budget records them 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 comprises the subfunctions 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 establishing functional categories and assigning activities to them:

- A function encompasses activities with similar purposes, emphasizing what the Federal Government seeks to accomplish rather than the means of accomplishment, the objects purchased, the clientele or geographic area served, or the Federal agency conducting the activity.
- 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 primary 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.

Chapter 26, "Detailed Functional Tables," in the *Analytical Perspectives* volume of the budget provides detailed information on government activities by function and subfunction.

Agencies, Accounts, Programs, Projects, and Activities

Various summary tables in the *Analytical Perspectives* volume of the budget provide information on budget authority, outlays, and offsetting collections and receipts arrayed by Federal agency. Chapter 27 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* provides budgetary, financial, and descriptive information about programs, projects, and activities by account within each agency. The *Appendix* 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. Receipt accounts of the ***general fund,*** which is the greater part of the budget, record receipts not earmarked by law for a specific purpose, such as almost all income tax receipts. The general fund also includes the proceeds of general borrowing. General fund appropriation accounts record general fund expenditures. General fund appropriations draw from general fund receipts and borrowing collectively and, therefore, are not specifically linked to receipt accounts. ***Special funds*** consist of receipt accounts for Federal fund receipts that laws have earmarked for specific purposes and the associated appropriation accounts for the expenditure of those receipts. ***Public enterprise funds*** are revolving funds used for programs authorized by law to conduct a cycle of business-type operations, primarily with the public, in which outlays generate collections. ***Intragovernmental funds*** are revolving funds that conduct business-type operations primarily within and between Government agencies. The collections and the outlays of revolving funds are recorded in the same budget account.

Trust funds 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 where the Nation is the beneficiary (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," as applied to trust fund accounts, 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. The Government does act as a true trustee for some funds. For example, it maintains accounts on behalf of individual Federal employees in the Thrift Savings Fund, investing them as directed by the individual employee. The Government accounts for such funds in ***deposit funds,*** which are not included in the budget. (Chapter 16, "Trust Funds and Federal Funds," in the *Analytical Perspectives* volume of the 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, equipment, and software. It also includes subsidies for capital investment provided by direct loans and loan guarantees; purchases of other financial assets; grants to state and local governments for purchases of physical assets; and the conduct of research, development, education, and training. (Chapter 7, "Federal Investment Spending and Capital Budgeting," in the *Analytical Perspectives* volume of the budget provides more information on capital investment.)

RECEIPTS, OFFSETTING COLLECTIONS, AND OFFSETTING RECEIPTS

In General

The budget records money collected by Government agencies two different ways. Depending on the nature of the activity generating the collection, they are recorded as either:

- ***Receipts,*** which are compared in total to outlays (net of offsetting collections and receipts) in calculating the surplus or deficit; or
- ***Offsetting collections or offsetting receipts,*** which are deducted from gross outlays to produce net outlay figures.

Receipts

Receipts are collections that result from the Government's exercise of its sovereign power to tax or otherwise compel payment and gifts of money to the Government. Sometimes they are called governmental receipts. They 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. 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.) Chapter 4, "Federal Receipts," in the *Analytical Perspectives* volume of the budget provides more information on receipts.

Offsetting Collections and Receipts

Offsetting collections and receipts result from either of two kinds of transactions:

- ***Business-like or market-oriented activities with the public.*** The budget records the proceeds from the sale of postage stamps, the fees charged for admittance to recreation areas, and the proceeds from the sale of Government-owned land, for example, as offsetting collections or receipts. They are deducted from gross budget authority and outlays, rather than added to receipts. This treatment produces budget totals for receipts, budget authority, and outlays that represent governmental rather than market activity.
- ***Intragovernmental transactions.*** The budget also records collections by one Government account from another as offsetting collections or receipts. For example, the General Services Admin-

istration records payments it receives from other Government agencies for the rent of office space as offsetting collections in the Federal Buildings Fund. Intragovernmental offsetting collections and receipts are deducted from gross budget authority and outlays so that the budget totals measure the transactions of the Government with the public.

A table in Chapter 21, "Outlays to the Public, Net and Gross," in the *Analytical Perspectives* volume of the budget, shows the effect of offsetting collections and receipts on gross outlays for each major Federal agency.

Although offsetting collections and offsetting receipts both offset gross budget authority and outlays, the budget accounts for them differently, as explained in the following sections.

Offsetting Collections

Some laws authorize agencies to credit collections directly to the account from which they will be spent and, usually, to spend the collections for the purpose of the account without further action by Congress. Most revolving funds operate with such authority. 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 budget records these collections in the Postal Service Fund (a revolving fund) and records budget authority in an amount equal to the collections. In addition to revolving funds, some agencies are authorized to charge fees to defray a portion of costs for a program that are otherwise financed by appropriations from the general fund. In such cases, the budget records the offsetting collections and resulting budget authority in the program's general fund expenditure account. Similarly, intragovernmental collections authorized by some laws may be recorded as offsetting collections and budget authority in revolving funds or in general fund expenditure accounts.

Sometimes appropriations acts or provisions in other laws limit the obligations that can be financed by offsetting collections. In those cases, the budget records budget authority in the amount available to incur obligations.

Where accounts have offsetting collections, the budget shows the budget authority and outlays of the account both gross (before deducting offsetting collections) and net (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. The budget labels these "offsetting governmental collections."

Offsetting Receipts

Collections that are offset against gross outlays but 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. However, unlike offsetting collections credited to expenditure accounts, offsetting receipts do not offset budget authority and outlays at the account level. In most cases, they offset budget authority and outlays at the agency and subfunction levels. Offsetting receipts are subdivided into three categories, as follows:

- ***Proprietary receipts from the public.***—These are collections from the public 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. Proprietary receipts from a few sources, however, are not offset against any specific agency or function and are classified as undistributed offsetting receipts. They are deducted from the Government-wide totals for budget authority and outlays. For example, the collections of rents and royalties from outer continental shelf lands are undistributed because the amounts are large and for the most part are not related to the spending of the agency that administers the transactions and the subfunction that records the administrative expenses.
- ***Intragovernmental transactions.***—These are collections of payments 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 are classified as undistributed offsetting receipts. They 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.

User Charges and Fees

User charges are fees assessed for the provision of Government services and for the sale or use of Government goods or resources. The payers of the user charge must be limited in the authorizing legislation to those receiving special benefits from, or subject to regulation by, the program or activity beyond the benefits received by the general public or broad segments of the public (such as those who pay income taxes or customs duties). User charges are defined and the policy regarding user charges is established in OMB Circular A–25, "User Charges" (July 8, 1993). The term encompasses proceeds from the sale or use of government goods and services, including the sale of natural resources (such as timber, oil, and minerals) and proceeds from asset sales (such as property, plant, and equipment).

User fees are a subset of user charges that are authorized to be utilized solely to support the program or activity for which it was levied. User fees are more limited in coverage than user charges. They do not include the sale of natural resources and assets, and they must be earmarked for the activity they finance by being credited to special or trust receipts accounts (as receipts or offsetting receipts) or to expenditure accounts (as offsetting collections). User charges that are credited to the general fund of the Treasury are not user fees by definition, because they are not utilized solely to support the program or activity for which they were levied.

The terms user charges and user fees do not refer to separate budget categories for collections. The budget records user charges and user fees as receipts or as offsetting collections or offsetting receipts, depending on whether the fee results primarily from the exercise of governmental powers or from business-like activity (unless the law requires governmental receipts to be classified as offsetting).

See Chapter 5, "User Fees and Other Collections," in the Analytical Perspectives volume of the budget, for a more detailed discussion of user charges, user fees, offsetting collections and receipts.

BUDGET AUTHORITY AND OTHER BUDGETARY RESOURCES, OBLIGATIONS, AND OUTLAYS

Budget Authority and Other Budgetary Resources

Budget authority is the authority provided in law to enter into legal obligations that will result in immediate or future outlays of Government funds. In other words, it is the amount of money that the law allows the Government to commit to be spent in current or future years. Government officials may obligate the Government to make outlays only to the extent they have been granted budget authority. The budget records budget authority as a dollar amount in the year when it first becomes available. Under the circumstances described below, unobligated balances of budget authority may be carried over into the next year. The budget does not record these balances 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. In such cases, the budget records budget authority equal to the amount of obligations that can be incurred. (In a major exception to this rule, the budget authority recorded for the highway and mass transit programs financed by the Highway Trust Fund is the amount of budget authority (in the form of contract authority, which is described below) provided in authorizing statutes, even though the obligation limitations enacted in annual appropriations acts restrict the amount of obligations that can be incurred.)

In deciding the amount of budget authority to request for a program, project, or activity, agency officials estimate the total amount of obligations they will need to incur 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 covers needs for the year. For major procurement programs and construction projects, the Government generally applies a full funding policy. Under this policy, agencies must request an amount to be appropriated in the first year that they estimate will be adequate to complete an economically useful segment of a procurement or project, even though it may be obligated over several years. This policy is intended to ensure that the decision-makers take into account all costs and benefits fully at the time decisions are made to provide resources. It also avoids sinking money into a procurement or project without being certain if or when future funding will be available to complete the procurement or project.

Budget authority takes several forms:

- ***Appropriations,*** provided in annual appropriations acts or permanent laws, permit agencies to incur obligations and make payment;
- ***Authority to borrow,*** usually provided in permanent laws, permits agencies to incur obligations but requires them to borrow funds, usually from the general fund of the Treasury, to make payment;
- ***Contract authority,*** usually provided in permanent law, permits agencies to incur 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,*** usually provided in permanent law, permits agencies to credit offsetting collections to an ex-

penditure account, incur obligations, and make payment using the offsetting collections.

Because offsetting collections and receipts 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.

Authorizing statutes usually determine the form of budget authority for a program. The authorizing statute may authorize a particular type of budget authority to be provided in annual appropriations acts, or it may provide one of the forms of budget authority directly, without the need for further appropriations. Most programs are funded by appropriations. An appropriation may make funds available from the general fund, special funds, or 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.

Annual appropriations acts generally make budget authority available for obligation only during the fiscal year to which the act applies. However, they specify many exceptions that allow budget authority for a particular purpose to remain available for obligation for a longer period or indefinitely (that is, until expended or until the program objectives have been attained). Typically, appropriations acts make budget authority for current operations available for only one year, and budget authority for construction and some research projects available for a specified number of years or indefinitely. Many appropriations of trust fund receipts make the budget authority available indefinitely. Only another law can extend a limited period of availability (see Reappropriation below). Budget authority provided in authorizing statutes usually remains available until expended.

Budget authority that is available for more than one year and that is not obligated in the year it becomes available is carried forward for obligation in a following year. In some cases, an account may have carried forward unobligated budget authority from more than one year. The sum of such amounts constitutes the account's ***unobligated balance.*** Budget authority that has been obligated but not paid constitutes the account's ***obligated balance.*** For example, in the case of salaries and wages, one to three weeks elapse between the time of obligation and the time of payment. In the case of major procurement and construction, payments may occur over a period of several years after the obligation is made. Obligated balances of budget authority at the end of the year are carried forward until the obligations are paid or the balances are canceled. (A general law cancels the obligated balances of budget authority that was made available for a definite period five years after the end of the period, and then other resources must be used to pay the obligations.) Due to such flows, a change in the amount of obligations incurred from one year to the next does not necessarily result from an equal change in the amount of budget authority available for that year and will not necessarily result in an equal change in the level of outlays in that year. Conversely, a change in the amount of budget authority available in any one year may change the level of obligations and outlays for several years to come. [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 current fiscal year if necessary to meet benefit payments in excess of the specific amount appropriated for the year.

Provisions of law that extend the availability of unobligated amounts that have expired or would otherwise expire are called ***reappropriations.*** Reappropriations count as new budget authority in the fiscal year in which the balances become newly available. For example, if a 2003 appropriations act extends the availability of unobligated budget authority that otherwise would expire at the end of 2002, new budget authority would be recorded for 2003.

For purposes of the Budget Enforcement Act (discussed earlier under "Budget Enforcement"), the budget classifies budget authority as ***discretionary*** or ***mandatory.*** Generally, budget authority is discretionary if provided in an annual appropriations act and mandatory if provided in authorizing legislation. However, the BEA requires the budget authority provided in annual appropriations acts for certain specifically identified programs to be treated as mandatory. This is because the authorizing legislation in these cases entitles beneficiaries to receive payment or otherwise obligates the Government to make payment, even though the payments are funded by a subsequent appropriation. Since the authorizing legislation effectively determines the amount of budget authority required, the BEA classifies it as mandatory. As discussed later, the discretionary

[3] A separate report, "Balances of Budget Authority," provides additional information on balances. The National Technical Information Service, Department of Commerce, makes the report available shortly after the budget is transmitted.

and mandatory classification applies to the outlays that flow from budget authority, according to the classification of the budget authority.

The amount of budget authority recorded in the budget depends on whether the law provides budget authority in a specific amount or specifies a variable factor that determines the amount. It is considered ***definite*** if the legislation that provides it specifies a dollar amount (which may be an amount not to be exceeded). It is considered ***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, and such authority is considered to be indefinite budget authority. In some such cases, only some of the amount of collections otherwise available is counted as budget authority, because the rest is precluded from obligation in a fiscal year by a provision of law, such as a limitation on obligations or a benefit formula that determines the amounts to be paid (for example, the formula for unemployment insurance benefits).

Obligations Incurred

Following the enactment of budget authority and the completion of required apportionment action, Government agencies incur obligations to make payments. Agencies must record obligations when they enter into binding agreements that will result in outlays, immediately or in the future. Such obligations include the current liabilities for salaries, wages, and interest; and contracts for the purchase of supplies and equipment, construction, and the acquisition of office space, buildings, and land. 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 that liquidate obligations (other than the repayment of debt). The budget records them when obligations are paid, in the amount that is paid.

Agency, function, and subfunction, and outlay totals are stated net of related refunds to the Government, offsetting collections, and offsetting receipts for most budget presentations. (Offsetting receipts from a few sources do not offset any specific function, subfunction, or agency but only offset Government-wide totals.) Outlay totals for accounts with offsetting collections are stated both gross and net of the offsetting collections credited to the account. However, the outlay totals for special and trust funds with offsetting receipts are not stated net of the offsetting receipts.

The Government usually makes outlays in the form of cash (currency, checks, or electronic fund transfers). However, in some cases agencies pay obligations without disbursing cash and the budget records outlays nevertheless. For example, the budget records outlays 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. (The budget also records receipts for the deductions of Federal income taxes and other payments to the Government.) When debt instruments (bonds, debentures, notes, or monetary credits) are used to pay obligations, the budget records outlays, as well as an increase in debt. For example, the budget records the acquisition of physical assets through certain types of lease-purchase arrangements as though an outlay were made for an outright purchase. Because no cash is paid up front to the nominal owner of the asset, the transaction creates a Government debt. In such cases, the cash lease payments are treated as repayments of principal and interest.

The measurement of interest varies. The budget records outlays for the interest on the public issues of Treasury debt securities as the interest accrues, not when the cash is paid. A small portion of this debt consists of inflation-indexed securities, which feature monthly adjustments to principal for inflation and semiannual payments of interest on the inflation-adjusted principal. As with fixed-rate securities, the budget records the interest payments on these securities as outlays as the interest accrues. The monthly adjustment to principal is recorded, simultaneously, as an increase in debt outstanding and an outlay of interest.

Most Treasury debt securities held by trust funds and other Government accounts are in Government account series (special issues). The budget normally states the interest on these securities on a cash basis. When a Government account is invested 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, two trust funds in the Department of Defense, the Military Retirement Trust Fund and the Education Benefits Trust Fund, routinely have relatively large differences between purchase price and par. 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. The budget records interest 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).

The budget records refunds of receipts that result from overpayments (such as income taxes withheld in excess of tax liabilities) as reductions of receipts, rather than as outlays. The budget records payments to taxpayers for tax credits (such as earned income tax credits) that exceed the taxpayer's tax liability as outlays.

Outlays during a fiscal year may liquidate obligations incurred in the same year or in prior years. Obligations, in turn, may be incurred against budget authority provided in the same year or against unobligated balances of budget authority provided in prior years. Outlays, therefore, flow in part from budget authority provided for the year in which the money is spent and in part from budget authority provided in prior years. The ratio of the outlays resulting from budget authority enacted in a given year to the amount of that budget authority is referred to as the spendout rate for that year.

As described earlier, the budget classifies budget authority as discretionary or mandatory for the purposes of the BEA. This classification indicates whether appropriations acts or authorizing legislation control the amount of budget authority that is available. Outlays are classified as discretionary or mandatory according to the classification of the budget authority from which they flow. This classification of outlays measures the extent to which actual spending is controlled through the annual appropriations process. Typically, only one-third ($657 billion in 2001) of total outlays for a fiscal year are discretionary and the rest ($1,207 billion in 2001) consists of mandatory spending and net interest. Such a large portion of total spending is nondiscretionary because authorizing legislation determines net interest ($206 billion in 2001) and the spending for a few programs with large amounts of spending each year, such as Social Security ($429 billion in 2001) and Medicare ($214 billion in 2001).

Outlays for an account are stated both gross and net of any offsetting collections credited to the account, but function, agency, and Government-wide outlay totals are only stated net. (See Chapter 21, "Outlays to the Public, Net and Gross," in the Analytical Perspectives volume of the budget.) 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

Some Government programs make 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 (FCRA) prescribes the budget treatment for Federal credit programs. This treatment is designed to measure the subsidy cost of direct loans and loan guarantees in the budget, when the loans are disbursed, rather than the cash flows over the term of the loan, so direct loans and loan guarantees can be compared to each other and to other methods of delivering benefits, such as grants, on an equivalent basis.

The budget records the estimated long-term cost to the Government arising from direct loans and loan guarantees in ***credit program accounts.*** 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 credit programs, as with most other kinds of programs, agencies can incur costs only if Congress has appropriated funds sufficient to cover the costs in annual appropriations acts.

When a Federal agency disburses a direct loan or when a non-Federal lender disburses a loan guaranteed by a Federal agency, the program account outlays an amount equal to the cost to a non-budgetary ***credit financing account.*** For a few programs, the computed cost is negative, because the present value of expected collections over the term of the loan exceeds that of expected disbursements. In such cases, the financing account makes a payment to the program's receipt account in the Treasury general fund, where it is recorded as an offsetting receipt. In a few cases, the receipts are earmarked in a special fund established for the program and are available for appropriation for the program.

The agencies responsible for credit programs must reestimate the cost of the outstanding direct loans and loan guarantees, normally each year. If an agency estimates the cost to have increased, the agency must make an additional outlay from the program account to the financing account. If the agency estimates the cost to have decreased, the agency must make a payment from the financing account to the program's receipt account, where it is recorded as an offsetting receipt. The FCRA provides a permanent indefinite appropriation to pay the increased costs resulting from reestimates.

If the Government modifies the terms of an outstanding direct loan or loan guarantee in a way that increases the cost, as the result of a law or the exercise of administrative discretion under existing law, the agency must record an obligation in the program account for an additional amount equal to the increased cost and outlay the amount to the financing account. As with the original costs, agencies may incur modification costs only if Congress has appropriated funds to cover them. The Government may reduce costs by modifications, in which case the agency makes a payment

[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.

from the financing account to the program's receipt account.

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, loan guarantee default payments, fees and interest from the public, the receipt of subsidy cost payments from program accounts, and interest paid to or received from Treasury. Separate financing accounts record the cash flows of direct loans and of loan guarantees for programs that do both. The budget totals exclude the transactions of financing accounts because they are not a cost to the Government. Financing account transactions affect the means of financing a budget surplus or deficit (see Credit Financing Accounts in the next section). The budget documents display the transactions of the financing accounts, together with the related program accounts, for information and analytical purposes.

The FCRA, which was enacted in 1990, grandfathered direct loan obligations and loan guarantee commitments made prior to fiscal year 1992. The budget records the transactions associated with these direct loans and loan guarantees on a cash flow basis in credit liquidating accounts, which is the same way they were recorded before FCRA was enacted. However, this exception ceases to apply if the direct loans or loan guarantees are modified as described above. In that case, the budget records a modification subsidy cost or savings, as appropriate, and begins to account for the associated transactions as the FCRA prescribes for direct loan obligations and loan guarantee commitments made in fiscal year 1992 or later.

BUDGET DEFICIT OR SURPLUS AND MEANS OF FINANCING

When outlays exceed receipts, the difference is a deficit. The Government finances deficits primarily by borrowing. When receipts exceed outlays, the difference is a surplus, and the Government uses the surplus to reduce debt. The Government's debt (debt held by the public) is approximately the cumulative amount of borrowing to finance deficits, less repayments from surpluses. Borrowing is not exactly equal to the deficit, and debt repayment is not exactly equal to the surplus, because of the other means of financing such as those discussed under this heading. Some, such as the premium on debt buybacks, normally increase the Government's borrowing needs or decrease its ability to repay debt; others normally have the opposite effect or may be either positive or negative. In some years the net effect of the other means of financing may be significant relative to the borrowing or debt repayment.

Borrowing and Debt Repayment

The budget treats borrowing and debt repayment as a means of financing, not as receipts and outlays. If borrowing were defined as receipts and debt repayment as outlays, the budget would be virtually balanced by definition. This rule applies both to borrowing in the form of Treasury securities and to specialized borrowing in the form of agency securities (including the issuance of debt securities to liquidate an obligation and the sale of certificates representing participation in a pool of loans). In 2001, the Government repaid $90.1 billion of debt held by the public. This was the result of a $127.1 billion surplus in that year. The rest of the surplus 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 2001, the debt held by the public was $3,320.0 billion. In addition to selling debt to the public, the Treasury Department issues debt to Government accounts, primarily trust funds that are required by law to invest in Treasury securities. Issuing and redeeming this debt does not affect the means of financing, because these transactions occur between one Government account and another and thus do not raise or use any cash for the Government as a whole. (See Chapter 13, "Federal Borrowing and Debt," in the *Analytical Perspectives* volume of the budget for a fuller discussion of this topic.)

Debt Buyback Premiums and Discounts

Since 2000, the Treasury Department has bought back outstanding U.S. Treasury bonds as part of its efforts to manage efficiently the publicly held debt. Because interest rates are lower than the coupon rates on the bonds that Treasury bought back, the government has had to pay a premium over the book value of these securities.

The buyback premium is part of the cost of borrowing money for the period in which the debt was outstanding, like a coupon interest payment. However, while interest payments are normally recorded as budget outlays over the period in which the debt is outstanding, buyback premiums would have to be recorded in full when the debt was repaid. This would show the cost in a later year than when it was incurred and would make it appear that the buyback itself resulted in an additional cost to the government. It would also reduce the budget surplus, which could discourage buybacks, even though they impose no additional cost to the government. Moreover, under this accounting, the budget would record receipts if securities were bought at a discount (which would be the case when current interest rates were higher than the rates on outstanding securities). This would create a perverse incentive to buy back securities that were available at a discount to increase the recorded surplus, even though such transactions would yield no long-term gain to the government.

After consulting with the Congressional Budget Office and the House and Senate Budget Committees, OMB concluded that, on balance, the best option was to record payments for premiums or collections for discounts not as outlays or receipts, but as a means of financing the surplus or deficit, in the year of the buyback. This treatment clearly would not be appropriate for any non-financial Federal transaction or for most Federal financial transactions, which impose a cost on the government and allocate resources. Chapter 24, "Budget System and Concepts and Glossary," pages 457–58 in the *Analytical Perspectives* volume of the 2001 budget, discusses the basis for this conclusion in more detail, including an examination of the alternatives that were considered.

Exercise of Monetary Power

Seigniorage is the profit from coining money. It is the difference between the value of coins as money and their cost of production. Seigniorage adds to the Government's cash balance, but unlike the payment of taxes or other receipts, it does not involve a transfer of financial assets from the public. Instead, it arises from the exercise of the Government's power to create money. Therefore, the budget excludes seigniorage from receipts and treats it as a means of financing other than borrowing from the public. The budget treats profits resulting from the sale of gold 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 budget records the net cash flows of credit programs in credit financing accounts, which are excluded from the budget totals and are called net financing disbursements. (See FEDERAL CREDIT above.) Net financing disbursements are defined in the same way as the outlays of a budgetary account and are therefore a means of financing other than borrowing from the public. Like outlays, they may be either positive or negative.

The net financing disbursements result partly from intragovernmental transactions with budgetary accounts (the receipt of subsidy payments and the receipt or payment of interest) and partly from transactions with the public (disbursement and repayment of loans, receipt of interest and fees, payment of default claims, etc.). An intragovernmental transaction affects the deficit or surplus and the means of financing in equal amounts but with opposite signs, so they have no combined effect on Treasury borrowing from the public. On the other hand, financing account disbursements to the public increase the requirement for Treasury borrowing in the same way as an increase in budget outlays. Financing account receipts from the public can be used to finance the payment of the Government's obligations and therefore reduce the requirement for Treasury borrowing from the public in the same way as an increase in budget receipts.

Deposit Fund Account Balances

The Treasury uses deposit funds, which are non-budgetary accounts, 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 not yet paid to the State or local government). Deposit fund balances may be held in the form of either invested or uninvested balances. To the extent that deposit fund balances are not invested, changes in the balances are a means of financing other than borrowing from the public. To the extent that the balances are invested in Federal debt, changes in the balances are reflected as borrowing from the public in lieu of borrowing from other parts of the public.

Exchanges with the International Monetary Fund

Under the terms of its participation in the IMF, the U.S. transfers dollars to the IMF and receives Special Drawing Rights (SDR's) in return. The SDR's are interest-bearing monetary assets and may be exchanged for foreign currency at any time. These transfers are like bank deposits and withdrawals. Following a recommendation of the 1967 President's Commission on Budget Concepts, the budget excludes these transfers from budget outlays or receipts. The budget does record interest paid by the IMF on U.S. deposits (as an offsetting collection). It also records outlays for foreign currency exchanges to the extent there is a realized loss in dollars terms and offsetting collections to the extent there is a realized gain in dollar terms.

Railroad Retirement Board Investments

The budget includes a special treatment for investments in equities and other private securities by the National Railroad Retirement Investment Trust. The Railroad Retirement and Survivors' Improvement Act of 2001 (Public Law 107–90) requires purchases or sales of non-Federal assets by the National Railroad Retirement Investment Trust to be treated as a means of financing in the budget.

Under longstanding rules, the budget treats investments in non-Federal securities as a purchase of an asset, recording an obligation and an outlay in an amount equal to the purchase price in the year of the purchase. Since investments in non-Federal securities consume cash, fund balances normally exclude the value of non-Federal securities. However, the investments in non-Federal securities by the National Railroad Retirement Investment Trust are required by law to be included in the fund balances reported in the budget. Earnings on investments are estimated as described below.

Investments by National Railroad Retirement Investment Trust in private assets pose some challenges for budget projections. Equities and private bonds earn a higher return on average than the Treasury rate, but that return is subject to greater uncertainty. Sound budgeting principles require that estimates of future trust fund balances reflect both the average return and the cost of risk associated with the uncertainty of that return. (The latter is particularly true in cases where individual beneficiaries have not made a voluntary choice to assume additional risk.) Estimating both of these separately is quite difficult. While the additional returns that these assets have received in the past are known, it is quite possible that these premiums will differ in the future. Furthermore, there is no existing procedure for the budget to record separately the cost of risk from such an investment, even if it could be estimated accurately. Economic theory suggests, however, that the difference between the expected return of a risky liquid asset and the Treasury rate is equal to the cost of the asset's additional risk as priced by the market. Following through on this insight, the best way to project the rate of return on the Fund's balances is to use a Treasury rate. This will mean that assets with equal economic value as measured by market prices will be treated equivalently, avoiding the appearance that the budget could benefit if the Government bought private sector assets.

The actual and estimated returns to private securities will be recorded in subfunction 909, other investment income. The actual year returns will include interest, dividends, and capital gains and losses on private equities and other securities. The Fund's portfolio of these assets will be revalued at market prices at the end of the actual year to determine capital gains or losses. As a result, the Fund's end-of-year balance will reflect the amount of resources available to the Government to finance benefits. Earnings for the current and future years will be estimated using the 10-year Treasury rate and the value of the Fund's portfolio at the end of the actual year. No estimates will be made of gains and losses for the current year or subsequent years.

FEDERAL EMPLOYMENT

The budget includes information on civilian and military employment and personnel compensation and benefits. It also compares the Federal workforce, State and local government workforces, and the United States population. The budget provides two different measures of Federal employment levels—actual positions filled and full-time equivalents (FTE). One FTE equals 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 11, "Federal Employment and Compensation," in the *Analytical Perspectives* volume of the budget provides more information on this subject.)

BASIS FOR BUDGET FIGURES

Data for the Past Year

The past year column (2001) 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 (see Chapter 18, "Comparison of Actual to Estimated totals for 2001," in the *Analytical Perspectives* volume of the budget for a summary of these differences).

Data for the Current Year

The current year column (2002) 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 (2003) includes estimates of transactions and balances based on the amounts of budgetary resources that are estimated to be available, including new budget authority requested under current authorizing legislation, and amounts estimated to result from changes in authorizing legislation and tax laws.

The budget *Appendix* generally includes the appropriations language for the amounts proposed to be appropriated under current authorizing legislation. In a few cases, this language is transmitted later because the exact requirements are unknown when the budget is transmitted. The *Appendix* generally does not include appropriations language for the amounts that will be requested under proposed legislation; that language is usually transmitted later, after the legislation is enacted. However, this year the appropriations language presented in the *Appendix* includes the additional amounts required to implement the Administration's proposal to fully accrue pensions and retirees' health benefits for Federal employees. Some tables in the budget identify the items for later transmittal and the related outlays 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 (2004 through 2007) in order to reflect the effect of budget decisions on longer term objectives and plans.

Federal Employee Pensions and Annuitant Health Benefits

The budget presents the Administration's proposal to pay the full share of accruing employee pensions and annuitant health benefits for Federal employees in the regular budget schedules on a three-year comparable basis, as if the proposal had been enacted and effective in 2001 and 2002. However, in the budget *Appendix* and selected summary and other tables, budget totals are displayed that remove the effects of the proposed legislation in all years (see Chapter 14, "Preview Report," in the *Analytical Perspectives* volume of the budget).

Allowances

The budget may include lump-sum allowances to cover certain transactions that are expected to increase or decrease budget authority, outlays, or receipts but are not, for various reasons, reflected in the program details. For example, the budget might include an allowance to show the effect on the budget totals of a proposal that would actually affect many accounts by relatively small amounts, in order to avoid unnecessary detail in the presentations for the individual accounts. Congress does not enact the allowances as such.

Baseline

The budget baseline is an estimate of the receipts, outlays, and deficits or surpluses that would occur if no changes were made to current laws during the period covered by the budget. The baseline assumes that receipts and mandatory spending, which generally are authorized on a permanent basis, will continue in the future as required by current law. The baseline assumes that the future funding for discretionary programs, which generally are funded annually, will equal 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 15, "Current Services Estimates," in the *Analytical Perspectives* volume of the budget provides more information on the baseline.)

The baseline serves several useful for purposes:

- It may warn of future problems, either for Government fiscal policy as a whole or for individual tax and spending programs; or it may show the resources available for future use to reduce the publicly held debt, increase spending programs, or cut taxes.
- It provides a starting point for formulating the President's budget.
- It provides a "policy-neutral" benchmark against which the President's budget and alternative proposals can be compared to assess the magnitude of proposed changes.
- OMB uses it, under the BEA, to determine how much will be sequestered from each account and the level of funding remaining after sequestration.

PRINCIPAL BUDGET LAWS

The following basic laws govern the Federal budget process:

- ***Article 1, section 8, clause 1 of the Constitution,*** which empowers the Congress to collect taxes.
- ***Article 1, section 9, clause 7 of the Constitution,*** which requires appropriations in law before money may be spent from the Treasury.
- ***Antideficiency Act (codified in Chapters 13 and 15 of Title 31, United States Code),*** which prescribes rules and procedures for budget execution.
- ***Chapter 11 of Title 31, United States Code,*** which prescribes procedures for submission of the President's budget and information to be contained in it.
- ***Congressional Budget and Impoundment Control Act of 1974 (Public Law 93–344),*** as amended. This Act comprises the:
  —Congressional Budget Act of 1974, as amended, which prescribes the congressional budget process; and
  —Impoundment Control Act of 1974, which controls certain aspects of budget execution.
- ***Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99–177),*** as amended, which prescribes rules and procedures (including "sequestration") designed to eliminate excess spending.
- ***Budget Enforcement Act of 1990 (Title XIII, Public Law 101–508),*** which significantly amended key laws pertaining to the budget process, including the Congressional Budget Act and the Balanced Budget and Emergency Deficit Control Act. The Budget Enforcement Act of 1997 (Title X, Public Law 105–33) extended the BEA requirements through 2002 (2006 in part) and altered some of the requirements. The requirements generally referred to as BEA requirements (discretionary spending limits, pay-as-you-go, sequestration, etc.) are part of the Balanced Budget and Emergency Deficit Control Act.
- ***Federal Credit Reform Act of 1990 (as amended by the Budget Enforcement Act of 1997),*** a part of the Budget Enforcement Act of 1990, which amended the Congressional Budget Act to prescribe the budget treatment for Federal credit programs.

• ***Government Performance and Results Act of 1993,*** which emphasizes managing for results. It requires agencies to prepare strategic plans, annual performance plans, and annual performance reports.

GLOSSARY OF BUDGET TERMS

Advance appropriation means appropriations of new budget authority that become available one or more fiscal years beyond the fiscal year for which the appropriation act was passed.

Advance funding means appropriations of budget authority provided in an appropriations act to be used, if necessary, to cover obligations incurred late in the fiscal year for benefit payments in excess of the amount specifically appropriated in the act for that year, where the budget authority is charged to the appropriation for the program for the fiscal year following the fiscal year for which the appropriations act is passed.

Agency means a department or establishment of the Government.

Allowance means a lump-sum included in the budget to represent 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.

Balances of budget authority means the amounts of budget authority provided in previous years that have not been outlayed.

Baseline means an estimate of the receipts, outlays, and deficit or surplus that would result from continuing current law through the period covered by the budget.

Budget means the Budget of the United States Government, which sets forth the President's comprehensive financial plan for allocating resources and indicates the President's priorities for the Federal Government.

Budget authority (BA) means the authority provided by law to incur financial obligations that will result in outlays. (For a description of the several forms of budget authority, see Budget Authority and Other Budgetary Resources earlier in this chapter.)

Budget totals mean the totals included in the budget 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. The off-budget totals reflect the transactions of Government entities that are excluded from the on-budget totals by law. Under current law, the off-budget totals include the Social Security trust funds (Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds) and the Postal Service Fund. The budget combines the on- and off-budget totals to derive unified or consolidated totals for Federal activity.

Budgetary resources mean amounts available to incur obligations in a given year. The term comprises new budget authority and unobligated balances of budget authority provided in previous years.

Cap means the legal limits for each fiscal year on the budget authority and outlays provided by discretionary appropriations.

Cash equivalent transaction means a transaction in which the Government makes outlays or receives collections in a form other than cash or the cash does not accurately measure the cost of the transaction. (For examples, see the section on Outlays earlier in this chapter.)

Collections mean money collected by the Government that the budget records as either a receipt, an offsetting collection, or an offsetting receipt.

Credit program account means a budget account that receives and obligates appropriations to cover the subsidy cost of a direct loan or loan guarantee and disburses the subsidy cost to a financing account.

Current services estimate—*see baseline.*

Deficit means the amount by which outlays exceed receipts in a fiscal year. It may refer to the on-budget, off-budget, or unified budget deficit.

Direct loan means a disbursement of funds by the Government to a non-Federal borrower under a contract that requires the repayment of such funds with or without interest. The term includes the purchase of, or participation in, a loan made by another lender. The term also includes the sale of a Government asset on credit terms of more than 90 days duration as well as financing arrangements for other transactions that defer payment for more than 90 days. It also includes loans financed by the Federal Financing Bank (FFB) pursuant to agency loan guarantee authority. The term does not include the acquisition of a federally guaranteed loan in satisfaction of default or other guarantee claims or the price support loans of the Commodity Credit Corporation. (Cf. loan guarantee.)

Direct spending—*see mandatory spending.*

Discretionary spending means budgetary resources (except those provided to fund mandatory spending programs) provided in appropriations acts. (Cf. mandatory spending.)

Emergency appropriation means an appropriation 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 mandatory.

Federal funds group refers to 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 means a non-budgetary account (its transactions are excluded from the budget totals) that records all of the cash flows resulting from post-

1991 direct loan obligations or loan guarantee commitments. 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. (Cf. liquidating account.)

Fiscal year means 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.

Forward funding means appropriations of budget authority that are made for obligation in the last quarter of the fiscal year for the financing of ongoing grant programs during the next fiscal year.

General fund means the accounts for receipts not earmarked by law for a specific purpose, the proceeds of general borrowing, and the expenditure of these moneys.

Intragovernmental fund*—see revolving fund.*

Liquidating account means a budget account that records all cash flows to and from the Government resulting from pre-1992 direct loan obligations or loan guarantee commitments. (Cf. financing account.)

Loan guarantee means 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 means spending controlled by laws other than appropriations acts (including spending for entitlement programs) and spending for the food stamp program. Although the Budget Enforcement Act use the term direct spending to mean this, mandatory spending is commonly used instead. (Cf. discretionary spending.)

Means of financing refers to borrowing, the change in cash balances, and certain other transactions involved in financing a deficit. The term is also used to refer to the debt repayment, the change in cash balances, and certain other transactions involved in using a surplus. By definition, the means of financing are not treated as receipts or outlays.

Obligated balance means the cumulative amount of budget authority that has been obligated but not yet outlayed. (Cf. unobligated balance.)

Obligation means a binding agreement that will result in outlays, immediately or in the future. Budgetary resources must be available before obligations can be incurred legally.

Off-budget*—see budget totals.*

Offsetting collections mean collections that are deducted from gross budget authority and outlays, rather than added to receipts, and, by law, are credited directly to expenditure accounts. Usually, they authorized to be spent for the purposes of the account without further action by Congress. They result from business-type or market-oriented activities with the public and other Government accounts. The authority to spend offsetting collections is a form of budget authority. (Cf. receipts and offsetting receipts.)

Offsetting receipts mean collections that are deducted from gross budget authority and outlays, rather than added to receipts, and that are not authorized to be credited to expenditure accounts. Instead of being credited to expenditure accounts, they are credited to offsetting receipt accounts. The legislation that authorizes the offsetting receipts may require them to be appropriated in annual appropriation acts before they can be spent. Like offsetting collections, they result from business-type or market-oriented activities with the public and other Government accounts. (Cf. receipts, undistributed offsetting receipts, and offsetting collections.)

On-budget*—see budget totals.*

Outlay means a payment to liquidate an obligation (other than the repayment of debt). Outlays are the measure of Government spending.

Outyear estimates means estimates presented in the budget for the years beyond the budget year (usually four) of budget authority, outlays, receipts, and other items (such as debt).

Pay-as-you-go (PAYGO) means the requirements of the Budget Enforcement Act that result in a sequestration if the estimated combined result of legislation affecting mandatory spending or receipts is a net cost for a fiscal year.

Public enterprise fund*—see revolving fund.*

Receipts mean collections that result from the Government's exercise of its sovereign power to tax or otherwise compel payment and gifts of money to the Government. They are compared to outlays in calculating a surplus or deficit. (Cf. offsetting collections and offsetting receipts.)

Revolving fund means a fund that conducts continuing cycles of business-like activity, in which the fund charges for the sale of products or services and uses the proceeds to finance its spending, usually without requirement for annual appropriations. There are two types of revolving funds: Public enterprise funds, which conduct business-like operations mainly with the public, and intragovernmental revolving funds, which conduct business-like operations mainly within and between Government agencies.

Scorekeeping means measuring the budget effects of legislation, generally in terms of budget authority, receipts, and outlays for purposes of the Budget Enforcement Act.

Sequestration means the cancellation of budgetary resources provided by discretionary appropriations or mandatory spending legislation, following various procedures prescribed by the Budget Enforcement Act. A sequestration may occur in response to a discretionary appropriation that causes discretionary spending to exceed the discretionary spending caps or in response to net costs resulting from the combined result of legislation affecting mandatory spending or receipts (referred to as a "pay-as-you-go" sequestration).

Special fund means a Federal fund accounts for receipts earmarked for specific purposes and for the expenditure of these receipts. (Cf. trust fund.)

Subsidy means the same as cost when it is used in connection with Federal credit programs.

Surplus means the amount by which receipts exceed outlays.

Supplemental appropriation means an appropriation 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 fund refers to a type of account, designated by law as a trust fund, for receipts or offsetting receipts earmarked for specific purposes and the expenditure of these receipts. Some revolving funds are designated as trust funds, and these are called trust revolving funds. (Cf. special fund and revolving fund.)

Trust funds group refers to the moneys collected and spent by the Government through trust fund accounts. (Cf., Federal funds group.)

Undistributed offsetting receipts mean offsetting receipts that are deducted from the Government-wide totals for budget authority and outlays instead of offset against a specific agency and function. (Cf. offsetting receipts.)

Unobligated balance means the cumulative amount of budget authority that is not obligated and that remains available for obligation under law.

User charges are fees assessed for the provision of Government services and for the sale or use of Government goods or resources. The payers of the user charge must be limited in the authorizing legislation to those receiving special benefits from, or subject to regulation by, the program or activity beyond the benefits received by the general public or broad segments of the public. (Cf. user fees.)

User fees are a subset of user charges (as defined above) that are authorized to be utilized solely to support the program or activity for which they were levied. (Cf. user charges.)

DETAILED FUNCTIONAL TABLES

26. DETAILED FUNCTIONAL TABLES

Table 26–1. Budget Authority by Function, Category and Program

(In millions of dollars)

Function and Program	2001 Actual	Estimate					
		2002	2003	2004	2005	2006	2007
050 National defense:							
Discretionary:							
Department of Defense—Military:							
Military personnel	76,889	81,970	94,194	103,833	107,940	113,513	117,236
Proposed Legislation (non-PAYGO)	....	....	48	80	109	126	133
Subtotal, Military personnel	76,889	81,970	94,242	103,913	108,049	113,639	117,369
Operation and maintenance	113,886	126,145	140,216	140,665	146,775	152,135	154,996
Proposed Legislation (non-PAYGO)	....	....	16	....	....	....	....
Subtotal, Operation and maintenance	113,886	126,145	140,232	140,665	146,775	152,135	154,996
Procurement	61,672	61,117	68,709	74,732	79,197	86,925	98,980
Research, development, test and evaluation	41,735	48,554	53,857	57,039	60,696	58,947	58,020
Military construction	5,457	6,484	4,767	5,102	6,325	10,803	13,773
Family housing	3,685	4,053	4,219	4,322	5,066	4,895	4,814
Revolving, management, and trust funds and other	2,234	2,515	3,255	2,123	2,647	2,272	3,426
Total, Department of Defense—Military	305,558	330,838	369,281	387,896	408,755	429,616	451,378
Atomic energy defense activities:							
Department of Energy	13,845	14,574	15,433	15,725	16,039	16,377	16,723
Formerly utilized sites remedial action	141	141	141	144	147	151	154
Defense nuclear facilities safety board	18	18	19	19	20	20	21
Total, Atomic energy defense activities	14,004	14,733	15,593	15,888	16,206	16,548	16,898
Defense-related activities:							
Radiation exposure compensation trust fund transferred to mandatory	127	....	....	....	....	....	....
Discretionary programs	1,287	1,325	1,227	1,252	1,279	1,309	1,339
Total, Defense-related activities	1,414	1,325	1,227	1,252	1,279	1,309	1,339
Total, Discretionary	320,976	346,896	386,101	405,036	426,240	447,473	469,615
Emergency Response Fund:							
Department of Defense—Military:							
Operation and maintenance	3,348	3,396	10,000	....	....	....	....
Procurement	936	....	....	....	....	....	....
Military construction	....	105	....	....	....	....	....
Total, Department of Defense—Military	4,284	3,501	10,000	....	....	....	....
Atomic energy defense activities:							
Department of Energy	5	369	....	....	....	....	....
Defense-related activities:							
Discretionary programs	....	10	....	....	....	....	....
Total, Emergency Response Fund	4,289	3,880	10,000	....	....	....	....
Mandatory:							
Department of Defense—Military:							
Military personnel	....	27	53	53	53	53	53
Revolving, trust and other DoD mandatory	4,506	200	191	338	336	335	333
Offsetting receipts	–1,369	–1,572	–903	–878	–879	–854	–820
Total, Department of Defense—Military	3,137	–1,345	–659	–487	–490	–466	–434

Table 26–1. Budget Authority by Function, Category and Program—Continued
(In millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Atomic energy defense activities:							
Energy employee occupational illness compensation program, benefits	358	769	758	578	353	250	157
Energy employee occupational illness compensation program, administration	50	138	107	57	52	47	32
Proceeds from sale of excess DOE assets	–1	....	....	....	....	....	....
Total, Atomic energy defense activities	407	907	865	635	405	297	189
Defense-related activities:							
Radiation exposure compensation trust fund	....	172	143	107	65	47	29
Mandatory programs	216	212	351	351	351	351	351
Total, Defense-related activities	216	384	494	458	416	398	380
Total, Mandatory	3,760	–54	700	606	331	229	135
Total, National defense	329,025	350,722	396,801	405,642	426,571	447,702	469,750
150 International affairs:							
Discretionary:							
International development, humanitarian assistance:							
Development assistance and child survival and disease programs	2,124	2,574	2,740	2,797	2,860	2,927	2,995
Food aid	835	850	1,185	1,210	1,237	1,266	1,295
Refugee programs	714	721	721	736	753	770	788
Andean counter-drug initiative	....	625	731	746	763	781	799
Multilateral development banks (MDB's)	1,603	1,403	1,437	1,549	1,662	1,650	1,690
Assistance for the independent states of the former Soviet Union	559	784	755	771	788	807	825
Peace Corps	267	278	320	362	404	446	488
International narcotics control and law enforcement	417	218	199	203	208	212	217
Assistance for Central and Eastern Europe	542	621	495	506	516	529	541
USAID operations	544	561	681	695	711	727	743
Voluntary contributions to international organizations	296	328	310	316	324	331	339
Other development and humanitarian assistance	304	180	191	194	198	205	209
Total, International development, humanitarian assistance	8,205	9,143	9,765	10,085	10,424	10,651	10,929
International security assistance:							
Foreign military financing grants and loans	3,568	3,650	4,107	4,193	4,288	4,387	4,489
Economic support fund	2,300	2,214	2,290	2,338	2,390	2,446	2,503
Nonproliferation, antiterrorism, demining, and related programs	311	344	372	380	388	397	407
Other security assistance	189	205	188	192	196	200	205
Total, International security assistance	6,368	6,413	6,957	7,103	7,262	7,430	7,604
Conduct of foreign affairs:							
State Department operations	3,331	3,916	4,196	4,283	4,375	4,476	4,579
Embassy security, construction, and maintenance	1,081	1,277	1,308	1,336	1,365	1,396	1,429
Assessed contributions to international organizations	869	850	891	910	930	952	974
Assessed contributions for international peacekeeping	844	844	726	741	758	775	794
Other conduct of foreign affairs	142	140	159	161	165	170	173
Total, Conduct of foreign affairs	6,267	7,027	7,280	7,431	7,593	7,769	7,949
Foreign information and exchange activities:							
International broadcasting	461	489	518	529	540	553	565
Russian Leadership Development Center trust fund	....	10	12	12	13	14	14
Other information and exchange activities	417	299	307	313	321	328	335
Total, Foreign information and exchange activities	878	798	837	854	874	895	914
International financial programs:							
Export-Import Bank	907	767	598	610	625	640	654
Inspector General for international trade and investment agencies (Proposed Legislation non-PAYGO)	....	....	2	2	2	2	2

Table 26–1. Budget Authority by Function, Category and Program—Continued

(In millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Special defense acquisition fund	–7	–3					
Total, International financial programs	900	764	600	612	627	642	656
Total, Discretionary	22,618	24,145	25,439	26,085	26,780	27,387	28,052
Emergency Response Fund:							
International development, humanitarian assistance:							
Peace Corps	3						
Other development and humanitarian assistance	2	50					
Total, International development, humanitarian assistance	5	50					
Conduct of foreign affairs:							
State Department operations	8						
Evacuations and rewards	41						
Total, Conduct of foreign affairs	49						
Foreign information and exchange activities:							
International broadcasting		19					
Total, Emergency Response Fund	54	69					
Mandatory:							
International development, humanitarian assistance:							
Credit liquidating accounts	–444	–1,164	–1,070	–1,094	–1,034	–993	–931
Receipts and other	–51	–36	–10	–12	–12	–12	–12
Total, International development, humanitarian assistance	–495	–1,200	–1,080	–1,106	–1,046	–1,005	–943
International security assistance:							
Foreign military loan reestimates	–209	147					
Foreign military loan liquidating account	–491	–450	–376	–282	–303	–301	–265
Total, International security assistance	–700	–303	–376	–282	–303	–301	–265
Foreign affairs and information:							
Conduct of foreign affairs	11	37	5	5	5	5	5
Japan-U.S. Friendship Commission	3	3	3	3	3	3	3
Total, Foreign affairs and information	14	40	8	8	8	8	8
International financial programs:							
Foreign military sales trust fund (net)	–491	–40	–30	190	260	280	340
Export-Import Bank—subsidy reestimates	–1,975	–367					
Other international financial programs	–362	–71	–85	–88	–94	–108	–25
Total, International financial programs	–2,828	–478	–115	102	166	172	315
Total, Mandatory	–4,009	–1,941	–1,563	–1,278	–1,175	–1,126	–885
Total, International affairs	18,663	22,273	23,876	24,807	25,605	26,261	27,167
250 General science, space, and technology:							
Discretionary:							
General science and basic research:							
National Science Foundation programs	4,374	4,727	4,967	5,071	5,184	5,306	5,430
Department of Energy general science programs	3,218	3,240	3,285	3,354	3,428	3,508	3,591
Total, General science and basic research	7,592	7,967	8,252	8,425	8,612	8,814	9,021
Space flight, research, and supporting activities:							
Science, aeronautics and technology	5,711	7,152	8,081	8,942	9,139	9,352	9,572
Human space flight	5,496	6,797	6,173	5,911	6,043	6,182	6,327
Mission support	2,190						

Table 26–1. Budget Authority by Function, Category and Program—Continued

(In millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Other NASA programs	24	25	26	27	28	28	29
Total, Space flight, research, and supporting activities	13,421	13,974	14,280	14,880	15,210	15,562	15,928
Total, Discretionary	21,013	21,941	22,532	23,305	23,822	24,376	24,949
Emergency Response Fund:							
Space flight, research, and supporting activities:							
Science, aeronautics and technology	....	27	....	....	....	....	....
Human space flight	....	76	....	....	....	....	....
Total, Emergency Response Fund	....	103	....	....	....	....	....
Mandatory:							
General science and basic research:							
National Science Foundation donations	116	135	142	19	16	16	17
Space flight, research, and supporting activities:							
National Space Grant Program	3	....	....	....	....	....	....
Total, Mandatory	119	135	142	19	16	16	17
Total, General science, space, and technology	21,132	22,179	22,674	23,324	23,838	24,392	24,966
270 Energy:							
Discretionary:							
Energy supply:							
Research and development	1,208	1,303	1,234	1,219	1,245	1,274	1,305
Naval petroleum reserves operations	2	17	21	21	22	22	23
Decontamination transfer	–419	–420	–442	–452	–463	–474	–485
Nuclear waste program	193	97	212	216	221	226	232
Federal power marketing	209	189	183	186	192	194	198
Arctic national wildlife refuge—alternative energy (Proposed Legislation non-PAYGO)	....	....	....	150	170	200	200
Elk Hills school lands fund	36	36	72	26	26	....	....
Rural electric and telephone discretionary loans	56	25	27	28	29	30	32
Non-defense environmental management and other	697	652	548	559	571	585	599
Total, Energy supply	1,982	1,899	1,855	1,953	2,013	2,057	2,104
Energy conservation and preparedness:							
Energy conservation	810	916	905	924	944	966	989
Emergency energy preparedness	150	180	189	193	196	203	207
Total, Energy conservation and preparedness	960	1,096	1,094	1,117	1,140	1,169	1,196
Energy information, policy, and regulation:							
Nuclear Regulatory Commission (NRC)	53	63	87	95	102	100	97
Federal Energy Regulatory Commission fees and recoveries, and other	–1	–12	–13	–13	–13	–13	–13
Department of Energy departmental administration, OIG, and EIA administration	240	197	294	300	306	313	321
Total, Energy information, policy, and regulation	292	248	368	382	395	400	405
Total, Discretionary	3,234	3,243	3,317	3,452	3,548	3,626	3,705
Emergency Response Fund:							
Energy information, policy, and regulation:							
Nuclear Regulatory Commission (NRC)	....	36	....	....	....	....	....
Mandatory:							
Energy supply:							
Naval petroleum reserves oil and gas sales	–12	–7	–7	–7	–7	–7	–5
Federal power marketing	–277	–628	–602	–778	–757	–801	–789
Proposed Legislation (PAYGO)	....	....	149	262	648	239	150
Subtotal, Federal power marketing	–277	–628	–453	–516	–109	–562	–639

Table 26–1. Budget Authority by Function, Category and Program—Continued

(In millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Tennessee Valley Authority	–665	171	–309	–722	–800	–730	–830
Nuclear waste fund program	–689	–640	–647	–612	–637	–621	–609
Rural electric and telephone liquidating accounts	–1,419	–1,563	–1,383	–1,236	–1,105	–977	–887
Rural electric and telephone loan subsidy reestimates	–4	....	....	....	....	....	....
Total, Mandatory	–3,066	–2,667	–2,799	–3,093	–2,658	–2,897	–2,970
Total, Energy	168	612	518	359	890	729	735
300 Natural resources and environment:							
Discretionary:							
Water resources:							
Corps of Engineers	4,654	4,456	4,149	4,213	4,304	4,402	4,502
Proposed Legislation (non-PAYGO)	....	....	–149	–153	–154	–154	–154
Subtotal, Corps of Engineers	4,654	4,456	4,000	4,060	4,150	4,248	4,348
Bureau of Reclamation	788	851	831	854	872	892	915
Watershed, flood prevention, and other	346	213	196	203	206	214	218
Total, Water resources	5,788	5,520	5,027	5,117	5,228	5,354	5,481
Conservation and land management:							
Forest Service	4,584	4,274	4,099	4,184	4,272	4,366	4,467
Management of public lands (BLM)	1,900	1,694	1,700	1,734	1,771	1,812	1,853
Conservation of agricultural lands	766	886	948	967	986	1,008	1,029
Fish and Wildlife Service	1,232	1,185	1,182	1,205	1,233	1,259	1,288
Other conservation and land management programs	838	752	743	757	774	791	811
Total, Conservation and land management	9,320	8,791	8,672	8,847	9,036	9,236	9,448
Recreational resources:							
Operation of recreational resources	2,404	2,395	2,435	2,485	2,537	2,595	2,654
Other recreational resources activities	34	24	22	22	24	23	24
Total, Recreational resources	2,438	2,419	2,457	2,507	2,561	2,618	2,678
Pollution control and abatement:							
Regulatory, enforcement, and research programs	2,960	2,937	2,924	2,983	3,049	3,118	3,188
State and tribal assistance grants	3,641	3,733	3,464	3,537	3,615	2,364	2,419
Hazardous substance superfund	1,286	1,289	1,293	1,334	1,380	1,428	1,476
Other control and abatement activities	146	147	146	149	152	156	160
Environmental services (Proposed Legislation non-PAYGO)	....	....	–4	–8	–8	–8	–8
Total, Pollution control and abatement	8,033	8,106	7,823	7,995	8,188	7,058	7,235
Other natural resources:							
NOAA	3,104	3,391	3,281	3,348	3,422	3,499	3,580
Other natural resource program activities	1,060	1,109	1,077	1,100	1,122	1,147	1,171
Total, Other natural resources	4,164	4,500	4,358	4,448	4,544	4,646	4,751
Total, Discretionary	29,743	29,336	28,337	28,914	29,557	28,912	29,593
Emergency Response Fund:							
Water resources:							
Corps of Engineers	....	139	....	....	....	....	....
Bureau of Reclamation	....	30	....	....	....	....	....
Total, Water resources	....	169	....	....	....	....	....
Recreational resources:							
Operation of recreational resources	3	57	....	....	....	....	....
Pollution control and abatement:							
Regulatory, enforcement, and research programs	....	129	....	....	....	....	....
State and tribal assistance grants	....	5	....	....	....	....	....

Table 26–1. Budget Authority by Function, Category and Program—Continued

(In millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Hazardous substance superfund	....	41	....	....	....	....	....
Total, Pollution control and abatement	....	175	....	....	....	....	....
Other natural resources:							
NOAA	....	3	....	....	....	....	....
Other natural resource program activities	....	2	....	....	....	....	....
Total, Other natural resources	....	5	....	....	....	....	....
Total, Emergency Response Fund	3	406	....	....	....	....	....
Mandatory:							
Water resources:							
Offsetting receipts and other mandatory water resource programs	–286	–107	–101	–107	–121	–129	–129
Proposed Legislation (PAYGO)	....	....	....	10	15	20	25
Total, Water resources	–286	–107	–101	–97	–106	–109	–104
Conservation and land management:							
Conservation Reserve Program and other	2,072	2,005	2,119	2,209	2,200	2,129	2,122
CRP,WRP,and EQIP (Proposed Legislation PAYGO)	....	619	1,080	1,524	1,761	1,942	1,887
Other conservation programs	426	567	570	542	571	571	573
Proposed Legislation (PAYGO)	....	....	....	13	34	47	49
Subtotal, Other conservation programs	426	567	570	555	605	618	622
Offsetting receipts	–2,654	–2,470	–2,519	–2,327	–2,299	–2,376	–2,404
Proposed Legislation (PAYGO)	....	....	....	–13	–17	–30	–32
Subtotal, Offsetting receipts	–2,654	–2,470	–2,519	–2,340	–2,316	–2,406	–2,436
Total, Conservation and land management	–156	721	1,250	1,948	2,250	2,283	2,195
Recreational resources:							
Operation of recreational resources	1,041	1,000	997	1,064	960	978	1,011
Recreation fee permanent appropriations (Proposed Legislation PAYGO)	....	....	....	....	173	186	187
Offsetting receipts	–458	–378	–374	–376	–287	–283	–286
Proposed Legislation (PAYGO)	....	....	–6	–11	–110	–117	–117
Subtotal, Offsetting receipts	–458	–378	–380	–387	–397	–400	–403
Total, Recreational resources	583	622	617	677	736	764	795
Pollution control and abatement:							
Superfund resources and other mandatory	–134	–126	–125	–125	–125	–125	–125
Other natural resources:							
Fees and mandatory programs	7	11	–11	–15	–11	–11	–11
Total, Mandatory	14	1,121	1,630	2,388	2,744	2,802	2,750
Total, Natural resources and environment	29,760	30,863	29,967	31,302	32,301	31,714	32,343
350 Agriculture:							
Discretionary:							
Farm income stabilization:							
Agriculture credit loan program	398	466	497	507	519	531	544
P.L.480 market development activities	136	148	129	132	134	138	141
Commodity credit corporation Food for Progress and humanitarian initiative	....	....	–173	....	....	....	....
Administrative expenses	1,016	1,092	1,035	1,057	1,076	1,100	1,125
Total, Farm income stabilization	1,550	1,706	1,488	1,696	1,729	1,769	1,810
Agricultural research and services:							
Research and education programs	1,524	1,688	1,594	1,626	1,663	1,699	1,738
Discretionary changes to mandatory research programs	....	....	–300	180	....	....	....
Integrated research, education, and extension programs	42	43	45	46	47	48	49

Table 26–1. Budget Authority by Function, Category and Program—Continued

(In millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Extension programs	433	440	421	430	439	450	460
Marketing programs	68	74	78	80	81	83	85
Animal and plant inspection programs	904	793	795	812	829	848	867
Proposed Legislation (non-PAYGO)	....	....	–5	–5	–5	–5	–5
Subtotal, Animal and plant inspection programs	904	793	790	807	824	843	862
Economic intelligence	175	189	231	214	209	211	224
Grain inspection and packers program	34	35	43	44	45	46	47
Proposed Legislation (non-PAYGO)	....	....	–29	–29	–29	–29	–29
Subtotal, Grain inspection and packers program	34	35	14	15	16	17	18
Foreign agricultural service	128	126	136	139	142	145	148
Other programs and unallocated overhead	443	405	523	534	545	559	571
Total, Agricultural research and services	3,751	3,793	3,532	4,071	3,966	4,055	4,155
Total, Discretionary	5,301	5,499	5,020	5,767	5,695	5,824	5,965
Emergency Response Fund:							
Agricultural research and services:							
Other programs and unallocated overhead	....	313	....	....	....	....	....
Mandatory:							
Farm income stabilization:							
Commodity Credit Corporation	21,446	15,678	9,272	8,439	7,328	6,285	5,883
Proposed Legislation (PAYGO)	....	4,021	6,745	6,080	5,437	5,307	5,254
Subtotal, Commodity Credit Corporation	21,446	19,699	16,017	14,519	12,765	11,592	11,137
Agricultural credit insurance subsidy reestimate	322	1,287	....	....	....	....	....
Crop insurance and other farm credit activities	2,536	2,845	2,895	2,978	3,093	3,232	3,361
Credit liquidating accounts (ACIF and FAC)	–800	–791	–767	–741	–708	–676	–641
Total, Farm income stabilization	23,504	23,040	18,145	16,756	15,150	14,148	13,857
Agricultural research and services:							
Miscellaneous mandatory programs	642	315	833	614	610	617	625
Proposed Legislation (PAYGO)	....	....	....	72	72	74	74
Subtotal, Miscellaneous mandatory programs	642	315	833	686	682	691	699
Offsetting receipts	–206	–178	–185	–185	–183	–183	–183
Proposed Legislation (PAYGO)	....	....	....	–72	–72	–74	–74
Subtotal, Offsetting receipts	–206	–178	–185	–257	–255	–257	–257
Total, Agricultural research and services	436	137	648	429	427	434	442
Total, Mandatory	23,940	23,177	18,793	17,185	15,577	14,582	14,299
Total, Agriculture	29,241	28,989	23,813	22,952	21,272	20,406	20,264
370 Commerce and housing credit:							
Discretionary:							
Mortgage credit:							
Federal Housing Administration (FHA) loan programs	–1,235	–1,893	–2,147	–1,978	–2,007	–2,141	–2,301
Government National Mortgage Association (GNMA)	–347	–389	–388	–388	–388	–387	–387
Other housing and urban development	–97	–468	–167	–167	–166	–165	–164
Rural housing insurance fund	662	668	705	720	735	753	770
Total, Mortgage credit	–1,017	–2,082	–1,997	–1,813	–1,826	–1,940	–2,082
Postal service:							
Payments to the Postal Service fund (On-budget)	93	96	77	61	61	62	63

Table 26–1. Budget Authority by Function, Category and Program—Continued

(In millions of dollars)

Function and Program	2001 Actual	Estimate					
		2002	2003	2004	2005	2006	2007
Deposit insurance:							
National credit union administration	1	1	1	2	1	1	2
Other advancement of commerce:							
Small and minority business assistance	764	597	629	642	656	671	687
Science and technology	631	710	603	615	629	644	658
Economic and demographic statistics	515	580	813	926	906	942	974
Regulatory agencies	–136	–649	–740	–940	–1,222	–1,541	–496
Proposed Legislation (non-PAYGO)	....	....	–33	–70	–73	–78	–83
Subtotal, Regulatory agencies	–136	–649	–773	–1,010	–1,295	–1,619	–579
International Trade Administration	352	355	377	385	394	402	411
Patent and trademark salaries and expenses	–46	–220	–162	–8	–63	–93	–86
Other discretionary	210	78	29	127	133	136	138
Total, Other advancement of commerce	2,290	1,451	1,516	1,677	1,360	1,083	2,203
Total, Discretionary	1,367	–534	–403	–73	–404	–794	186
Emergency Response Fund:							
Postal service:							
Payments to the Postal Service fund (On-budget)	....	500	....	....	....	....	....
Other advancement of commerce:							
Small and minority business assistance	....	75	....	....	....	....	....
Science and technology	....	6	....	....	....	....	....
Regulatory agencies	....	38	....	....	....	....	....
International Trade Administration	....	1	....	....	....	....	....
Patent and trademark salaries and expenses	....	2	....	....	....	....	....
Other discretionary	....	7	....	....	....	....	....
Total, Other advancement of commerce	....	129	....	....	....	....	....
Total, Emergency Response Fund	....	629	....	....	....	....	....
Mandatory:							
Mortgage credit:							
FHA mutual mortgage insurance	2,246	2,791	2,938	2,785	2,832	2,984	3,163
FHA general and special risk insurance	2,203	349	983	969	745	221	229
Government National Mortgage Association	....	....	40	40	40	40	40
Other HUD mortgage credit	–469	–325	–455	–338	–435	–550	–550
Other mortgage credit activities	–1,000	–1,247	–1,213	–1,229	–1,191	–1,193	–1,116
Total, Mortgage credit	2,980	1,568	2,293	2,227	1,991	1,502	1,766
Postal service:							
Postal Service (Off-budget)	4,064	2,813	5,154	368	487	390	1,197
Deposit insurance:							
Bank Insurance Fund	–26	–26	–25	–26	–26	–26	–26
FSLIC Resolution Fund	–4	–4	–3	–3	–3	–3	–3
Savings Association Insurance Fund	–4	–4	–3	–3	–3	–3	–3
Other deposit insurance activities	34	34	31	45	46	47	48
Total, Deposit insurance	....	....	....	13	14	15	16
Other advancement of commerce:							
Universal service fund	5,290	5,801	6,523	6,703	6,832	6,970	7,114
Payments to copyright owners	211	205	226	240	202	159	161
Spectrum auction subsidy	–852	141	12	12	12	12	12
Regulatory fees	–23	–23	–23	–23	–23	–23	–23
Credit liquidating accounts	5	3	3	2	1	1	1
Business loan program, subsidy reestimate	–722	–366	....	....	....	....	....
Continued dumping and subsidy offset	....	200	200	200	200	200	200

Table 26–1. Budget Authority by Function, Category and Program—Continued
(In millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Other mandatory	112	220	100	104	104	104	104
Total, Other advancement of commerce	4,021	6,181	7,041	7,238	7,328	7,423	7,569
Total, Mandatory	11,065	10,562	14,488	9,846	9,820	9,330	10,548
Total, Commerce and housing credit	12,432	10,657	14,085	9,773	9,416	8,536	10,734
400 Transportation:							
Discretionary:							
Ground transportation:							
Highways	2,795	320	24	24	24	23	24
Highway safety	127	155	196	200	205	209	214
Mass transit	1,258	1,352	1,449	1,478	1,512	1,546	1,584
Railroads	759	740	715	729	746	763	782
Proposed Legislation (non-PAYGO)	....	....	–59	–120	–122	–124	–127
Subtotal, Railroads	759	740	656	609	624	639	655
Regulation	18	18	19	19	20	20	21
State infrastructure banks	....	–6	....	....	....	....	....
Total, Ground transportation	4,957	2,579	2,344	2,330	2,385	2,437	2,498
Air transportation:							
Airports and airways (FAA)	9,715	10,391	10,616	10,830	11,060	11,310	11,565
Transportation security administration	....	....	2,454	2,505	2,561	2,622	2,683
Air transportation stabilization program account	....	....	6	6	6	6	7
Aeronautical research and technology	936	930	837	810	828	848	866
Payments to air carriers	....	13	....	....	....	....	....
Total, Air transportation	10,651	11,334	13,913	14,151	14,455	14,786	15,121
Water transportation:							
Marine safety and transportation	3,737	3,987	5,119	5,219	5,329	5,442	5,563
Ocean shipping	145	155	–20	–183	–185	–188	–191
Total, Water transportation	3,882	4,142	5,099	5,036	5,144	5,254	5,372
Other transportation:							
Department of Transportation administration and other	255	266	324	313	320	330	338
Total, Discretionary	19,745	18,321	21,680	21,830	22,304	22,807	23,329
Emergency Response Fund:							
Ground transportation:							
Highways	....	175	....	....	....	....	....
Mass transit	....	124	....	....	....	....	....
Railroads	....	106	....	....	....	....	....
Total, Ground transportation	....	405	....	....	....	....	....
Air transportation:							
Airports and airways (FAA)	123	533	....	....	....	....	....
Transportation security administration	....	95	....	....	....	....	....
Aeronautical research and technology	....	5	....	....	....	....	....
Payments to air carriers	....	50	....	....	....	....	....
Total, Air transportation	123	683	....	....	....	....	....
Water transportation:							
Marine safety and transportation	18	209	....	....	....	....	....
Other transportation:							
Department of Transportation administration and other	....	4	....	....	....	....	....
Total, Emergency Response Fund	141	1,301	....	....	....	....	....

Table 26–1. Budget Authority by Function, Category and Program—Continued

(In millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Mandatory:							
Ground transportation:							
Highways	32,304	35,122	31,111	26,662	32,182	32,779	33,387
Highway safety	553	610	612	616	630	642	656
Mass transit	6,308	5,398	5,781	5,880	5,987	6,102	6,220
Offsetting receipts and credit subsidy reestimates	–50	–96	–33	–33	–33	–33	–33
Credit liquidating accounts	–32	–29	–29	–29	–30	–29	–29
Total, Ground transportation	39,083	41,005	37,442	33,096	38,736	39,461	40,201
Air transportation:							
Airports and airways (FAA)	2,571	2,998	3,400	3,458	3,520	3,587	3,655
Payments to air carriers	50	20	30	30	30	40	40
Compensation for air carriers	5,000	....	....	....	....	....	....
Air transportation stabilization loan subsidies	....	1,426	1,463	....	....	....	....
Total, Air transportation	7,621	4,444	4,893	3,488	3,550	3,627	3,695
Water transportation:							
Coast Guard retired pay	778	876	....	....	....	....	....
MARAD ocean freight differential	254	48	45	46	47	48	49
Other water transportation programs	–42	171	–31	–32	–33	–34	–35
Total, Water transportation	990	1,095	14	14	14	14	14
Other transportation:							
Sale of Union Station air rights and Governors Island	....	–40	–300	....	....	....	....
Other mandatory transportation programs	–3	–1	–1	–1	–1	–1	–1
Total, Other transportation	–3	–41	–301	–1	–1	–1	–1
Total, Mandatory	47,691	46,503	42,048	36,597	42,299	43,101	43,909
Total, Transportation	67,577	66,125	63,728	58,427	64,603	65,908	67,238
450 Community and regional development:							
Discretionary:							
Community development:							
Community development block grant	5,112	5,000	4,716	4,815	4,922	5,037	5,155
Proposed Legislation (non-PAYGO)	....	....	16	16	16	16	16
Subtotal, Community development block grant	5,112	5,000	4,732	4,831	4,938	5,053	5,171
Community development loan guarantees	30	15	7	7	7	7	8
Community development financial institutions	118	80	68	69	71	73	74
Brownfields redevelopment	25	25	25	26	26	27	27
Other community development programs	574	464	712	727	743	760	778
Total, Community development	5,859	5,584	5,544	5,660	5,785	5,920	6,058
Area and regional development:							
Rural development	1,221	1,101	946	1,146	1,089	1,112	1,139
Economic Development Administration	451	368	350	358	365	374	383
Indian programs	1,428	1,492	1,498	1,528	1,563	1,599	1,636
Appalachian Regional Commission	77	71	66	67	69	70	72
Denali Commission	41	49	41	42	42	44	45
Delta Regional Authority	20	10	10	10	10	11	11
Total, Area and regional development	3,238	3,091	2,911	3,151	3,138	3,210	3,286
Disaster relief and insurance:							
Disaster relief	1,597	2,113	1,821	1,859	1,900	1,945	1,990
Small Business Administration disaster loans	184	214	198	202	206	211	216
National flood insurance premiums	64	78	89	91	92	95	97

Table 26–1. Budget Authority by Function, Category and Program—Continued

(In millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Other disaster assistance programs	677	688	4,651	4,748	4,854	4,966	5,085
Total, Disaster relief and insurance	2,522	3,093	6,759	6,900	7,052	7,217	7,388
Total, Discretionary	11,619	11,768	15,214	15,711	15,975	16,347	16,732
Emergency Response Fund:							
Community development:							
Community development block grant	....	2,000	....	....	....	....	....
Other community development programs	....	2	....	....	....	....	....
Total, Community development	....	2,002	....	....	....	....	....
Disaster relief and insurance:							
Disaster relief	2,000	4,357	....	....	....	....	....
Small Business Administration disaster loans	100	75	....	....	....	....	....
Other disaster assistance programs	....	235	....	....	....	....	....
Total, Disaster relief and insurance	2,100	4,667	....	....	....	....	....
Total, Emergency Response Fund	2,100	6,669	....	....	....	....	....
Mandatory:							
Community development:							
Pennsylvania Avenue activities and other programs	....	1	....	....	....	....	....
Area and regional development:							
Indian programs	191	200	201	208	196	202	209
Rural development programs	316	7	106	36	36	36	36
Credit liquidating accounts	–20	–74	–203	–258	–300	–292	–275
Offsetting receipts	–365	–185	–188	–192	–199	–203	–210
Total, Area and regional development	122	–52	–84	–206	–267	–257	–240
Disaster relief and insurance:							
National flood insurance fund	454	–360	–382	–110	–113	–115	–117
Proposed Legislation (PAYGO)	....	....	–7	–28	–60	–100	–153
Subtotal, National flood insurance fund	454	–360	–389	–138	–173	–215	–270
Disaster loans program account	46	506	....	....	....	....	....
SBA disaster loan subsidy reestimates	–384	....	....	....	....	....	....
Disaster assistance, downward reestimates	–10	....	....	....	....	....	....
Credit liquidating accounts	–44	....	....	....	....	....	....
Total, Disaster relief and insurance	62	146	–389	–138	–173	–215	–270
Total, Mandatory	184	95	–473	–344	–440	–472	–510
Total, Community and regional development	13,903	18,532	14,741	15,367	15,535	15,875	16,222
500 Education, training, employment, and social services:							
Discretionary:							
Elementary, secondary, and vocational education:							
Education for the disadvantaged	9,143	11,725	13,388	13,667	13,972	14,300	14,635
Impact aid	993	1,144	1,141	1,165	1,191	1,218	1,247
School improvement	4,619	7,827	6,784	6,926	7,080	7,246	7,416
Education reform	1,881	....	....	....	....	....	....
English language acquisition	460	665	665	679	694	710	727
Special education	6,110	8,673	9,688	9,890	10,111	10,347	10,591
Vocational and adult education	1,826	1,934	1,898	1,938	1,981	2,027	2,075
Reading excellence	286	195	....	....	....	....	....
Indian education	717	742	762	778	795	812	832
Other	12	14	14	14	15	15	15
Total, Elementary, secondary, and vocational education	26,047	32,919	34,340	35,057	35,839	36,675	37,538

Table 26–1. Budget Authority by Function, Category and Program—Continued

(In millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Higher education:							
Student financial assistance	10,674	13,562	12,768	13,034	13,325	13,638	13,957
Higher education	1,912	2,031	1,883	1,922	1,965	2,011	2,058
Federal family education loan program	48	49	....	....	....	....	....
Conversion of student loan administration to discretionary	....	....	–797	–813	–833	–851	–871
Other higher education programs	401	415	1,344	1,371	1,403	1,433	1,469
Total, Higher education	13,035	16,057	15,198	15,514	15,860	16,231	16,613
Research and general education aids:							
Library of Congress	449	376	429	435	445	456	465
Public broadcasting	404	418	434	451	452	463	473
Smithsonian institution and related agencies	599	645	687	700	717	733	749
Education research, statistics, and assessment	722	444	433	433	433	433	433
Other	939	925	885	904	923	944	967
Total, Research and general education aids	3,113	2,808	2,868	2,923	2,970	3,029	3,087
Training and employment:							
Training and employment services	5,635	5,457	4,981	5,085	5,199	5,320	5,445
Older Americans employment	440	445	440	449	459	470	481
Federal-State employment service	1,322	1,295	1,270	1,296	1,325	1,357	1,390
Proposed Legislation (non-PAYGO)	....	....	–179	–179	–215	–580	–836
Subtotal, Federal-State employment service	1,322	1,295	1,091	1,117	1,110	777	554
Other employment and training	116	119	126	129	132	135	138
Total, Training and employment	7,513	7,316	6,638	6,780	6,900	6,702	6,618
Other labor services:							
Labor law, statistics, and other administration	1,503	1,588	1,573	1,605	1,639	1,678	1,713
Social services:							
Rehabilitation services	405	464	469	479	490	501	514
Corporation for National and Community Service	460	404	633	646	661	676	692
National Service	280	335	402	411	421	433	445
Children and families services programs	7,966	8,440	8,490	8,667	8,860	9,068	9,280
Proposed Legislation (non-PAYGO)	....	....	30	30	30	30	30
Subtotal, Children and families services programs	7,966	8,440	8,520	8,697	8,890	9,098	9,310
Aging services program	1,104	1,201	1,342	1,370	1,401	1,433	1,467
Other	3	73	228	233	238	244	249
Total, Social services	10,218	10,917	11,594	11,836	12,101	12,385	12,677
Total, Discretionary	61,429	71,605	72,211	73,715	75,309	76,700	78,246
Emergency Response Fund:							
Elementary, secondary, and vocational education:							
School improvement	....	10	....	....	....	....	....
Research and general education aids:							
Library of Congress	2	30	....	....	....	....	....
Public broadcasting	....	8	....	....	....	....	....
Smithsonian institution and related agencies	....	28	....	....	....	....	....
Total, Research and general education aids	2	66	....	....	....	....	....
Training and employment:							
Training and employment services	25	32	....	....	....	....	....
Other labor services:							
Labor law, statistics, and other administration	....	6	....	....	....	....	....
Total, Emergency Response Fund	27	114	....	....	....	....	....

Table 26–1. Budget Authority by Function, Category and Program—Continued

(In millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Mandatory:							
Elementary, secondary, and vocational education:							
Education tax credit—refundable portion (Proposed Legislation PAYGO)	....	....	165	449	699	975	1,213
Higher education:							
Federal family education loan program	–1,660	3,781	4,090	3,371	3,554	3,728	3,894
Proposed Legislation (PAYGO)	....	....	34	11	15	14	14
Subtotal, Federal family education loan program	–1,660	3,781	4,124	3,382	3,569	3,742	3,908
Federal direct loan program	214	52	180	71	10	–76	–167
Proposed Legislation (PAYGO)	....	....	3	5	5	6	6
Subtotal, Federal direct loan program	214	52	183	76	15	–70	–161
Other higher education programs	–48	–35	–35	–35	–44	–59	–58
Credit liquidating account (Family education loan program)	–1,064	–745	–625	–508	–380	–278	–182
Total, Higher education	–2,558	3,053	3,647	2,915	3,160	3,335	3,507
Research and general education aids:							
Mandatory programs	86	25	25	24	24	23	22
Training and employment:							
Trade adjustment assistance	132	132	....	....	....	....	....
Proposed Legislation (non-PAYGO)	....	....	132	132	132	132	132
Subtotal, Trade adjustment assistance	132	132	132	132	132	132	132
Advance appropriations and other mandatory	131	140	138	....	....	....	....
Total, Training and employment	263	272	270	132	132	132	132
Other labor services:							
Other labor services	10	10	10	....	....	....	....
Social services:							
Promoting safe and stable families	305	305	305	305	305	305	305
Social services block grant	1,725	1,700	1,700	1,700	1,700	1,700	1,700
Rehabilitation services	2,400	2,482	2,533	2,591	2,649	2,710	2,775
Other social services	22	16	16	12	11	8	7
Total, Social services	4,452	4,503	4,554	4,608	4,665	4,723	4,787
Total, Mandatory	2,253	7,863	8,671	8,128	8,680	9,188	9,661
Total, Education, training, employment, and social services	63,709	79,582	80,882	81,843	83,989	85,888	87,907
550 Health:							
Discretionary:							
Health care services:							
Substance abuse and mental health services	2,968	3,142	3,197	3,326	3,440	3,555	3,639
Indian health	2,690	2,824	2,884	2,955	3,020	3,089	3,159
Health Resources and Services Administration	5,005	5,466	5,082	5,316	5,578	5,848	5,985
Disease control, research, and training	3,590	3,981	3,613	3,707	3,787	3,875	3,965
Departmental management and other	738	775	3,055	3,118	3,187	3,262	3,337
Total, Health care services	14,991	16,188	17,831	18,422	19,012	19,629	20,085
Health research and training:							
National Institutes of Health	20,447	23,333	27,335	27,911	28,532	29,197	29,881
Clinical training	598	675	313	319	326	334	342
Other health research and training	431	368	318	290	334	342	350
Total, Health research and training	21,476	24,376	27,966	28,520	29,192	29,873	30,573
Consumer and occupational health and safety:							
Food safety and inspection	745	769	804	811	828	848	867

Table 26–1. Budget Authority by Function, Category and Program—Continued
(In millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Occupational safety and health	713	742	731	745	761	779	798
FDA and Consumer Product Safety Commission salaries and expenses	1,199	1,328	1,492	1,535	1,559	1,595	1,630
Total, Consumer and occupational health and safety	2,657	2,839	3,027	3,091	3,148	3,222	3,295
Total, Discretionary	39,124	43,403	48,824	50,033	51,352	52,724	53,953
Emergency Response Fund:							
Health care services:							
Disease control, research, and training	....	12	....	....	....	....	....
Bioterrorism preparedness and emergency response/recovery	126	2,644	....	....	....	....	....
Total, Health care services	126	2,656	....	....	....	....	....
Health research and training:							
National Institutes of Health	....	10	....	....	....	....	....
Consumer and occupational health and safety:							
Food safety and inspection	....	15	....	....	....	....	....
Occupational safety and health	1	1	....	....	....	....	....
FDA salaries and expenses	....	151	....	....	....	....	....
Total, Consumer and occupational health and safety	1	167	....	....	....	....	....
Total, Emergency Response Fund	127	2,833	....	....	....	....	....
Mandatory:							
Health care services:							
Medicaid grants	129,419	144,641	158,692	171,143	185,471	201,557	219,066
Proposed Legislation (non-PAYGO)	....	....	–1,280	–2,560	–3,920	–5,510	–7,510
Proposed Legislation (PAYGO)	....	....	1,378	1,612	2,593	3,814	5,718
Subtotal, Medicaid grants	129,419	144,641	158,790	170,195	184,144	199,861	217,274
State children's health insurance fund	6,283	3,115	3,175	3,175	4,082	4,082	5,040
Health care tax credit—refundable portion (Proposed Legislation PAYGO)	....	....	667	5,185	6,292	6,560	6,441
Federal employees' and retired employees' health benefits	5,507	6,105	16,484	18,349	19,675	21,143	22,797
DoD Medicare-eligible retiree health care fund	....	....	5,681	11,628	12,360	13,133	13,953
UMWA Funds (coal miner retiree health)	332	233	208	202	197	193	187
Ricky Ray hemophilia relief fund	582	....	....	....	....	....	....
Other mandatory health services activities	592	602	315	207	215	221	187
Proposed Legislation (PAYGO)	....	....	50	50	50	50	50
Subtotal, Other mandatory health services activities	592	602	365	257	265	271	237
Total, Health care services	142,715	154,696	185,370	208,991	227,015	245,243	265,929
Health research and safety:							
Health research and training	107	107	104	5	3	2	1
Consumer and occupational health and safety	....	....	....	–1	–1	–1	–1
Total, Health research and safety	107	107	104	4	2	1	....
Total, Mandatory	142,822	154,803	185,474	208,995	227,017	245,244	265,929
Total, Health	182,073	201,039	234,298	259,028	278,369	297,968	319,882
570 Medicare:							
Discretionary:							
Medicare:							
Hospital insurance (HI) administrative expenses	1,448	1,652	1,604	1,636	1,672	1,710	1,749
Proposed Legislation (non-PAYGO)	....	....	–25	–25	–25	–25	–25
Subtotal, Hospital insurance (HI) administrative expenses	1,448	1,652	1,579	1,611	1,647	1,685	1,724

Table 26–1. Budget Authority by Function, Category and Program—Continued

(In millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Supplementary medical insurance (SMI) administrative expenses	1,955	2,078	2,228	2,274	2,323	2,377	2,433
Proposed Legislation (non-PAYGO)	....	....	–105	–105	–105	–105	–105
Subtotal, Supplementary medical insurance (SMI) administrative expenses	1,955	2,078	2,123	2,169	2,218	2,272	2,328
Total, Discretionary	3,403	3,730	3,702	3,780	3,865	3,957	4,052
Mandatory:							
Medicare:							
Hospital insurance (HI)	141,299	144,101	148,071	153,465	163,449	168,735	179,262
Proposed Legislation (PAYGO)	....	....	410	730	940	940	920
Subtotal, Hospital insurance (HI)	141,299	144,101	148,481	154,195	164,389	169,675	180,182
Supplementary medical insurance (SMI)	97,508	104,123	108,369	112,463	119,990	124,994	135,242
Proposed Legislation (non-PAYGO)	....	....	80	....	....	....	....
Proposed Legislation (PAYGO)	....	....	–10	120	290	330	190
Subtotal, Supplementary medical insurance (SMI)	97,508	104,123	108,439	112,583	120,280	125,324	135,432
Allowance for medicare modernization (Proposed Legislation PAYGO)	....	....	....	....	....	10,800	13,900
Allowance for transitional drug assistance (Proposed Legislation non-PAYGO)	....	....	1,200	2,560	3,920	5,510	7,510
HI premiums and collections	–1,440	–1,502	–1,538	–1,618	–1,715	–1,819	–1,919
SMI premiums and collections	–22,308	–24,120	–25,809	–27,395	–29,269	–31,333	–33,610
Proposed Legislation (PAYGO)	....	....	....	–35	–82	–95	–23
Subtotal, SMI premiums and collections	–22,308	–24,120	–25,809	–27,430	–29,351	–31,428	–33,633
Medicare interfunds	–1,286	4,006	–8	....	....	....	....
Total, Mandatory	213,773	226,608	230,765	240,290	257,523	278,062	301,472
Total, Medicare	217,176	230,338	234,467	244,070	261,388	282,019	305,524
600 Income security:							
Discretionary:							
General retirement and disability insurance:							
Railroad retirement	267	256	242	247	252	258	264
Pension Benefit Guaranty Corporation	12	12	13	13	14	14	14
Pension and Welfare Benefits Administration and other	113	116	123	125	128	131	134
Total, General retirement and disability insurance	392	384	378	385	394	403	412
Federal employee retirement and disability:							
Civilian retirement and disability program administrative expenses	88	105	110	112	115	117	120
Federal workers' compensation (FECA) surcharge, offset for discretionary administrative expenditures	....	....	–86	–88	–90	–92	–94
Armed forces retirement home	73	74	70	71	73	74	77
Total, Federal employee retirement and disability	161	179	94	95	98	99	103
Unemployment compensation:							
Unemployment programs administrative expenses	2,439	2,793	2,734	2,791	2,853	2,920	2,989
Proposed Legislation (non-PAYGO)	....	....	....	....	–331	–1,457	–2,229
Total, Unemployment compensation	2,439	2,793	2,734	2,791	2,522	1,463	760
Housing assistance:							
Public housing operating fund	3,235	3,495	3,530	3,604	3,684	3,771	3,859
Public housing capital fund	2,993	2,843	2,426	2,477	2,531	2,591	2,652
Subsidized, public, homeless and other HUD housing	18,105	20,362	22,604	24,555	25,274	25,997	26,715
Rural housing assistance	786	806	823	840	858	878	900
Total, Housing assistance	25,119	27,506	29,383	31,476	32,347	33,237	34,126
Food and nutrition assistance:							
Special supplemental food program for women, infants, and children (WIC)	4,043	4,348	4,751	4,850	4,958	5,074	5,194

Table 26–1. Budget Authority by Function, Category and Program—Continued

(In millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Other nutrition programs	588	603	480	489	500	510	525
Total, Food and nutrition assistance	4,631	4,951	5,231	5,339	5,458	5,584	5,719
Other income assistance:							
Refugee assistance	433	460	453	462	473	484	495
Low income home energy assistance	2,000	2,000	1,700	1,735	1,774	1,815	1,858
Child care and development block grant	2,000	2,100	2,100	2,144	2,192	2,243	2,296
Foster care and adoption assistance	....	....	60	61	63	64	66
Supplemental security income (SSI) administrative expenses	2,702	2,980	2,977	3,030	3,091	3,156	3,220
Total, Other income assistance	7,135	7,540	7,290	7,432	7,593	7,762	7,935
Total, Discretionary	39,877	43,353	45,110	47,518	48,412	48,548	49,055
Emergency Response Fund:							
General retirement and disability insurance:							
Pension and Welfare Benefits Administration and other	....	2	....	....	....	....	....
Unemployment compensation:							
Unemployment programs administrative expenses	4	4	....	....	....	....	....
Food and nutrition assistance:							
Special supplemental food program for women, infants, and children (WIC)	....	39	....	....	....	....	....
Total, Emergency Response Fund	4	45	....	....	....	....	....
Mandatory:							
General retirement and disability insurance:							
Railroad retirement	4,980	4,655	4,557	5,061	5,244	5,606	5,578
Special benefits for disabled coal miners	941	896	1,238	1,174	1,099	1,026	956
Transfer of disabled coal miners program from SSA to DoL (Proposed Legislation non-PAYGO)	....	....	–408	–383	–353	–324	–297
Pension Benefit Guaranty Corporation	–12	–12	–13	–13	–14	–14	–15
District of Columbia pension funds	438	464	473	484	495	505	514
Special workers' compensation program	143	149	149	149	150	150	151
Total, General retirement and disability insurance	6,490	6,152	5,996	6,472	6,621	6,949	6,887
Federal employee retirement and disability:							
Federal civilian employee retirement and disability	48,082	50,632	53,672	56,721	59,914	62,737	65,151
Proposed Legislation (PAYGO)	....	....	3	8	14	20	27
Subtotal, Federal civilian employee retirement and disability	48,082	50,632	53,675	56,729	59,928	62,757	65,178
Military retirement	34,205	35,544	36,318	37,184	38,119	39,096	40,113
Coast Guard military retirement fund	....	....	889	941	977	1,014	1,056
Federal employees workers' compensation (FECA)	59	126	168	186	201	210	212
Proposed Legislation (PAYGO)	....	....	....	....	–2	–3	–7
Subtotal, Federal employees workers' compensation (FECA)	59	126	168	186	199	207	205
Federal employees life insurance fund	30	32	32	32	32	33	34
Total, Federal employee retirement and disability	82,376	86,334	91,082	95,072	99,255	103,107	106,586
Unemployment compensation:							
Unemployment insurance programs	29,976	44,210	40,365	37,810	37,084	37,907	40,137
Proposed Legislation (PAYGO)	....	....	....	....	319	1,929	3,072
Subtotal, Unemployment insurance programs	29,976	44,210	40,365	37,810	37,403	39,836	43,209

Table 26–1. Budget Authority by Function, Category and Program—Continued
(In millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Trade adjustment assistance	275	284	13				
Proposed Legislation (non-PAYGO)			317	342	355	369	383
Subtotal, Trade adjustment assistance	275	284	330	342	355	369	383
Total, Unemployment compensation	30,251	44,494	40,695	38,152	37,758	40,205	43,592
Housing assistance:							
Mandatory housing assistance programs	25	40	40	40	40	40	40
Food and nutrition assistance:							
Food stamps (including Puerto Rico)	20,058	22,975	26,233	26,152	26,438	26,771	27,660
Proposed Legislation (PAYGO)			–215	148	225	282	306
Subtotal, Food stamps (including Puerto Rico)	20,058	22,975	26,018	26,300	26,663	27,053	27,966
State child nutrition programs	9,610	10,083	10,572	11,419	11,854	12,305	12,818
Funds for strengthening markets, income, and supply (Sec.32)	740	889	640	640	640	640	640
Total, Food and nutrition assistance	30,408	33,947	37,230	38,359	39,157	39,998	41,424
Other income support:							
Supplemental security income (SSI)	30,561	29,090	31,848	33,774	37,732	36,667	35,326
Proposed Legislation (PAYGO)				–2	–7	–13	–19
Subtotal, Supplemental security income (SSI)	30,561	29,090	31,848	33,772	37,725	36,654	35,307
Child support and family support programs	3,092	3,448	3,576	3,924	4,178	4,470	4,987
Proposed Legislation (PAYGO)			–59	–39	–43	–48	–53
Subtotal, Child support and family support programs	3,092	3,448	3,517	3,885	4,135	4,422	4,934
Federal share of child support collections	–856	–765	–789	–836	–887	–917	–948
Proposed Legislation (PAYGO)			–7	–14	103	164	172
Subtotal, Federal share of child support collections	–856	–765	–796	–850	–784	–753	–776
Temporary assistance for needy families and related programs	16,689	16,689	16,689	17,689	16,689	16,689	16,689
Proposed Legislation (PAYGO)			319	319	319	319	319
Subtotal, Temporary assistance for needy families and related programs	16,689	16,689	17,008	18,008	17,008	17,008	17,008
TANF contingency fund (Proposed Legislation PAYGO)			2,000				
Child care entitlement to states	2,571	2,717	2,717	2,717	2,717	2,717	2,717
Foster care and adoption assistance	6,401	6,622	6,609	6,983	7,447	8,031	8,659
Earned income tax credit (EITC)	26,123	28,282	30,629	31,083	31,720	33,133	34,085
Child tax credit	982	7,390	7,390	7,210	6,950	9,380	9,200
Other assistance	39	37	53	54	55	56	57
SSI recoveries and receipts	–1,609	–1,703	–1,799	–1,889	–1,948	–2,008	–2,084
Total, Other income support	83,993	91,807	99,176	100,973	105,025	108,640	109,107
Total, Mandatory	233,543	262,774	274,219	279,068	287,856	298,939	307,636
Total, Income security	273,424	306,172	319,329	326,586	336,268	347,487	356,691
650 Social security:							
Discretionary:							
Social security:							
Old-age and survivors insurance (OASI)administrative expenses (Off-budget)	1,980	1,982	2,213	2,257	2,306	2,358	2,411
Disability insurance (DI) administrative expenses (Off-budget)	1,605	1,679	1,792	1,827	1,867	1,909	1,952
Limitation on administrative expenses				166	170	173	178
Office of the Inspector General—Social Security Adm. (On-budget)	18	20	22	22	23	23	24
Total, Discretionary	3,603	3,681	4,027	4,272	4,366	4,463	4,565

Table 26–1. Budget Authority by Function, Category and Program—Continued

(In millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Emergency Response Fund:							
Social security:							
Old-age and survivors insurance (OASI)administrative expenses (Off-budget)	....	8	....	....	....	....	....
Mandatory:							
Social security:							
Old-age and survivors insurance (OASI)(Off-budget)	372,480	389,433	403,341	419,623	437,897	458,016	480,340
Disability insurance (DI)(Off-budget)	65,288	67,786	69,570	73,734	79,566	85,995	92,893
Quinquennial OASI and DI adjustments (On-budget)	–836	....	....	....	....	....	....
Intragovernmental transactions (On-budget)	12,536	13,892	14,282	15,149	16,041	16,841	17,990
Intragovernmental transactions (Off-budget)	–12,528	–13,478	–14,282	–15,149	–16,041	–16,841	–17,990
Total, Mandatory	436,940	457,633	472,911	493,357	517,463	544,011	573,233
Total, Social security	440,543	461,322	476,938	497,629	521,829	548,474	577,798
700 Veterans benefits and services:							
Discretionary:							
Income security for veterans:							
Special benefits for certain World War II veterans	1	2	2	2	2	2	2
Veterans education, training, and rehabilitation:							
Loan fund program account	1	....	....	....	....	....	....
Veterans employment and training	25	26	25	25	26	26	28
Proposed Legislation (non-PAYGO)	....	....	–18	–18	–18	–18	–18
Subtotal, Veterans employment and training	25	26	7	7	8	8	10
Grants for veterans employment (Proposed Legislation non-PAYGO)	....	....	177	177	177	177	177
Total, Veterans education, training, and rehabilitation	26	26	184	184	185	185	187
Hospital and medical care for veterans:							
Medical care and hospital services	22,087	23,333	25,107	25,615	26,167	26,761	27,372
Collections for medical care	–771	–805	–1,084	–1,285	–1,374	–1,464	–1,555
Construction for medical care, benefits, and cemeteries	339	498	505	515	526	539	552
Total, Hospital and medical care for veterans	21,655	23,026	24,528	24,845	25,319	25,836	26,369
Veterans housing:							
Housing program loan administrative expenses	170	172	177	181	184	189	193
Other veterans benefits and services:							
National Cemetery Administration	113	126	138	141	144	147	150
General operating expenses	1,152	1,253	1,317	1,343	1,372	1,402	1,434
Proposed Legislation (non-PAYGO)	....	....	20	20	20	20	20
Subtotal, General operating expenses	1,152	1,253	1,337	1,363	1,392	1,422	1,454
Other operating expenses	131	157	161	165	167	172	175
Total, Other veterans benefits and services	1,396	1,536	1,636	1,669	1,703	1,741	1,779
Total, Discretionary	23,248	24,762	26,527	26,881	27,393	27,953	28,530
Emergency Response Fund:							
Other veterans benefits and services:							
General operating expenses	....	2	....	....	....	....	....
Mandatory:							
Income security for veterans:							
Compensation, Pensions and Burial benefits	23,356	24,945	26,525	27,998	29,437	30,881	32,298
Proposed Legislation (PAYGO)	....	....	....	–6	–6	–6	–6
Subtotal, Compensation, Pensions and Burial benefits	23,356	24,945	26,525	27,992	29,431	30,875	32,292
Special benefits for certain World War II veterans	7	9	9	8	9	8	7

Table 26–1. Budget Authority by Function, Category and Program—Continued

(In millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
National service life insurance trust fund	1,240	1,274	1,282	1,271	1,258	1,250	1,234
All other insurance programs	26	48	55	67	74	80	91
Insurance program receipts	–195	–199	–186	–172	–156	–141	–127
Total, Income security for veterans	24,434	26,077	27,685	29,166	30,616	32,072	33,497
Veterans education, training, and rehabilitation:							
Readjustment benefits (Montgomery GI Bill and related programs)	1,981	2,135	2,265	2,680	2,796	2,924	3,051
All-volunteer force educational assistance trust fund	–345	–221	–254	–246	–263	–259	–274
Total, Veterans education, training, and rehabilitation	1,636	1,914	2,011	2,434	2,533	2,665	2,777
Veterans housing:							
Housing program loan subsidies	336	754	339	318	318	320	323
Housing program loan reestimates	–1,420	–1,797					
Total, Veterans housing	–1,084	–1,043	339	318	318	320	323
Other veterans programs:							
National homes, Battle Monument contributions and other	133	38	42	39	42	43	44
Total, Mandatory	25,119	26,986	30,077	31,957	33,509	35,100	36,641
Total, Veterans benefits and services	48,367	51,750	56,604	58,838	60,902	63,053	65,171
750 Administration of justice:							
Discretionary:							
Federal law enforcement activities:							
Criminal investigations (DEA, FBI, FinCEN, ICDE)	4,705	5,061	5,818	5,936	6,068	6,205	6,349
Alcohol, tobacco, and firearms investigations (ATF)	797	853	913	931	952	973	995
Border enforcement activities (Customs and INS)	5,745	6,381	7,317	7,455	7,616	7,791	7,968
Equal Employment Opportunity Commission	317	325	324	330	337	345	353
Tax law, criminal investigations (IRS)	365	368	386	394	402	411	420
Other law enforcement activities	2,207	2,038	2,311	2,360	2,409	2,462	2,518
Proposed Legislation (non-PAYGO)			–250				
Subtotal, Other law enforcement activities	2,207	2,038	2,061	2,360	2,409	2,462	2,518
Total, Federal law enforcement activities	14,136	15,026	16,819	17,406	17,784	18,187	18,603
Federal litigative and judicial activities:							
Civil and criminal prosecution and representation	3,252	3,487	3,121	3,184	3,254	3,329	3,404
Representation of indigents in civil cases	329	329	329	336	343	351	360
Federal judicial and other litigative activities	4,103	4,464	5,084	5,151	5,282	5,416	5,553
Total, Federal litigative and judicial activities	7,684	8,280	8,534	8,671	8,879	9,096	9,317
Correctional activities:							
Federal prison system and detention trustee program	4,419	4,748	5,997	6,119	6,253	6,397	6,543
Criminal justice assistance:							
Crime victims fund obligation limit			–1,261	1,261			
High-intensity drug trafficking areas program	169	226	206	210	215	220	225
Law enforcement assistance, community policing, and other justice programs	4,642	4,246	3,052	3,116	3,185	3,259	3,336
Total, Criminal justice assistance	4,811	4,472	1,997	4,587	3,400	3,479	3,561
Total, Discretionary	31,050	32,526	33,347	36,783	36,316	37,159	38,024
Emergency Response Fund:							
Federal law enforcement activities:							
Terrorist response activities outlayed in many subfunctions	13,037						
Criminal investigations (DEA, FBI, FinCEN, ICDE)		745					
Alcohol, tobacco, and firearms investigations (ATF)	2	31					
Border enforcement activities (Customs and INS)	36	949					
Equal Employment Opportunity Commission		1					
Tax law, criminal investigations (IRS)	2	4					

Table 26–1. Budget Authority by Function, Category and Program—Continued
(In millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Other law enforcement activities	41	156					
Total, Federal law enforcement activities	13,118	1,886					
Federal litigative and judicial activities:							
Civil and criminal prosecution and representation		79					
Federal judicial and other litigative activities	21	96					
Total, Federal litigative and judicial activities	21	175					
Criminal justice assistance:							
Crime victims fund obligation limit		68					
High-intensity drug trafficking areas program	2						
Law enforcement assistance, community policing, and other justice programs		651					
Total, Criminal justice assistance	2	719					
Total, Emergency Response Fund	13,141	2,780					
Mandatory:							
Federal law enforcement activities:							
Border enforcement activities (Customs and INS)	1,989	2,470	2,592	2,745	2,783	2,825	2,871
INS fees	–1,998	–2,404	–2,462	–2,168	–2,203	–2,240	–2,278
Customs fees	–1,271	–1,309	–1,439	–3	–3	–3	–4
Other mandatory law enforcement programs	596	506	538	519	523	526	526
Total, Federal law enforcement activities	–684	–737	–771	1,093	1,100	1,108	1,115
Federal litigative and judicial activities:							
September 11 victim compensation fund		1,080	2,700	1,620			
Assets forfeiture fund	417	337	407	373	380	387	395
Federal judicial officers salaries and expenses and other mandatory programs	562	607	623	608	623	638	653
Total, Federal litigative and judicial activities	979	2,024	3,730	2,601	1,003	1,025	1,048
Correctional activities:							
Mandatory programs	–3	–3	–3	–4	–4	–4	–4
Criminal justice assistance:							
Crime victims fund	508	515	1,886	430	430	430	430
Public safety officers' benefits	33	157	49	50	51	52	53
Total, Criminal justice assistance	541	672	1,935	480	481	482	483
Total, Mandatory	833	1,956	4,891	4,170	2,580	2,611	2,642
Total, Administration of justice	45,024	37,262	38,238	40,953	38,896	39,770	40,666
800 General government:							
Discretionary:							
Legislative functions:							
Legislative branch discretionary programs	2,317	2,654	3,003	2,979	3,040	3,111	3,184
Executive direction and management:							
Drug control programs	223	240	251	256	262	268	274
Executive Office of the President	270	286	337	344	351	359	368
Presidential transition and former Presidents	10	3	3	3	3	3	3
Total, Executive direction and management	503	529	591	603	616	630	645
Central fiscal operations:							
Tax administration	9,077	9,559	10,030	10,229	10,447	10,680	10,921
Other fiscal operations	861	883	902	921	939	960	982
Total, Central fiscal operations	9,938	10,442	10,932	11,150	11,386	11,640	11,903
General property and records management:							
Records management	318	290	272	277	283	290	296

Table 26–1. Budget Authority by Function, Category and Program—Continued
(In millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Other general and records management	450	555	535	549	557	570	583
Total, General property and records management	768	845	807	826	840	860	879
Central personnel management:							
Discretionary central personnel management programs	180	192	223	228	232	238	243
General purpose fiscal assistance:							
Payments and loans to the District of Columbia	334	247	207	211	216	221	226
Payments to States and counties from Federal land management activities	11	14	14	14	15	15	15
Payments in lieu of taxes	199	210	165	168	173	176	180
Other	....	....	2	2	2	2	2
Total, General purpose fiscal assistance	544	471	388	395	406	414	423
Other general government:							
Discretionary programs	319	295	346	353	361	369	377
Total, Discretionary	14,569	15,428	16,290	16,534	16,881	17,262	17,654
Emergency Response Fund:							
Legislative functions:							
Legislative branch discretionary programs	84	222	....	....	....	....	....
Executive direction and management:							
Executive Office of the President	7	50	....	....	....	....	....
Central fiscal operations:							
Tax administration	2	30	....	....	....	....	....
Other fiscal operations	6	2	....	....	....	....	....
Total, Central fiscal operations	8	32	....	....	....	....	....
General property and records management:							
Records management	....	3	....	....	....	....	....
Other general and records management	9	127	....	....	....	....	....
Total, General property and records management	9	130	....	....	....	....	....
General purpose fiscal assistance:							
Payments and loans to the District of Columbia	6	200	....	....	....	....	....
Other	....	175	....	....	....	....	....
Total, General purpose fiscal assistance	6	375	....	....	....	....	....
Other general government:							
Discretionary programs	....	4	....	....	....	....	....
Total, Emergency Response Fund	114	813	....	....	....	....	....
Mandatory:							
Legislative functions:							
Congressional members compensation and other	108	117	118	119	119	117	118
Central fiscal operations:							
Federal financing bank	33	18	24	28	30	31	31
Other mandatory programs	–117	–76	–72	–64	–64	–63	–60
Total, Central fiscal operations	–84	–58	–48	–36	–34	–32	–29
General property and records management:							
Mandatory programs	24	24	24	25	25	26	24
Offsetting receipts	–18	–33	–33	–29	–28	–27	–26
Total, General property and records management	6	–9	–9	–4	–3	–1	–2
General purpose fiscal assistance:							
Payments to States and counties	1,386	1,180	1,190	1,225	1,241	1,274	1,226

Table 26–1. Budget Authority by Function, Category and Program—Continued

(In millions of dollars)

Function and Program	2001 Actual	Estimate					
		2002	2003	2004	2005	2006	2007
Tax revenues for Puerto Rico (Treasury, BATF)	420	347	338	336	331	331	331
Arctic National Wildlife Refuge—Payment to Alaska (Proposed Legislation)	....	....	....	1,201	1	101	1
Other general purpose fiscal assistance	117	125	125	125	126	126	126
Total, General purpose fiscal assistance	1,923	1,652	1,653	2,887	1,699	1,832	1,684
Other general government:							
Territories	162	187	186	187	185	185	185
Treasury claims	1,494	926	1,000	1,204	1,204	1,204	1,204
Presidential election campaign fund	58	58	58	58	58	58	58
Other mandatory programs	90	....	....	2	2	2	2
Proposed Legislation (non-PAYGO)	....	....	7	....	....	....	....
Subtotal, Other mandatory programs	90	....	7	2	2	2	2
Total, Other general government	1,804	1,171	1,251	1,451	1,449	1,449	1,449
Deductions for offsetting receipts:							
Offsetting receipts	–1,889	–1,438	–1,431	–1,431	–1,431	–1,431	–1,431
Total, Mandatory	1,868	1,435	1,534	2,986	1,799	1,934	1,789
Total, General government	16,551	17,676	17,824	19,520	18,680	19,196	19,443
900 Net interest:							
Mandatory:							
Interest on Treasury debt securities (gross):							
Interest paid on Treasury debt securities (gross)	359,507	338,833	353,087	375,335	392,317	406,795	422,149
Proposed Legislation (non-PAYGO)	....	....	–9	–44	–93	–149	–204
Total, Interest on Treasury debt securities (gross)	359,507	338,833	353,078	375,291	392,224	406,646	421,945
Interest received by on-budget trust funds:							
Civil service retirement and disability fund	–34,953	–36,050	–38,379	–39,554	–40,645	–41,663	–43,042
Military retirement	–13,366	–13,074	–13,271	–13,478	–13,696	–13,930	–14,173
Foreign service retirement and disability trust fund	–752	–778	–804	–831	–858	–886	–914
Medicare trust funds	–15,525	–15,639	–17,631	–19,334	–21,266	–23,366	–25,791
Proposed Legislation (non-PAYGO)	....	....	9	44	93	149	204
Subtotal, Medicare trust funds	–15,525	–15,639	–17,622	–19,290	–21,173	–23,217	–25,587
Unemployment trust fund	–5,749	–5,606	–4,719	–4,545	–4,699	–5,029	–5,484
Railroad retirement	–2,347	–572	–214	–207	–209	–209	–206
Airport and airway trust fund	–882	–869	–623	–657	–724	–781	–854
Other on-budget trust funds	–1,728	–1,699	–1,613	–1,539	–1,462	–1,395	–1,329
Total, Interest received by on-budget trust funds	–75,302	–74,287	–77,245	–80,101	–83,466	–87,110	–91,589
Interest received by off-budget trust funds:							
Interest received by social security trust funds	–68,811	–76,822	–83,849	–92,029	–101,015	–110,959	–122,109
Other interest:							
Interest on loans to Federal Financing Bank	–2,157	–1,930	–1,484	–1,724	–2,044	–2,342	–2,230
Interest on refunds of tax collections	2,726	2,351	2,206	2,107	2,275	2,419	2,608
Payment to the Resolution Funding Corporation	464	1,157	2,124	2,231	2,117	2,188	2,231
Interest paid to loan guarantee financing accounts	4,708	3,775	3,802	3,919	4,093	4,316	4,556
Interest received from direct loan financing accounts	–10,336	–10,748	–11,590	–12,191	–12,677	–13,137	–13,564
Interest on deposits in tax and loan accounts	–951	–451	–585	–585	–585	–585	–585
Interest, employees health benefits fund	....	....	–772	–1,333	–1,897	–2,488	–3,109
Interest, DoD retiree health care fund	....	....	–1,038	–2,664	–4,480	–6,473	–8,656
Interest, other special and revolving funds	–1,530	–897	–1,014	–1,102	–1,185	–1,243	–1,294
All other interest	–2,122	–2,221	–2,190	–2,186	–2,327	–2,111	–2,070
Total, Other interest	–9,198	–8,964	–10,541	–13,528	–16,710	–19,456	–22,113

Table 26–1. Budget Authority by Function, Category and Program—Continued
(In millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Other investment income:							
Private sector holdings, National Railroad Retirement Investment Trust	....	–374	–784	–802	–802	–810	–801
Total, Net interest	206,196	178,386	180,659	188,831	190,231	188,311	185,333
920 Allowances:							
Discretionary:							
Offset to finance Pell grants supplemental	....	–1,276	....	....	....	....	....
Adjustments to certain pass-through accounts to reflect projected enactment	....	....	–400	–408	–417	–427	–437
Total, Discretionary	....	–1,276	–400	–408	–417	–427	–437
Mandatory:							
Bipartisan economic security plan (Proposed Legislation PAYGO)	....	27,000	8,000	1,500	....	....	....
Spectrum relocation fund	....	....	–100	–315	–200	....	–50
Proposed Legislation (PAYGO)	....	....	100	315	200	....	50
Subtotal, Spectrum relocation fund	....	....	....	....	....	....	....
Total, Mandatory	....	27,000	8,000	1,500	....	....	....
Total, Allowances	....	25,724	7,600	1,092	–417	–427	–437
950 Undistributed offsetting receipts:							
Mandatory:							
Employer share, employee retirement (on-budget):							
Contributions to HI trust fund	–2,704	–2,894	–3,032	–3,158	–3,319	–3,453	–3,591
Contributions to military retirement fund	–11,371	–12,491	–11,934	–12,396	–12,911	–13,383	–13,847
Postal Service contributions to Civil Service Retirement and Disability Fund	–6,600	–6,780	–6,932	–7,089	–7,320	–7,555	–7,745
Employing agency contributions, DoD Retiree Health Care Fund	....	....	–8,312	–15,475	–16,416	–17,418	–18,500
Other contributions to civil and foreign service retirement and disability fund	–10,208	–10,746	–31,213	–32,689	–34,180	–35,698	–37,324
Retirement accrual offset	–8,219	–8,683	159	142	202	222	238
Total, Employer share, employee retirement (on-budget)	–39,102	–41,594	–61,264	–70,665	–73,944	–77,285	–80,769
Employer share, employee retirement (off-budget):							
Contributions to social security trust funds	–7,910	–9,243	–9,564	–10,232	–11,034	–11,744	–12,448
Rents and royalties on the Outer Continental Shelf:							
OCS Receipts	–7,194	–3,806	–2,832	–2,952	–3,670	–3,969	–4,018
Sale of major assets:							
Privatization of Elk Hills	....	....	....	....	–323	....	....
Other undistributed offsetting receipts:							
Spectrum auction	–1,024	–530	–4,510	–10,565	–8,770	–675	–680
Proposed Legislation (PAYGO)	....	....	4,050	–3,350	–2,700	–4,700	....
Subtotal, Spectrum auction	–1,024	–530	–460	–13,915	–11,470	–5,375	–680
Analog spectrum lease fee (Proposed Legislation PAYGO)	....	....	....	....	....	....	–500
Arctic National Wildlife Refuge (Proposed Legislation PAYGO)	....	....	....	–2,402	–2	–202	–2
Total, Other undistributed offsetting receipts	–1,024	–530	–460	–16,317	–11,472	–5,577	–1,182
Total, Undistributed offsetting receipts	–55,230	–55,173	–74,120	–100,166	–100,443	–98,575	–98,417
Total	1,959,734	2,085,030	2,162,922	2,210,177	2,309,723	2,414,687	2,528,980
On-budget	(1,603,566)	(1,720,872)	(1,788,547)	(1,829,612)	(1,915,520)	(2,005,390)	(2,102,556)
Off-budget	(356,168)	(364,158)	(374,375)	(380,565)	(394,203)	(409,297)	(426,424)

Table 26–2. Outlays by Function, Category and Program

(In millions of dollars)

Function and Program	2001 Actual	Estimate					
		2002	2003	2004	2005	2006	2007
050 National defense:							
Discretionary:							
Department of Defense—Military:							
Military personnel	73,977	81,129	92,720	101,955	106,979	112,586	116,394
Proposed Legislation (non-PAYGO)	....	....	45	78	107	125	132
Subtotal, Military personnel	73,977	81,129	92,765	102,033	107,086	112,711	116,526
Operation and maintenance	113,323	122,678	134,304	143,221	145,972	146,394	147,711
Proposed Legislation (non-PAYGO)	....	....	13	3	....	....	....
Subtotal, Operation and maintenance	113,323	122,678	134,317	143,224	145,972	146,394	147,711
Procurement	54,986	58,897	61,951	65,201	75,013	81,770	87,579
Research, development, test and evaluation	40,599	45,057	50,823	52,251	56,164	57,573	57,390
Military construction	5,010	5,715	5,941	4,712	4,497	5,453	7,822
Family housing	3,519	3,760	3,894	3,891	4,048	4,431	4,445
Revolving, management, and trust funds and other	3,230	3,083	2,185	1,883	2,075	2,185	2,827
Total, Department of Defense—Military	294,644	320,319	351,876	373,195	394,855	410,517	424,300
Atomic energy defense activities:							
Department of Energy	12,826	14,616	15,136	15,691	16,028	16,184	16,535
Formerly utilized sites remedial action	184	118	141	143	146	149	153
Defense nuclear facilities safety board	18	18	19	20	20	20	20
Total, Atomic energy defense activities	13,028	14,752	15,296	15,854	16,194	16,353	16,708
Defense-related activities:							
Radiation exposure compensation trust fund transferred to mandatory	45	49	17	....	....	....	....
Discretionary programs	1,240	1,195	1,204	1,231	1,267	1,298	1,326
Total, Defense-related activities	1,285	1,244	1,221	1,231	1,267	1,298	1,326
Total, Discretionary	308,957	336,315	368,393	390,280	412,316	428,168	442,334
Emergency Response Fund:							
Department of Defense—Military:							
Operation and maintenance	139	10,674	10,039	3,172	1,030	367	179
Procurement	....	721	323	85	18	5	3
Military construction	....	12	46	30	9	5	1
Revolving, management, and trust funds and other	....	45	90	90	75	....	....
Total, Department of Defense—Military	139	11,452	10,498	3,377	1,132	377	183
Atomic energy defense activities:							
Department of Energy	4	220	110	40	....	....	....
Defense-related activities:							
Discretionary programs	....	11	2	....	....	....	....
Total, Emergency Response Fund	143	11,683	10,610	3,417	1,132	377	183
Mandatory:							
Department of Defense—Military:							
Military personnel	....	26	52	53	53	53	53
Operation and maintenance	....	....	–1,099	–409	–211	–168	–162
Revolving, trust and other DoD mandatory	581	328	565	220	274	270	306
Offsetting receipts	–1,369	–1,572	–903	–878	–879	–854	–820
Total, Department of Defense—Military	–788	–1,218	–1,385	–1,014	–763	–699	–623
Atomic energy defense activities:							
Energy employee occupational illness compensation program, benefits	....	769	758	578	353	250	157
Energy employee occupational illness compensation program, administration	6	122	130	69	56	48	35

Table 26–2. Outlays by Function, Category and Program—Continued
(In millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Proceeds from sale of excess DOE assets	–1						
Total, Atomic energy defense activities	5	891	888	647	409	298	192
Defense-related activities:							
Radiation exposure compensation trust fund		103	155	121	82	54	36
Mandatory programs	216	212	351	351	351	351	351
Total, Defense-related activities	216	315	506	472	433	405	387
Total, Mandatory	–567	–12	9	105	79	4	–44
Total, National defense	308,533	347,986	379,012	393,802	413,527	428,549	442,473
150 International affairs:							
Discretionary:							
International development, humanitarian assistance:							
Development assistance and child survival and disease programs	1,967	2,312	2,486	2,607	2,671	2,744	2,829
Food aid	960	889	1,028	1,139	1,195	1,233	1,274
Refugee programs	771	772	749	735	747	764	782
Andean counter-drug initiative	371	409	587	715	735	762	781
Multilateral development banks (MDB's)	1,860	1,726	1,810	1,814	1,595	1,545	1,630
Assistance for the independent states of the former Soviet Union	484	468	593	679	727	768	787
Peace Corps	255	279	308	352	394	436	478
International narcotics control and law enforcement	349	315	303	219	205	208	213
Assistance for Central and Eastern Europe	394	402	478	494	509	521	520
USAID operations	556	560	590	620	656	693	728
Voluntary contributions to international organizations	310	326	315	316	323	331	338
Central America and Caribbean emergency disaster recovery fund	220	100	41	12			
Other development and humanitarian assistance	142	196	224	236	231	222	209
Total, International development, humanitarian assistance	8,639	8,754	9,512	9,938	9,988	10,227	10,569
International security assistance:							
Foreign military financing grants and loans	4,310	4,279	4,230	4,191	4,457	4,612	4,592
Economic support fund	2,392	2,355	2,182	2,209	2,261	2,316	2,369
Nonproliferation, antiterrorism, demining, and related programs	359	331	358	391	384	393	402
Other security assistance	226	201	223	204	195	199	203
Total, International security assistance	7,287	7,166	6,993	6,995	7,297	7,520	7,566
Conduct of foreign affairs:							
State Department operations	3,061	4,233	4,408	4,356	4,394	4,446	4,548
Embassy security, construction, and maintenance	648	834	962	1,187	1,297	1,347	1,369
Assessed contributions to international organizations	870	881	890	909	940	957	974
Assessed contributions for international peacekeeping	429	1,565	737	741	758	775	794
Arrearage payment for international organizations and peacekeeping		826					
Other conduct of foreign affairs	137	145	157	163	165	169	172
Total, Conduct of foreign affairs	5,145	8,484	7,154	7,356	7,554	7,694	7,857
Foreign information and exchange activities:							
International broadcasting	441	517	555	530	538	550	563
Russian Leadership Development Center trust fund		1	14	13	13	14	14
Other information and exchange activities	372	344	341	333	338	322	330
Total, Foreign information and exchange activities	813	862	910	876	889	886	907
International financial programs:							
Export-Import Bank	715	579	651	593	648	666	677
Inspector General for international trade and investment agencies (Proposed Legislation non-PAYGO)			2	2	2	2	2
Special defense acquisition fund	–6	2	5				

Table 26–2. Outlays by Function, Category and Program—Continued

(In millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
IMF new arrangements to borrow	9						
Total, International financial programs	718	581	658	595	650	668	679
Total, Discretionary	22,602	25,847	25,227	25,760	26,378	26,995	27,578
Emergency Response Fund:							
International development, humanitarian assistance:							
Assistance for the independent states of the former Soviet Union		16	16	14			
Food aid		50	29	9	4	3	
Refugee programs		30	50	20			
Peace Corps	2	5					
International narcotics control and law enforcement		36	30	7			
Other development and humanitarian assistance		51	56	31	18	8	2
Total, International development, humanitarian assistance	2	188	181	81	22	11	2
International security assistance:							
Foreign military financing grants and loans		3	14	20	5	3	
Economic support fund		600					
Other security assistance		82	29	15			
Total, International security assistance		685	43	35	5	3	
Conduct of foreign affairs:							
State Department operations		122	29				
Embassy security, construction, and maintenance		16	14	12	10	1	
Evacuations and rewards		16	35				
Total, Conduct of foreign affairs		154	78	12	10	1	
Foreign information and exchange activities:							
International broadcasting		43	4				
Total, Emergency Response Fund	2	1,070	306	128	37	15	2
Mandatory:							
International development, humanitarian assistance:							
Credit liquidating accounts	–1,368	–1,195	–1,092	–1,168	–1,116	–1,075	–1,015
Receipts and other	–65	–34	–5	–9	–11	–11	–11
Total, International development, humanitarian assistance	–1,433	–1,229	–1,097	–1,177	–1,127	–1,086	–1,026
International security assistance:							
Foreign military loan reestimates	–209	147					
Foreign military loan liquidating account	–518	–450	–376	–282	–303	–301	–265
Total, International security assistance	–727	–303	–376	–282	–303	–301	–265
Foreign affairs and information:							
Conduct of foreign affairs	–18	36	8	6	6	6	6
Japan-U.S. Friendship Commission	3	3	3	3	3	3	3
Vietnam debt repayment fund, transfers from liquidating fund		–4	–3				
Total, Foreign affairs and information	–15	35	8	9	9	9	9
International financial programs:							
Foreign military sales trust fund (net)	–58	1					
International monetary fund	47						
Exchange stabilization fund	–995	–1,050	–1,185	–1,254	–1,314	–1,370	–1,428
Credit liquidating account (Ex-Im)	–487	–413	–331	–297	–297	–261	–254
Export-Import Bank—subsidy reestimates	–1,975	–367					

Table 26–2. Outlays by Function, Category and Program—Continued

(In millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Other international financial programs	–360	–71	–85	–88	–94	–108	–25
Total, International financial programs	–3,828	–1,900	–1,601	–1,639	–1,705	–1,739	–1,707
Total, Mandatory	–6,003	–3,397	–3,066	–3,089	–3,126	–3,117	–2,989
Total, International affairs	16,601	23,520	22,467	22,799	23,289	23,893	24,591
250 General science, space, and technology:							
Discretionary:							
General science and basic research:							
National Science Foundation programs	3,589	4,380	4,683	4,849	5,093	5,154	5,279
Department of Energy general science programs	2,938	3,240	3,264	3,321	3,391	3,468	3,549
Total, General science and basic research	6,527	7,620	7,947	8,170	8,484	8,622	8,828
Space flight, research, and supporting activities:							
Science, aeronautics and technology	5,292	6,856	7,611	8,453	8,942	9,201	9,441
Human space flight	5,829	6,499	6,324	5,996	6,015	6,131	6,275
Mission support	2,178	539	81	29	2	....	....
Other NASA programs	31	31	26	27	27	28	28
Total, Space flight, research, and supporting activities	13,330	13,925	14,042	14,505	14,986	15,360	15,744
Total, Discretionary	19,857	21,545	21,989	22,675	23,470	23,982	24,572
Emergency Response Fund:							
Space flight, research, and supporting activities:							
Science, aeronautics and technology	....	14	11	1	1	....	....
Human space flight	....	52	22	2	....	....	....
Total, Emergency Response Fund	....	66	33	3	1	....	....
Mandatory:							
General science and basic research:							
National Science Foundation donations	39	145	146	101	55	28	23
Space flight, research, and supporting activities:							
National Space Grant Program	....	3	....	....	....	....	....
Total, Mandatory	39	148	146	101	55	28	23
Total, General science, space, and technology	19,896	21,759	22,168	22,779	23,526	24,010	24,595
270 Energy:							
Discretionary:							
Energy supply:							
Research and development	1,134	1,318	1,392	1,357	1,326	1,338	1,347
Naval petroleum reserves operations	22	23	22	21	22	22	22
Uranium enrichment activities	....	2	....	....	....	....	....
Decontamination transfer	–419	–420	–442	–452	–463	–474	–485
Nuclear waste program	176	146	155	214	219	224	229
Federal power marketing	122	185	189	184	190	192	195
Arctic national wildlife refuge—alternative energy (Proposed Legislation non-PAYGO)	....	....	....	68	137	181	196
Elk Hills school lands fund	36	36	72	26	26	....	....
Rural electric and telephone discretionary loans	45	63	43	35	38	36	35
Non-defense environmental management and other	643	711	560	550	562	574	589
Total, Energy supply	1,759	2,064	1,991	2,003	2,057	2,093	2,128
Energy conservation and preparedness:							
Energy conservation	763	831	897	912	927	948	970
Emergency energy preparedness	160	173	190	191	194	199	204
Total, Energy conservation and preparedness	923	1,004	1,087	1,103	1,121	1,147	1,174

Table 26–2. Outlays by Function, Category and Program—Continued

(In millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Energy information, policy, and regulation:							
Nuclear Regulatory Commission (NRC)	48	52	73	92	99	96	92
Federal Energy Regulatory Commission fees and recoveries, and other	–1	–12	–13	–13	–13	–13	–13
Department of Energy departmental administration, OIG, and EIA administration	219	197	277	296	303	311	317
Total, Energy information, policy, and regulation	266	237	337	375	389	394	396
Total, Discretionary	2,948	3,305	3,415	3,481	3,567	3,634	3,698
Emergency Response Fund:							
Energy information, policy, and regulation:							
Nuclear Regulatory Commission (NRC)	....	27	9	....	....	....	....
Mandatory:							
Energy supply:							
Naval petroleum reserves oil and gas sales	–12	–7	–7	–7	–7	–7	–5
Federal power marketing	–67	–682	–602	–778	–757	–801	–789
Proposed Legislation (PAYGO)	....	....	149	262	648	239	150
Subtotal, Federal power marketing	–67	–682	–453	–516	–109	–562	–639
Tennessee Valley Authority	–670	178	–302	–712	–790	–720	–818
United States Enrichment Corporation	–37	–67	–71	–75	–79	–83	–88
Nuclear waste fund program	–689	–640	–647	–612	–637	–621	–609
Rural electric and telephone liquidating accounts	–1,380	–1,553	–1,378	–1,228	–1,098	–971	–882
Rural electric and telephone loan subsidy reestimates	–4	....	....	....	....	....	....
Total, Mandatory	–2,859	–2,771	–2,858	–3,150	–2,720	–2,964	–3,041
Total, Energy	89	561	566	331	847	670	657
300 Natural resources and environment:							
Discretionary:							
Water resources:							
Corps of Engineers	4,647	4,729	4,292	4,194	4,281	4,374	4,477
Proposed Legislation (non-PAYGO)	....	....	–149	–153	–154	–154	–154
Subtotal, Corps of Engineers	4,647	4,729	4,143	4,041	4,127	4,220	4,323
Bureau of Reclamation	812	956	847	845	864	882	903
Watershed, flood prevention, and other	272	319	276	232	231	210	214
Total, Water resources	5,731	6,004	5,266	5,118	5,222	5,312	5,440
Conservation and land management:							
Forest Service	3,545	4,288	4,203	4,171	4,257	4,350	4,451
Management of public lands (BLM)	1,556	1,720	1,760	1,732	1,763	1,806	1,844
Conservation of agricultural lands	787	947	959	978	990	1,006	1,027
Fish and Wildlife Service	1,002	1,128	1,294	1,286	1,278	1,275	1,292
Other conservation and land management programs	604	686	753	709	773	781	796
Total, Conservation and land management	7,494	8,769	8,969	8,876	9,061	9,218	9,410
Recreational resources:							
Operation of recreational resources	1,973	2,327	2,473	2,503	2,531	2,589	2,647
Other recreational resources activities	–11	42	50	38	25	22	22
Total, Recreational resources	1,962	2,369	2,523	2,541	2,556	2,611	2,669
Pollution control and abatement:							
Regulatory, enforcement, and research programs	2,874	3,097	3,131	3,093	3,105	3,149	3,193
State and tribal assistance grants	3,518	3,463	3,736	3,766	3,758	3,700	3,502
Hazardous substance superfund	1,261	1,306	1,301	1,411	1,424	1,462	1,539
Other control and abatement activities	144	153	159	156	160	157	159
Environmental services (Proposed Legislation non-PAYGO)	....	....	–4	–8	–8	–8	–8
Total, Pollution control and abatement	7,797	8,019	8,323	8,418	8,439	8,460	8,385

Table 26–2. Outlays by Function, Category and Program—Continued
(In millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Other natural resources:							
NOAA	2,623	3,105	3,177	3,272	3,360	3,459	3,525
Other natural resource program activities	1,042	1,073	1,087	1,100	1,119	1,145	1,169
Total, Other natural resources	3,665	4,178	4,264	4,372	4,479	4,604	4,694
Total, Discretionary	26,649	29,339	29,345	29,325	29,757	30,205	30,598
Emergency Response Fund:							
Water resources:							
Corps of Engineers	....	125	14	....	....	....	....
Bureau of Reclamation	....	18	12	....	....	....	....
Total, Water resources	....	143	26	....	....	....	....
Recreational resources:							
Operation of recreational resources	3	30	17	7	4	....	....
Pollution control and abatement:							
Regulatory, enforcement, and research programs	....	51	60	14	3	1	....
State and tribal assistance grants	....	3	1	1	....	....	....
Hazardous substance superfund	....	11	12	7	4	2	1
Total, Pollution control and abatement	....	65	73	22	7	3	1
Other natural resources:							
NOAA	....	3	....	....	....	....	....
Other natural resource program activities	....	2	....	....	....	....	....
Total, Other natural resources	....	5	....	....	....	....	....
Total, Emergency Response Fund	3	243	116	29	11	3	1
Mandatory:							
Water resources:							
Offsetting receipts and other mandatory water resource programs	–354	–185	–15	–112	–344	–66	–157
Proposed Legislation (PAYGO)	....	....	....	10	15	20	25
Total, Water resources	–354	–185	–15	–102	–329	–46	–132
Conservation and land management:							
Conservation Reserve Program and other	1,945	2,109	2,119	2,221	2,222	2,138	2,119
CRP,WRP,and EQIP (Proposed Legislation PAYGO)	....	179	526	939	1,251	1,420	1,520
Other conservation programs	704	564	567	566	570	576	577
Proposed Legislation (PAYGO)	....	....	....	13	31	46	48
Subtotal, Other conservation programs	704	564	567	579	601	622	625
Offsetting receipts	–2,654	–2,470	–2,519	–2,327	–2,299	–2,376	–2,404
Proposed Legislation (PAYGO)	....	....	....	–13	–17	–30	–32
Subtotal, Offsetting receipts	–2,654	–2,470	–2,519	–2,340	–2,316	–2,406	–2,436
Total, Conservation and land management	–5	382	693	1,399	1,758	1,774	1,828
Recreational resources:							
Operation of recreational resources	824	935	1,014	1,024	999	980	964
Recreation fee permanent appropriations (Proposed Legislation PAYGO)	....	....	....	....	53	88	129
Offsetting receipts	–458	–378	–374	–376	–287	–283	–286
Proposed Legislation (PAYGO)	....	....	–6	–11	–110	–117	–117
Subtotal, Offsetting receipts	–458	–378	–380	–387	–397	–400	–403
Total, Recreational resources	366	557	634	637	655	668	690
Pollution control and abatement:							
Superfund resources and other mandatory	–136	–126	–169	–194	–177	–142	–125

Table 26–2. Outlays by Function, Category and Program—Continued
(In millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Other natural resources:							
Fees and mandatory programs	–188	28	–3	18	–9	–12	–12
Total, Mandatory	–317	656	1,140	1,758	1,898	2,242	2,249
Total, Natural resources and environment	26,335	30,238	30,601	31,112	31,666	32,450	32,848
350 Agriculture:							
Discretionary:							
Farm income stabilization:							
Agriculture credit loan program	425	483	520	509	519	530	542
P.L.480 market development activities	288	380	144	133	133	136	139
Administrative expenses	1,047	1,142	1,051	1,098	1,086	1,098	1,121
Total, Farm income stabilization	1,760	2,005	1,715	1,740	1,738	1,764	1,802
Agricultural research and services:							
Research and education programs	1,479	1,605	1,617	1,736	1,683	1,687	1,720
Discretionary changes to mandatory research programs	....	....	–15	–96	–42	–12	45
Integrated research, education, and extension programs	7	31	41	44	45	46	47
Extension programs	432	474	429	434	436	445	455
Marketing programs	60	65	77	80	81	83	84
Animal and plant inspection programs	768	876	844	810	825	844	865
Proposed Legislation (non-PAYGO)	....	....	–5	–5	–5	–5	–5
Subtotal, Animal and plant inspection programs	768	876	839	805	820	839	860
Economic intelligence	177	187	225	215	211	211	223
Grain inspection and packers program	34	35	42	43	44	46	47
Proposed Legislation (non-PAYGO)	....	....	–29	–29	–29	–29	–29
Subtotal, Grain inspection and packers program	34	35	13	14	15	17	18
Foreign agricultural service	127	126	135	139	142	145	148
Other programs and unallocated overhead	397	494	522	550	550	560	574
Total, Agricultural research and services	3,481	3,893	3,883	3,921	3,941	4,021	4,174
Total, Discretionary	5,241	5,898	5,598	5,661	5,679	5,785	5,976
Emergency Response Fund:							
Agricultural research and services:							
Other programs and unallocated overhead	....	190	80	27	12	4	....
Mandatory:							
Farm income stabilization:							
Commodity Credit Corporation	20,147	15,328	9,500	8,623	7,562	6,530	6,127
Proposed Legislation (PAYGO)	....	4,021	6,745	6,080	5,437	5,307	5,254
Subtotal, Commodity Credit Corporation	20,147	19,349	16,245	14,703	12,999	11,837	11,381
Agricultural credit insurance subsidy reestimate	322	1,287	....	....	....	....	....
Crop insurance and other farm credit activities	1,413	2,801	2,787	2,816	2,869	2,993	3,129
Credit liquidating accounts (ACIF and FAC)	–881	–864	–860	–785	–745	–676	–641
Total, Farm income stabilization	21,001	22,573	18,172	16,734	15,123	14,154	13,869
Agricultural research and services:							
Miscellaneous mandatory programs	517	347	561	605	632	662	630
Proposed Legislation (PAYGO)	....	....	....	72	72	74	74
Subtotal, Miscellaneous mandatory programs	517	347	561	677	704	736	704

Table 26–2. Outlays by Function, Category and Program—Continued
(In millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Offsetting receipts	–206	–178	–185	–185	–183	–183	–183
Proposed Legislation (PAYGO)	....	....	....	–72	–72	–74	–74
Subtotal, Offsetting receipts	–206	–178	–185	–257	–255	–257	–257
Total, Agricultural research and services	311	169	376	420	449	479	447
Total, Mandatory	21,312	22,742	18,548	17,154	15,572	14,633	14,316
Total, Agriculture	26,553	28,830	24,226	22,842	21,263	20,422	20,292
370 Commerce and housing credit:							
Discretionary:							
Mortgage credit:							
Federal Housing Administration (FHA) loan programs	–1,283	–1,842	–2,140	–1,979	–2,009	–2,142	–2,302
Government National Mortgage Association (GNMA)	–347	–389	–388	–388	–388	–387	–387
Other housing and urban development	–101	–469	–164	–163	–161	–164	–164
Rural housing insurance fund	624	682	727	731	734	754	767
Total, Mortgage credit	–1,107	–2,018	–1,965	–1,799	–1,824	–1,939	–2,086
Postal service:							
Payments to the Postal Service fund (On-budget)	93	96	77	61	61	62	63
Deposit insurance:							
National credit union administration	–1	....	–1	1	....	....	1
Other advancement of commerce:							
Small and minority business assistance	615	605	584	635	649	663	680
Science and technology	687	717	764	683	644	639	645
Economic and demographic statistics	1,151	856	782	900	909	934	967
Regulatory agencies	–190	–609	–736	–933	–1,213	–1,534	–497
Proposed Legislation (non-PAYGO)	....	....	–33	–70	–73	–78	–83
Subtotal, Regulatory agencies	–190	–609	–769	–1,003	–1,286	–1,612	–580
International Trade Administration	328	341	367	380	391	398	408
Patent and trademark salaries and expenses	–110	–535	–264	–181	–213	–229	–225
Other discretionary	123	233	192	200	207	211	216
Total, Other advancement of commerce	2,604	1,608	1,656	1,614	1,301	1,004	2,111
Total, Discretionary	1,589	–314	–233	–123	–462	–873	89
Emergency Response Fund:							
Postal service:							
Payments to the Postal Service fund (On-budget)	....	675	....	....	....	....	....
Other advancement of commerce:							
Small and minority business assistance	....	47	28	....	....	....	....
Science and technology	....	5	1	....	....	....	....
Regulatory agencies	....	38	....	....	....	....	....
International Trade Administration	....	1	....	....	....	....	....
Patent and trademark salaries and expenses	....	2	....	....	....	....	....
Other discretionary	....	7	....	....	....	....	....
Total, Other advancement of commerce	....	100	29	....	....	....	....
Total, Emergency Response Fund	....	775	29	....	....	....	....
Mandatory:							
Mortgage credit:							
FHA mutual mortgage insurance	2,095	–3,244	–1,700	–1,949	–2,181	–2,499	–2,799
FHA general and special risk insurance	–198	618	918	844	620	96	104
Government National Mortgage Association	–365	–378	–336	–343	–348	–365	–389
Other HUD mortgage credit	–468	–484	–529	–463	–521	–550	–550

Table 26–2. Outlays by Function, Category and Program—Continued

(In millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Other mortgage credit activities	–1,095	–1,148	–1,187	–1,228	–1,134	–1,096	–1,116
Total, Mortgage credit	–31	–4,636	–2,834	–3,139	–3,564	–4,414	–4,750
Postal service:							
Postal Service (Off-budget)	2,302	2,015	–1,448	699	–168	–895	–794
Deposit insurance:							
Bank Insurance Fund	–1,341	–28	1,852	340	–112	–172	–69
FSLIC Resolution Fund	24	200	7	–85	–197	–141	–159
Savings Association Insurance Fund	99	496	–152	327	319	221	82
National credit union administration	–200	–455	–368	–211	–230	–240	–218
Other deposit insurance activities	6	5	11	5	6	7	8
Total, Deposit insurance	–1,412	218	1,350	376	–214	–325	–356
Other advancement of commerce:							
Universal service fund	4,947	5,490	6,510	6,805	7,133	7,271	7,114
Payments to copyright owners	270	126	206	259	215	229	241
Spectrum auction subsidy	–834	144	12	12	12	12	12
Regulatory fees	–23	–23	–23	–23	–23	–23	–23
Credit liquidating accounts	–27	–37	–96	–39	–31	–29	–27
Business loan program, subsidy reestimate	–722	–366	....	....	....	....	....
Continued dumping and subsidy offset	....	200	200	200	200	200	200
Other mandatory	–29	172	27	27	25	25	25
Total, Other advancement of commerce	3,582	5,706	6,836	7,241	7,531	7,685	7,542
Total, Mandatory	4,441	3,303	3,904	5,177	3,585	2,051	1,642
Total, Commerce and housing credit	6,030	3,764	3,700	5,054	3,123	1,178	1,731
400 Transportation:							
Discretionary:							
Ground transportation:							
Highways	26,255	27,873	27,244	24,424	23,668	23,982	24,439
Highway safety	576	826	832	821	830	844	862
Mass transit	7,049	6,441	6,635	6,786	6,760	6,717	7,429
Railroads	736	1,072	777	752	759	783	779
Proposed Legislation (non-PAYGO)	....	....	–59	–120	–122	–124	–127
Subtotal, Railroads	736	1,072	718	632	637	659	652
Regulation	15	21	19	20	20	20	21
State infrastructure banks	3	6	5	5	3	....	....
Total, Ground transportation	34,634	36,239	35,453	32,688	31,918	32,222	33,403
Air transportation:							
Airports and airways (FAA)	11,135	13,608	13,515	13,984	14,295	14,804	15,131
Transportation security administration	....	–187	1,922	2,490	2,545	2,604	2,664
Air transportation stabilization program account	....	....	5	7	7	7	7
Aeronautical research and technology	868	486	807	796	825	839	854
Payments to air carriers	6	9	5	....	....	....	....
Total, Air transportation	12,009	13,916	16,254	17,277	17,672	18,254	18,656
Water transportation:							
Marine safety and transportation	3,798	3,781	4,694	5,024	5,244	5,377	5,508
Ocean shipping	160	185	–31	–179	–181	–187	–191
Panama Canal Commission	6	11	....	....	....	....	....
Total, Water transportation	3,964	3,977	4,663	4,845	5,063	5,190	5,317

Table 26–2. Outlays by Function, Category and Program—Continued
(In millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Other transportation:							
Department of Transportation administration and other	261	273	317	311	321	329	335
Total, Discretionary	50,868	54,405	56,687	55,121	54,974	55,995	57,711
Emergency Response Fund:							
Ground transportation:							
Highways	....	47	72	28	13	8	3
Mass transit	....	107	27	....	....	....	....
Railroads	....	25	51	30	....	....	....
Total, Ground transportation	....	179	150	58	13	8	3
Air transportation:							
Airports and airways (FAA)	....	702	193	64	34	9	7
Transportation security administration	....	81	14	....	....	....	....
Air transportation stabilization program account	....	8	1	....	....	....	....
Aeronautical research and technology	....	3	2	....	....	....	....
Payments to air carriers	....	30	20	....	....	....	....
Total, Air transportation	....	824	230	64	34	9	7
Water transportation:							
Marine safety and transportation	18	167	25	17	....	....	....
Other transportation:							
Department of Transportation administration and other	....	3	1	....	....	....	....
Total, Emergency Response Fund	18	1,173	406	139	47	17	10
Mandatory:							
Ground transportation:							
Highways	1,299	1,337	1,216	1,063	989	908	859
Offsetting receipts and credit subsidy reestimates	–50	–96	–33	–33	–33	–33	–33
Credit liquidating accounts	–40	–29	–29	–29	–30	–29	–29
Total, Ground transportation	1,209	1,212	1,154	1,001	926	846	797
Air transportation:							
Airports and airways (FAA)	....	62	....	....	....	....	....
Payments to air carriers	30	32	26	30	30	36	40
Compensation for air carriers	2,328	2,672	....	....	....	....	....
Air transportation stabilization loan subsidies	....	1,426	1,463	....	....	....	....
Total, Air transportation	2,358	4,192	1,489	30	30	36	40
Water transportation:							
Coast Guard retired pay	770	834	....	....	....	....	....
MARAD ocean freight differential	28	182	45	46	47	48	49
Other water transportation programs	–49	171	–32	–35	–36	–37	–38
Total, Water transportation	749	1,187	13	11	11	11	11
Other transportation:							
Sale of Union Station air rights and Governors Island	....	–40	–300	....	....	....	....
Other mandatory transportation programs	18	1	....	–1	–1	–1	–1
Total, Other transportation	18	–39	–300	–1	–1	–1	–1
Total, Mandatory	4,334	6,552	2,356	1,041	966	892	847
Total, Transportation	55,220	62,130	59,449	56,301	55,987	56,904	58,568

Table 26–2. Outlays by Function, Category and Program—Continued

(In millions of dollars)

Function and Program	2001 Actual	Estimate					
		2002	2003	2004	2005	2006	2007
450 Community and regional development:							
Discretionary:							
Community development:							
Community development block grant	4,939	4,965	5,014	5,387	5,028	4,936	4,999
Proposed Legislation (non-PAYGO)	....	....	....	5	12	14	15
Subtotal, Community development block grant	4,939	4,965	5,014	5,392	5,040	4,950	5,014
Community development loan guarantees	7	11	15	11	9	7	7
Community adjustment and investment program	8	....	....	....	....	....	....
Community development financial institutions	107	115	108	61	69	71	72
Brownfields redevelopment	4	26	31	39	39	36	27
Other community development programs	433	533	783	784	752	760	769
Total, Community development	5,498	5,650	5,951	6,287	5,909	5,824	5,889
Area and regional development:							
Rural development	877	1,048	950	1,132	1,053	1,022	1,088
Economic Development Administration	364	493	465	402	379	364	363
Indian programs	1,321	1,388	1,445	1,447	1,546	1,577	1,613
Appalachian Regional Commission	94	109	94	78	84	84	80
Tennessee Valley Authority	8	2	1	1	....	....	....
Denali Commission	–14	48	88	87	42	43	45
Delta Regional Authority	....	1	9	9	11	11	10
Total, Area and regional development	2,650	3,089	3,052	3,156	3,115	3,101	3,199
Disaster relief and insurance:							
Disaster relief	3,073	2,626	3,621	2,659	2,708	1,909	1,935
Small Business Administration disaster loans	238	222	223	202	205	210	214
National flood insurance premiums	70	73	82	90	92	94	96
Other disaster assistance programs	818	905	2,514	4,174	4,818	4,889	5,004
Total, Disaster relief and insurance	4,199	3,826	6,440	7,125	7,823	7,102	7,249
Total, Discretionary	12,347	12,565	15,443	16,568	16,847	16,027	16,337
Emergency Response Fund:							
Community development:							
Community development block grant	....	270	864	1,134	432	....	....
Other community development programs	....	2	....	....	....	....	....
Total, Community development	....	272	864	1,134	432	....	....
Area and regional development:							
Economic Development Administration	....	....	1	1	....	....	....
Disaster relief and insurance:							
Disaster relief	147	2,225	1,607	954	954	466	....
Small Business Administration disaster loans	1	154	20	....	....	....	....
Other disaster assistance programs	....	114	100	22	....	....	....
Total, Disaster relief and insurance	148	2,493	1,727	976	954	466	....
Total, Emergency Response Fund	148	2,765	2,592	2,111	1,386	466	....
Mandatory:							
Community development:							
Pennsylvania Avenue activities and other programs	–88	....	....	....	....	....	....
Credit liquidating accounts	–91	1	....	–3	–3	–2	–3
Total, Community development	–179	1	....	–3	–3	–2	–3
Area and regional development:							
Indian programs	278	193	200	207	196	201	208
Rural development programs	309	29	110	35	35	35	35
Credit liquidating accounts	–65	–58	–266	–296	–359	–357	–339

Table 26–2. Outlays by Function, Category and Program—Continued

(In millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Offsetting receipts	–365	–185	–188	–192	–199	–203	–210
Total, Area and regional development	157	–21	–144	–246	–327	–324	–306
Disaster relief and insurance:							
National flood insurance fund	180	–296	–317	–340	–361	–381	–399
Proposed Legislation (PAYGO)	....	....	–43	–75	–115	–165	–227
Subtotal, National flood insurance fund	180	–296	–360	–415	–476	–546	–626
Disaster loans program account	46	506	....	....	....	....	....
SBA disaster loan subsidy reestimates	–384	....	....	....	....	....	....
Disaster assistance, downward reestimates	–10	....	....	....	....	....	....
Credit liquidating accounts	–328	–155	–142	–49	–1	–1	–1
Total, Disaster relief and insurance	–496	55	–502	–464	–477	–547	–627
Total, Mandatory	–518	35	–646	–713	–807	–873	–936
Total, Community and regional development	11,977	15,365	17,389	17,966	17,426	15,620	15,401
500 Education, training, employment, and social services:							
Discretionary:							
Elementary, secondary, and vocational education:							
Education for the disadvantaged	8,651	9,401	11,850	13,265	13,768	14,100	14,429
Impact aid	1,040	1,152	1,126	1,161	1,188	1,214	1,243
School improvement	2,796	4,448	6,706	6,981	6,980	7,077	7,240
Education reform	1,738	1,793	651	121	....	....	....
English language acquisition	410	479	600	656	676	690	705
Special education	5,809	6,924	8,192	9,344	9,880	10,149	10,384
Vocational and adult education	1,679	1,826	1,883	1,915	1,947	1,988	2,033
Reading excellence	127	272	266	83	30	....	....
Indian education	606	728	733	781	792	803	823
Other	11	20	15	14	15	15	15
Total, Elementary, secondary, and vocational education	22,867	27,043	32,022	34,321	35,276	36,036	36,872
Higher education:							
Student financial assistance	10,161	11,993	12,697	12,827	13,096	13,391	13,705
Higher education	1,462	1,866	1,953	1,914	1,927	1,952	1,998
Federal family education loan program	56	66	11	2	1	....	....
Conversion of student loan administration to discretionary	....	....	–512	–715	–796	–842	–861
Other higher education programs	425	393	1,009	1,256	1,360	1,421	1,456
Total, Higher education	12,104	14,318	15,158	15,284	15,588	15,922	16,298
Research and general education aids:							
Library of Congress	330	343	384	395	401	412	418
Public broadcasting	382	420	435	449	451	462	472
Smithsonian institution and related agencies	583	674	668	707	718	729	743
Education research, statistics, and assessment	565	819	511	443	434	433	433
Other	893	1,005	954	914	919	938	959
Total, Research and general education aids	2,753	3,261	2,952	2,908	2,923	2,974	3,025
Training and employment:							
Training and employment services	4,512	5,656	5,818	5,417	5,180	5,209	5,331
Older Americans employment	443	469	444	442	451	461	471
Federal-State employment service	1,307	1,070	1,302	1,274	1,293	1,319	1,348
Proposed Legislation (non-PAYGO)	....	....	–163	–179	–215	–580	–836
Subtotal, Federal-State employment service	1,307	1,070	1,139	1,095	1,078	739	512
Other employment and training	116	122	125	128	131	134	137
Total, Training and employment	6,378	7,317	7,526	7,082	6,840	6,543	6,451

Table 26–2. Outlays by Function, Category and Program—Continued

(In millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Other labor services:							
Labor law, statistics, and other administration	1,330	1,539	1,759	1,627	1,645	1,668	1,707
Social services:							
Rehabilitation services	340	770	466	475	486	498	509
Corporation for National and Community Service	454	433	518	675	760	654	674
National Service	298	400	399	411	404	422	446
Children and families services programs	6,941	7,731	8,295	8,533	8,764	8,948	9,147
Proposed Legislation (non-PAYGO)	....	....	4	20	28	31	31
Subtotal, Children and families services programs	6,941	7,731	8,299	8,553	8,792	8,979	9,178
Aging services program	953	1,137	1,295	1,353	1,387	1,420	1,453
Other	3	14	83	191	215	233	243
Total, Social services	8,989	10,485	11,060	11,658	12,044	12,206	12,503
Total, Discretionary	54,421	63,963	70,477	72,880	74,316	75,349	76,856
Emergency Response Fund:							
Elementary, secondary, and vocational education:							
School improvement	....	1	7	2	....	....	....
Research and general education aids:							
Library of Congress	2	21	8	2	....	....	....
Public broadcasting	....	3	5	....	....	....	....
Smithsonian institution and related agencies	....	24	4	....	....	....	....
Total, Research and general education aids	2	48	17	2	....	....	....
Training and employment:							
Training and employment services	....	57	....	....	....	....	....
Other labor services:							
Labor law, statistics, and other administration	....	6	....	....	....	....	....
Total, Emergency Response Fund	2	112	24	4	....	....	....
Mandatory:							
Elementary, secondary, and vocational education:							
Education tax credit—refundable portion (Proposed Legislation PAYGO)	....	....	165	449	699	975	1,213
Higher education:							
Federal family education loan program	–1,608	3,264	3,648	3,034	3,097	3,250	3,395
Proposed Legislation (PAYGO)	....	....	30	9	12	12	12
Subtotal, Federal family education loan program	–1,608	3,264	3,678	3,043	3,109	3,262	3,407
Federal direct loan program	257	–23	214	48	11	–74	–167
Proposed Legislation (PAYGO)	....	....	15	5	5	6	6
Subtotal, Federal direct loan program	257	–23	229	53	16	–68	–161
Other higher education programs	–323	–112	–46	–55	–3	11	27
Credit liquidating account (Family education loan program)	–852	–680	–625	–508	–380	–278	–182
Total, Higher education	–2,526	2,449	3,236	2,533	2,742	2,927	3,091
Research and general education aids:							
Mandatory programs	72	25	20	23	24	24	23
Training and employment:							
Trade adjustment assistance	141	131	94	26	....	....	....
Proposed Legislation (non-PAYGO)	....	....	40	106	132	132	132
Subtotal, Trade adjustment assistance	141	131	134	132	132	132	132
Welfare to work grants	659	491	120	190	....	....	....

Table 26–2. Outlays by Function, Category and Program—Continued
(In millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Payments to States for AFDC work programs	4	4	3	....	....	....	....
Advance appropriations and other mandatory	18	147	146	133	65	17	....
Proposed Legislation (PAYGO)	....	....	80	–15	–48	–17	....
Subtotal, Advance appropriations and other mandatory	18	147	226	118	17	....	....
Total, Training and employment	822	773	483	440	149	132	132
Other labor services:							
Other labor services	6	18	10	....	....	....	....
Social services:							
Promoting safe and stable families	258	289	292	305	305	305	305
Social services block grant	1,851	1,803	1,793	1,792	1,792	1,792	1,700
Rehabilitation services	2,389	2,258	2,515	2,572	2,630	2,690	2,754
Other social services	7	7	8	11	14	12	10
Total, Social services	4,505	4,357	4,608	4,680	4,741	4,799	4,769
Total, Mandatory	2,879	7,622	8,522	8,125	8,355	8,857	9,228
Total, Education, training, employment, and social services	57,302	71,697	79,023	81,009	82,671	84,206	86,084
550 Health:							
Discretionary:							
Health care services:							
Substance abuse and mental health services	2,741	2,918	3,084	3,199	3,302	3,437	3,563
Indian health	2,518	2,768	2,946	3,025	3,026	3,078	3,147
Health Resources and Services Administration	4,033	4,771	5,117	4,948	5,301	5,675	5,861
Disease control, research, and training	3,018	3,569	3,757	3,689	3,713	3,809	3,889
Departmental management and other	617	777	1,548	2,347	2,923	3,165	3,249
Total, Health care services	12,927	14,803	16,452	17,208	18,265	19,164	19,709
Health research and training:							
National Institutes of Health	17,320	20,575	23,498	26,368	27,861	28,514	29,216
Clinical training	476	609	457	327	325	338	336
Other health research and training	237	442	481	467	374	378	390
Total, Health research and training	18,033	21,626	24,436	27,162	28,560	29,230	29,942
Consumer and occupational health and safety:							
Food safety and inspection	698	768	800	810	827	847	866
Occupational safety and health	687	737	731	744	758	776	794
FDA and Consumer Product Safety Commission salaries and expenses	1,177	1,280	1,469	1,539	1,571	1,586	1,621
Total, Consumer and occupational health and safety	2,562	2,785	3,000	3,093	3,156	3,209	3,281
Total, Discretionary	33,522	39,214	43,888	47,463	49,981	51,603	52,932
Emergency Response Fund:							
Health care services:							
Disease control, research, and training	....	4	6	2	....	....	....
Bioterrorism preparedness and emergency response/recovery	....	960	954	661	195	....	....
Total, Health care services	....	964	960	663	195	....	....
Health research and training:							
National Institutes of Health	....	3	5	2	....	....	....
Consumer and occupational health and safety:							
Food safety and inspection	....	15	....	....	....	....	....
Occupational safety and health	....	2	....	....	....	....	....

Table 26–2. Outlays by Function, Category and Program—Continued

(In millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
FDA salaries and expenses		111	31	5	3		
Total, Consumer and occupational health and safety		128	31	5	3		
Total, Emergency Response Fund		1,095	996	670	198		
Mandatory:							
Health care services:							
Medicaid grants	129,374	144,751	158,692	171,143	185,471	201,557	219,066
Proposed Legislation (non-PAYGO)			–1,280	–2,560	–3,920	–5,510	–7,510
Proposed Legislation (PAYGO)			1,378	1,612	2,593	3,814	5,718
Subtotal, Medicaid grants	129,374	144,751	158,790	170,195	184,144	199,861	217,274
State children's health insurance fund	3,699	3,689	4,362	4,463	4,151	4,160	4,401
Proposed Legislation (PAYGO)			–40	420	530	180	90
Subtotal, State children's health insurance fund	3,699	3,689	4,322	4,883	4,681	4,340	4,491
Health care tax credit—refundable portion (Proposed Legislation PAYGO)			667	5,185	6,292	6,560	6,441
Federal employees' and retired employees' health benefits	4,719	5,439	16,977	18,266	19,610	21,079	22,722
DoD Medicare-eligible retiree health care fund			5,681	11,628	12,360	13,133	13,953
UMWA Funds (coal miner retiree health)	332	233	208	202	197	193	187
Ricky Ray hemophilia relief fund	473	146	3				
Other mandatory health services activities	529	575	312	233	199	208	205
Proposed Legislation (PAYGO)			14	37	42	47	50
Subtotal, Other mandatory health services activities	529	575	326	270	241	255	255
Total, Health care services	139,126	154,833	186,974	210,629	227,525	245,421	265,323
Health research and safety:							
Health research and training	–12	95	77	69	48	10	1
Consumer and occupational health and safety	–2			–1	–1	–1	–1
Total, Health research and safety	–14	95	77	68	47	9	
Total, Mandatory	139,112	154,928	187,051	210,697	227,572	245,430	265,323
Total, Health	172,634	195,237	231,935	258,830	277,751	297,033	318,255
570 Medicare:							
Discretionary:							
Medicare:							
Hospital insurance (HI) administrative expenses	1,448	1,625	1,657	1,629	1,663	1,702	1,740
Proposed Legislation (non-PAYGO)			–25	–25	–25	–25	–25
Subtotal, Hospital insurance (HI) administrative expenses	1,448	1,625	1,632	1,604	1,638	1,677	1,715
Supplementary medical insurance (SMI) administrative expenses	1,955	2,047	2,203	2,248	2,298	2,351	2,405
Proposed Legislation (non-PAYGO)			–105	–105	–105	–105	–105
Subtotal, Supplementary medical insurance (SMI) administrative expenses	1,955	2,047	2,098	2,143	2,193	2,246	2,300
Total, Discretionary	3,403	3,672	3,730	3,747	3,831	3,923	4,015
Mandatory:							
Medicare:							
Hospital insurance (HI)	141,499	144,198	147,960	153,683	163,389	168,566	179,496
Proposed Legislation (PAYGO)			410	730	940	940	920
Subtotal, Hospital insurance (HI)	141,499	144,198	148,370	154,413	164,329	169,506	180,416

Table 26–2. Outlays by Function, Category and Program—Continued
(In millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Supplementary medical insurance (SMI)	97,531	104,178	108,346	112,522	119,976	124,952	135,301
Proposed Legislation (non-PAYGO)	....	....	80	....	....	....	....
Proposed Legislation (PAYGO)	....	....	–10	120	290	330	190
Subtotal, Supplementary medical insurance (SMI)	97,531	104,178	108,416	112,642	120,266	125,282	135,491
Allowance for medicare modernization (Proposed Legislation PAYGO)	....	....	....	....	....	10,800	13,900
Allowance for transitional drug assistance (Proposed Legislation non-PAYGO)	....	....	1,200	2,560	3,920	5,510	7,510
HI premiums and collections	–1,440	–1,502	–1,538	–1,618	–1,715	–1,819	–1,919
SMI premiums and collections	–22,308	–24,120	–25,809	–27,395	–29,269	–31,333	–33,610
Proposed Legislation (PAYGO)	....	....	....	–35	–82	–95	–23
Subtotal, SMI premiums and collections	–22,308	–24,120	–25,809	–27,430	–29,351	–31,428	–33,633
Medicare interfunds	–1,221	–31	–8	....	....	....	....
Total, Mandatory	214,061	222,723	230,631	240,567	257,449	277,851	301,765
Total, Medicare	217,464	226,395	234,361	244,314	261,280	281,774	305,780
600 Income security:							
Discretionary:							
General retirement and disability insurance:							
Railroad retirement	263	256	242	247	253	258	264
Pension Benefit Guaranty Corporation	15	15	16	16	17	17	17
Pension and Welfare Benefits Administration and other	101	118	122	125	128	130	133
Total, General retirement and disability insurance	379	389	380	388	398	405	414
Federal employee retirement and disability:							
Civilian retirement and disability program administrative expenses	88	105	110	112	115	117	120
Federal workers' compensation (FECA) surcharge, offset for discretionary administrative expenditures	....	....	–86	–88	–90	–92	–94
Armed forces retirement home	66	66	71	70	73	77	78
Total, Federal employee retirement and disability	154	171	95	94	98	102	104
Unemployment compensation:							
Unemployment programs administrative expenses	2,333	2,867	2,734	2,791	2,854	2,919	2,989
Proposed Legislation (non-PAYGO)	....	....	....	....	–331	–1,457	–2,229
Total, Unemployment compensation	2,333	2,867	2,734	2,791	2,523	1,462	760
Housing assistance:							
Public housing operating fund	3,137	3,385	3,459	3,563	3,638	3,721	3,809
Public housing capital fund	3,550	3,656	3,553	3,304	3,283	3,361	3,035
Subsidized, public, homeless and other HUD housing	22,726	24,246	25,017	26,033	26,419	27,093	26,846
Rural housing assistance	673	757	806	818	864	872	885
Total, Housing assistance	30,086	32,044	32,835	33,718	34,204	35,047	34,575
Food and nutrition assistance:							
Special supplemental food program for women, infants, and children (WIC)	4,077	4,390	4,722	4,844	4,951	5,066	5,185
Other nutrition programs	567	634	524	489	500	510	522
Total, Food and nutrition assistance	4,644	5,024	5,246	5,333	5,451	5,576	5,707
Other income assistance:							
Refugee assistance	456	463	467	459	464	473	483
Low income home energy assistance	2,161	1,831	1,692	1,647	1,684	1,717	1,757
Child care and development block grant	1,376	1,917	2,062	2,120	2,163	2,210	2,263
Foster care and adoption assistance	....	....	9	47	58	63	64
Supplemental security income (SSI) administrative expenses	2,531	2,925	3,049	3,024	3,084	3,149	3,213
Total, Other income assistance	6,524	7,136	7,279	7,297	7,453	7,612	7,780
Total, Discretionary	44,120	47,631	48,569	49,621	50,127	50,204	49,340

Table 26–2. Outlays by Function, Category and Program—Continued

(In millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Emergency Response Fund:							
General retirement and disability insurance:							
Pension and Welfare Benefits Administration and other	....	2	....	....	....	....	....
Unemployment compensation:							
Unemployment programs administrative expenses	....	8	....	....	....	....	....
Food and nutrition assistance:							
Special supplemental food program for women, infants, and children (WIC)	....	36	3	....	....	....	....
Total, Emergency Response Fund	....	46	3	....	....	....	....
Mandatory:							
General retirement and disability insurance:							
Railroad retirement	4,969	4,649	4,821	5,050	5,232	5,585	5,562
Special benefits for disabled coal miners	937	903	1,262	1,182	1,105	1,032	962
Transfer of disabled coal miners program from SSA to DoL (Proposed Legislation non-PAYGO)	....	....	–420	–387	–356	–327	–300
Pension Benefit Guaranty Corporation	–1,080	–1,330	–1,383	–1,417	–1,495	–1,484	–1,516
District of Columbia pension funds	430	464	473	484	495	505	514
Special workers' compensation program	142	146	145	150	149	149	150
Total, General retirement and disability insurance	5,398	4,832	4,898	5,062	5,130	5,460	5,372
Federal employee retirement and disability:							
Federal civilian employee retirement and disability	47,874	50,351	53,404	56,440	59,628	62,502	64,956
Proposed Legislation (PAYGO)	....	....	3	8	14	20	27
Subtotal, Federal civilian employee retirement and disability	47,874	50,351	53,407	56,448	59,642	62,522	64,983
Military retirement	34,096	35,431	36,203	37,066	37,998	38,972	39,986
Coast Guard military retirement fund	....	....	889	941	977	1,014	1,056
Federal employees workers' compensation (FECA)	127	149	213	224	216	198	195
Proposed Legislation (PAYGO)	....	....	–3	–4	–6	–5	–5
Subtotal, Federal employees workers' compensation (FECA)	127	149	210	220	210	193	190
Federal employees life insurance fund	–1,273	–1,109	–1,021	–973	–891	–789	–681
Total, Federal employee retirement and disability	80,824	84,822	89,688	93,702	97,936	101,912	105,534
Unemployment compensation:							
Unemployment insurance programs	27,650	44,209	40,365	37,810	37,084	37,907	40,137
Proposed Legislation (PAYGO)	....	....	....	....	319	1,929	3,072
Subtotal, Unemployment insurance programs	27,650	44,209	40,365	37,810	37,403	39,836	43,209
Trade adjustment assistance	259	284	13	....	....	....	....
Proposed Legislation (non-PAYGO)	....	....	317	342	355	369	383
Subtotal, Trade adjustment assistance	259	284	330	342	355	369	383
Total, Unemployment compensation	27,909	44,493	40,695	38,152	37,758	40,205	43,592
Housing assistance:							
Mandatory housing assistance programs	24	41	40	40	40	40	40
Food and nutrition assistance:							
Food stamps (including Puerto Rico)	19,073	22,769	24,187	24,398	24,404	24,739	25,625
Proposed Legislation (PAYGO)	....	....	29	148	225	282	306
Subtotal, Food stamps (including Puerto Rico)	19,073	22,769	24,216	24,546	24,629	25,021	25,931
State child nutrition programs	9,547	10,314	10,828	11,341	11,788	12,238	12,739
Funds for strengthening markets, income, and supply (Sec.32)	798	695	639	639	639	639	639
Total, Food and nutrition assistance	29,418	33,778	35,683	36,526	37,056	37,898	39,309

Table 26–2. Outlays by Function, Category and Program—Continued

(In millions of dollars)

Function and Program	2001 Actual	Estimate					
		2002	2003	2004	2005	2006	2007
Other income support:							
Supplemental security income (SSI)	27,481	31,322	32,469	33,764	37,727	36,662	35,315
Proposed Legislation (PAYGO)	....	....	....	–2	–7	–13	–19
Subtotal, Supplemental security income (SSI)	27,481	31,322	32,469	33,762	37,720	36,649	35,296
Child support and family support programs	3,281	3,558	3,672	3,888	4,150	4,437	4,930
Proposed Legislation (PAYGO)	....	....	–59	–39	–43	–48	–53
Subtotal, Child support and family support programs	3,281	3,558	3,613	3,849	4,107	4,389	4,877
Federal share of child support collections	–856	–765	–789	–836	–887	–917	–948
Proposed Legislation (PAYGO)	....	....	–7	–14	103	164	172
Subtotal, Federal share of child support collections	–856	–765	–796	–850	–784	–753	–776
Temporary assistance for needy families and related programs	18,583	18,334	19,353	18,781	18,093	17,631	17,186
Proposed Legislation (PAYGO)	....	....	1	214	265	325	317
Subtotal, Temporary assistance for needy families and related programs	18,583	18,334	19,354	18,995	18,358	17,956	17,503
TANF contingency fund (Proposed Legislation PAYGO)	....	....	45	100	5	15	70
Child care entitlement to states	2,341	2,535	2,737	2,703	2,719	2,717	2,717
Foster care and adoption assistance	5,711	6,098	6,421	6,891	7,374	7,945	8,564
Earned income tax credit (EITC)	26,123	28,282	30,629	31,083	31,720	33,133	34,085
Child tax credit	982	7,390	7,390	7,210	6,950	9,380	9,200
Other assistance	40	39	41	45	54	56	57
SSI recoveries and receipts	–1,609	–1,703	–1,799	–1,889	–1,948	–2,008	–2,084
Total, Other income support	82,077	95,090	100,104	101,899	106,275	109,479	109,509
Total, Mandatory	225,650	263,056	271,108	275,381	284,195	294,994	303,356
Total, Income security	269,770	310,733	319,680	325,002	334,322	345,198	352,696
650 Social security:							
Discretionary:							
Social security:							
Old-age and survivors insurance (OASI)administrative expenses (Off-budget)	1,950	2,041	2,296	2,253	2,301	2,353	2,406
Disability insurance (DI) administrative expenses (Off-budget)	1,795	1,834	1,840	1,824	1,863	1,905	1,948
Limitation on administrative expenses	–6	....	....	150	152	154	158
Office of the Inspector General—Social Security Adm. (On-budget)	22	21	22	22	22	23	23
Total, Discretionary	3,761	3,896	4,158	4,249	4,338	4,435	4,535
Emergency Response Fund:							
Social security:							
Old-age and survivors insurance (OASI)administrative expenses (Off-budget)	....	8	....	....	....	....	....
Mandatory:							
Social security:							
Old-age and survivors insurance (OASI)(Off-budget)	371,151	388,361	402,190	418,121	436,311	456,279	478,438
Disability insurance (DI)(Off-budget)	59,050	66,983	69,577	73,326	79,059	85,457	92,316
Quinquennial OASI and DI adjustments (On-budget)	–836	....	....	....	....	....	....
Intragovernmental transactions (On-budget)	12,531	13,892	14,282	15,149	16,041	16,841	17,990
Intragovernmental transactions (Off-budget)	–12,528	–13,478	–14,282	–15,149	–16,041	–16,841	–17,990
Total, Mandatory	429,368	455,758	471,767	491,447	515,370	541,736	570,754
Total, Social security	433,129	459,662	475,925	495,696	519,708	546,171	575,289
700 Veterans benefits and services:							
Discretionary:							
Income security for veterans:							
Special benefits for certain World War II veterans	1	2	2	2	2	2	2

Table 26–2. Outlays by Function, Category and Program—Continued
(In millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Veterans education, training, and rehabilitation:							
Loan fund program account	1						
Veterans employment and training	–21	17	25	26	26	26	26
Proposed Legislation (non-PAYGO)			14	–13	–18	–18	–18
Subtotal, Veterans employment and training	–21	17	39	13	8	8	8
Grants for veterans employment (Proposed Legislation non-PAYGO)			159	177	177	177	177
Total, Veterans education, training, and rehabilitation	–20	17	198	190	185	185	185
Hospital and medical care for veterans:							
Medical care and hospital services	22,054	23,302	25,028	25,578	26,075	26,664	27,271
Collections for medical care	–771	–805	–1,084	–1,285	–1,374	–1,464	–1,555
Construction for medical care, benefits, and cemeteries	401	377	407	459	494	516	530
Total, Hospital and medical care for veterans	21,684	22,874	24,351	24,752	25,195	25,716	26,246
Veterans housing:							
Housing program loan administrative expenses	170	172	177	181	184	189	193
Other veterans benefits and services:							
National Cemetery Administration	108	125	137	140	144	147	150
General operating expenses	1,123	1,253	1,306	1,338	1,367	1,397	1,428
Proposed Legislation (non-PAYGO)			20	20	20	20	20
Subtotal, General operating expenses	1,123	1,253	1,326	1,358	1,387	1,417	1,448
Other operating expenses	122	151	157	165	170	174	179
Total, Other veterans benefits and services	1,353	1,529	1,620	1,663	1,701	1,738	1,777
Total, Discretionary	23,188	24,594	26,348	26,788	27,267	27,830	28,403
Emergency Response Fund:							
Other veterans benefits and services:							
General operating expenses		1	1				
Mandatory:							
Income security for veterans:							
Compensation, Pensions and Burial benefits	21,420	24,905	26,421	27,873	31,800	30,879	29,566
Proposed Legislation (PAYGO)				–6	–6	–6	–6
Subtotal, Compensation, Pensions and Burial benefits	21,420	24,905	26,421	27,867	31,794	30,873	29,560
Special benefits for certain World War II veterans	7	9	9	8	9	8	7
National service life insurance trust fund	1,221	1,257	1,271	1,262	1,252	1,247	1,234
All other insurance programs	10	30	44	52	63	70	82
Insurance program receipts	–195	–199	–186	–172	–156	–141	–127
Total, Income security for veterans	22,463	26,002	27,559	29,017	32,962	32,057	30,756
Veterans education, training, and rehabilitation:							
Readjustment benefits (Montgomery GI Bill and related programs)	1,608	2,223	2,557	2,680	2,821	2,910	3,017
Post-Vietnam era education	12	10	10	10	10	10	9
All-volunteer force educational assistance trust fund	–353	–221	–254	–246	–263	–259	–274
Total, Veterans education, training, and rehabilitation	1,267	2,012	2,313	2,444	2,568	2,661	2,752
Hospital and medical care for veterans:							
Fees, charges and other mandatory medical care	–1	–25	–15	–4	–1	–7	–1
Veterans housing:							
Housing program loan subsidies	336	754	344	331	334	331	326
Housing program loan reestimates	–1,420	–1,797					

Table 26–2. Outlays by Function, Category and Program—Continued
(In millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Housing program loan liquidating account	–3	–48	–2	....	....	–1	–1
Total, Veterans housing	–1,087	–1,091	342	331	334	330	325
Other veterans programs:							
National homes, Battle Monument contributions and other	–2	34	34	37	35	36	37
Total, Mandatory	22,640	26,932	30,233	31,825	35,898	35,077	33,869
Total, Veterans benefits and services	45,828	51,527	56,582	58,613	63,165	62,907	62,272
750 Administration of justice:							
Discretionary:							
Federal law enforcement activities:							
Criminal investigations (DEA, FBI, FinCEN, ICDE)	4,688	4,805	5,462	5,839	6,022	6,155	6,298
Alcohol, tobacco, and firearms investigations (ATF)	703	873	907	929	949	971	993
Border enforcement activities (Customs and INS)	5,422	6,167	7,033	7,452	7,593	7,782	7,957
Equal Employment Opportunity Commission	306	330	324	329	337	344	352
Tax law, criminal investigations (IRS)	367	366	385	393	402	410	419
Other law enforcement activities	1,916	2,215	2,394	2,358	2,400	2,448	2,506
Proposed Legislation (non-PAYGO)	....	....	–250	....	....	....	....
Subtotal, Other law enforcement activities	1,916	2,215	2,144	2,358	2,400	2,448	2,506
Total, Federal law enforcement activities	13,402	14,756	16,255	17,300	17,703	18,110	18,525
Federal litigative and judicial activities:							
Civil and criminal prosecution and representation	3,129	3,364	3,285	3,223	3,267	3,317	3,392
Representation of indigents in civil cases	319	329	334	335	343	351	359
Federal judicial and other litigative activities	4,230	4,432	4,998	5,153	5,283	5,413	5,543
Total, Federal litigative and judicial activities	7,678	8,125	8,617	8,711	8,893	9,081	9,294
Correctional activities:							
Federal prison system and detention trustee program	4,311	4,304	6,193	6,254	6,244	6,363	6,508
Criminal justice assistance:							
Crime victims fund obligation limit	....	....	–757	379	252	126	....
High-intensity drug trafficking areas program	134	182	218	225	212	215	220
Law enforcement assistance, community policing, and other justice programs	4,537	3,330	5,218	5,607	3,309	3,122	3,211
Total, Criminal justice assistance	4,671	3,512	4,679	6,211	3,773	3,463	3,431
Total, Discretionary	30,062	30,697	35,744	38,476	36,613	37,017	37,758
Emergency Response Fund:							
Federal law enforcement activities:							
Terrorist response activities	....	88	....	....	....	....	....
Criminal investigations (DEA, FBI, FinCEN, ICDE)	....	589	118	63	16	....	....
Alcohol, tobacco, and firearms investigations (ATF)	....	33	....	....	....	....	....
Border enforcement activities (Customs and INS)	21	866	110	32	18	....	....
Equal Employment Opportunity Commission	....	1	....	....	....	....	....
Tax law, criminal investigations (IRS)	....	6	....	....	....	....	....
Other law enforcement activities	9	174	29	15	7	....	....
Total, Federal law enforcement activities	30	1,757	257	110	41	....	....
Federal litigative and judicial activities:							
Civil and criminal prosecution and representation	....	76	8	2	....	....	....
Federal judicial and other litigative activities	....	63	25	14	15	....	....
Total, Federal litigative and judicial activities	....	139	33	16	15	....	....
Criminal justice assistance:							
Crime victims fund obligation limit	....	68	....	....	....	....	....
High-intensity drug trafficking areas program	2	....	....	....	....	....	....

Table 26–2. Outlays by Function, Category and Program—Continued
(In millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Law enforcement assistance, community policing, and other justice programs	....	143	247	228	33	....	....
Total, Criminal justice assistance	2	211	247	228	33	....	....
Total, Emergency Response Fund	32	2,107	537	354	89	....	....
Mandatory:							
Federal law enforcement activities:							
Border enforcement activities (Customs and INS)	1,777	1,970	2,396	2,679	2,768	2,821	2,867
INS fees	–1,998	–2,404	–2,462	–2,168	–2,203	–2,240	–2,278
Customs fees	–1,271	–1,309	–1,439	–3	–3	–3	–4
Other mandatory law enforcement programs	530	518	559	548	552	553	554
Total, Federal law enforcement activities	–962	–1,225	–946	1,056	1,114	1,131	1,139
Federal litigative and judicial activities:							
September 11 victim compensation fund	....	1,080	2,700	1,620	....	....	....
Assets forfeiture fund	425	555	428	373	384	383	390
Federal judicial officers salaries and expenses and other mandatory programs	394	648	631	626	642	656	669
Total, Federal litigative and judicial activities	819	2,283	3,759	2,619	1,026	1,039	1,059
Correctional activities:							
Mandatory programs	7	16	18	–4	–4	–4	1
Criminal justice assistance:							
Crime victims fund	461	407	1,458	954	597	430	430
Public safety officers' benefits	24	157	49	50	51	52	53
Total, Criminal justice assistance	485	564	1,507	1,004	648	482	483
Total, Mandatory	349	1,638	4,338	4,675	2,784	2,648	2,682
Total, Administration of justice	30,443	34,442	40,619	43,505	39,486	39,665	40,440
800 General government:							
Discretionary:							
Legislative functions:							
Legislative branch discretionary programs	2,260	2,705	3,043	3,120	3,110	3,106	3,181
Executive direction and management:							
Drug control programs	204	233	243	274	258	263	269
Executive Office of the President	254	243	330	341	349	357	366
Presidential transition and former Presidents	7	5	3	3	3	3	3
Total, Executive direction and management	465	481	576	618	610	623	638
Central fiscal operations:							
Tax administration	8,846	9,503	9,876	10,161	10,404	10,637	10,877
Other fiscal operations	801	1,028	942	936	953	974	997
Total, Central fiscal operations	9,647	10,531	10,818	11,097	11,357	11,611	11,874
General property and records management:							
Records management	219	373	303	279	283	290	295
Other general and records management	–58	513	228	310	447	451	436
Total, General property and records management	161	886	531	589	730	741	731
Central personnel management:							
Discretionary central personnel management programs	194	195	222	226	231	235	242
General purpose fiscal assistance:							
Payments and loans to the District of Columbia	283	326	205	209	216	220	225
Payments to States and counties from Federal land management activities	11	14	14	14	15	15	15
Payments in lieu of taxes	197	214	165	168	173	176	180

Table 26–2. Outlays by Function, Category and Program—Continued

(In millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Other	....	....	2	2	2	2	3
Total, General purpose fiscal assistance	491	554	386	393	406	413	423
Other general government:							
Discretionary programs	272	349	352	365	380	383	391
Total, Discretionary	13,490	15,701	15,928	16,408	16,824	17,112	17,480
Emergency Response Fund:							
Legislative functions:							
Legislative branch discretionary programs	35	256	131	155	11	8	....
Executive direction and management:							
Executive Office of the President	....	133	4	....	....	....	....
Central fiscal operations:							
Tax administration	....	27	3	1	1	....	....
Other fiscal operations	1	7	....	....	....	....	....
Total, Central fiscal operations	1	34	3	1	1	....	....
General property and records management:							
Records management	....	3	....	....	....	....	....
Other general and records management	8	112	15	....	....	....	....
Total, General property and records management	8	115	15	....	....	....	....
General purpose fiscal assistance:							
Payments and loans to the District of Columbia	6	200	....	....	....	....	....
Other	....	140	35	....	....	....	....
Total, General purpose fiscal assistance	6	340	35	....	....	....	....
Other general government:							
Discretionary programs	....	4	....	....	....	....	....
Total, Emergency Response Fund	50	882	188	156	12	8	....
Mandatory:							
Legislative functions:							
Congressional members compensation and other	99	106	116	114	114	113	114
Central fiscal operations:							
Federal financing bank	38	18	24	28	30	31	31
Other mandatory programs	–29	–64	–73	–63	–63	–62	–59
Total, Central fiscal operations	9	–46	–49	–35	–33	–31	–28
General property and records management:							
Mandatory programs	59	25	24	24	24	25	23
Offsetting receipts	–18	–33	–33	–29	–28	–27	–26
Total, General property and records management	41	–8	–9	–5	–4	–2	–3
General purpose fiscal assistance:							
Payments and loans to the District of Columbia	11	....	....	....	....	....	....
Payments to States and counties	1,261	1,174	1,190	1,224	1,241	1,274	1,230
Tax revenues for Puerto Rico (Treasury, BATF)	420	347	338	336	331	331	331
Arctic National Wildlife Refuge—Payment to Alaska (Proposed Legislation)	....	....	....	1,201	1	101	1
Other general purpose fiscal assistance	119	127	126	125	126	126	126
Total, General purpose fiscal assistance	1,811	1,648	1,654	2,886	1,699	1,832	1,688
Other general government:							
Territories	192	215	210	211	209	185	185
Treasury claims	1,416	1,052	1,000	1,204	1,204	1,204	1,204
Presidential election campaign fund	2	....	29	146	3	....	....

Table 26–2. Outlays by Function, Category and Program—Continued

(In millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Other mandatory programs	–68	150	–11	–8	–9	–9	–8
Proposed Legislation (non-PAYGO)	....	....	7	....	....	....	....
Subtotal, Other mandatory programs	–68	150	–4	–8	–9	–9	–8
Total, Other general government	1,542	1,417	1,235	1,553	1,407	1,380	1,381
Deductions for offsetting receipts:							
Offsetting receipts	–1,889	–1,438	–1,431	–1,431	–1,431	–1,431	–1,431
Total, Mandatory	1,613	1,679	1,516	3,082	1,752	1,861	1,721
Total, General government	15,153	18,262	17,632	19,646	18,588	18,981	19,201
900 Net interest:							
Mandatory:							
Interest on Treasury debt securities (gross):							
Interest paid on Treasury debt securities (gross)	359,507	338,833	353,087	375,335	392,317	406,795	422,149
Proposed Legislation (non-PAYGO)	....	....	–9	–44	–93	–149	–204
Total, Interest on Treasury debt securities (gross)	359,507	338,833	353,078	375,291	392,224	406,646	421,945
Interest received by on-budget trust funds:							
Civil service retirement and disability fund	–34,953	–36,050	–38,379	–39,554	–40,645	–41,663	–43,042
Military retirement	–13,366	–13,074	–13,271	–13,478	–13,696	–13,930	–14,173
Foreign service retirement and disability trust fund	–752	–778	–804	–831	–858	–886	–914
Medicare trust funds	–15,525	–15,639	–17,631	–19,334	–21,266	–23,366	–25,791
Proposed Legislation (non-PAYGO)	....	....	9	44	93	149	204
Subtotal, Medicare trust funds	–15,525	–15,639	–17,622	–19,290	–21,173	–23,217	–25,587
Unemployment trust fund	–5,749	–5,606	–4,719	–4,545	–4,699	–5,029	–5,484
Railroad retirement	–2,347	–572	–214	–207	–209	–209	–206
Airport and airway trust fund	–882	–869	–623	–657	–724	–781	–854
Other on-budget trust funds	–1,728	–1,699	–1,613	–1,539	–1,462	–1,395	–1,329
Total, Interest received by on-budget trust funds	–75,302	–74,287	–77,245	–80,101	–83,466	–87,110	–91,589
Interest received by off-budget trust funds:							
Interest received by social security trust funds	–68,811	–76,822	–83,849	–92,029	–101,015	–110,959	–122,109
Other interest:							
Interest on loans to Federal Financing Bank	–2,157	–1,930	–1,484	–1,724	–2,044	–2,342	–2,230
Interest on refunds of tax collections	2,726	2,351	2,206	2,107	2,275	2,419	2,608
Payment to the Resolution Funding Corporation	464	1,157	2,124	2,231	2,117	2,188	2,231
Interest paid to loan guarantee financing accounts	4,708	3,775	3,802	3,919	4,093	4,316	4,556
Interest received from direct loan financing accounts	–10,336	–10,748	–11,590	–12,191	–12,677	–13,137	–13,564
Interest on deposits in tax and loan accounts	–951	–451	–585	–585	–585	–585	–585
Interest, employees health benefits fund	....	....	–772	–1,333	–1,897	–2,488	–3,109
Interest, DoD retiree health care fund	....	....	–1,038	–2,664	–4,480	–6,473	–8,656
Interest, other special and revolving funds	–1,530	–897	–1,014	–1,102	–1,185	–1,243	–1,294
All other interest	–2,119	–2,222	–2,190	–2,187	–2,328	–2,112	–2,071
Total, Other interest	–9,195	–8,965	–10,541	–13,529	–16,711	–19,457	–22,114
Other investment income:							
Private sector holdings, National Railroad Retirement Investment Trust	....	–374	–784	–802	–802	–810	–801
Total, Net interest	206,199	178,385	180,659	188,830	190,230	188,310	185,332
920 Allowances:							
Discretionary:							
Offset to finance Pell grants supplemental	....	....	–1,276	....	....	....	....
Adjustments to certain pass-through accounts to reflect projected enactment	....	....	–368	–405	–416	–426	–436
Total, Discretionary	....	....	–1,644	–405	–416	–426	–436

Table 26–2. Outlays by Function, Category and Program—Continued

(In millions of dollars)

Function and Program	2001 Actual	Estimate 2002	2003	2004	2005	2006	2007
Mandatory:							
Bipartisan economic security plan (Proposed Legislation PAYGO)	....	27,000	8,000	1,500	....	....	....
Spectrum relocation fund	....	....	–100	–315	–200	....	–50
Proposed Legislation (PAYGO)	....	....	100	50	100	165	100
Subtotal, Spectrum relocation fund	....	....	....	–265	–100	165	50
Total, Mandatory	....	27,000	8,000	1,235	–100	165	50
Total, Allowances	....	27,000	6,356	830	–516	–261	–386
950 Undistributed offsetting receipts:							
Mandatory:							
Employer share, employee retirement (on-budget):							
Contributions to HI trust fund	–2,704	–2,894	–3,032	–3,158	–3,319	–3,453	–3,591
Contributions to military retirement fund	–11,371	–12,491	–11,934	–12,396	–12,911	–13,383	–13,847
Postal Service contributions to Civil Service Retirement and Disability Fund	–6,600	–6,780	–6,932	–7,089	–7,320	–7,555	–7,745
Employing agency contributions, DoD Retiree Health Care Fund	....	....	–8,312	–15,475	–16,416	–17,418	–18,500
Other contributions to civil and foreign service retirement and disability fund	–10,208	–10,746	–31,213	–32,689	–34,180	–35,698	–37,324
Retirement accrual offset	–8,219	–8,683	159	142	202	222	238
Total, Employer share, employee retirement (on-budget)	–39,102	–41,594	–61,264	–70,665	–73,944	–77,285	–80,769
Employer share, employee retirement (off-budget):							
Contributions to social security trust funds	–7,910	–9,243	–9,564	–10,232	–11,034	–11,744	–12,448
Rents and royalties on the Outer Continental Shelf:							
OCS Receipts	–7,194	–3,806	–2,832	–2,952	–3,670	–3,969	–4,018
Sale of major assets:							
Privatization of Elk Hills	....	....	....	....	–323	....	....
Other undistributed offsetting receipts:							
Spectrum auction	–1,024	–530	–4,510	–10,565	–8,770	–675	–680
Proposed Legislation (PAYGO)	....	....	4,050	–3,350	–2,700	–4,700	....
Subtotal, Spectrum auction	–1,024	–530	–460	–13,915	–11,470	–5,375	–680
Analog spectrum lease fee (Proposed Legislation PAYGO)	....	....	....	....	....	....	–500
Arctic National Wildlife Refuge (Proposed Legislation PAYGO)	....	....	....	–2,402	–2	–202	–2
Total, Other undistributed offsetting receipts	–1,024	–530	–460	–16,317	–11,472	–5,577	–1,182
Total, Undistributed offsetting receipts	–55,230	–55,173	–74,120	–100,166	–100,443	–98,575	–98,417
Total	1,863,926	2,052,320	2,128,230	2,189,095	2,276,896	2,369,105	2,467,702
On-budget	(1,516,933)	(1,690,621)	(1,761,470)	(1,810,132)	(1,885,468)	(1,963,396)	(2,045,777)
Off-budget	(346,993)	(361,699)	(366,760)	(378,963)	(391,428)	(405,709)	(421,925)

27. FEDERAL PROGRAMS BY AGENCY AND ACCOUNT

EXPLANATORY NOTE

This section includes a detailed tabulation containing information on budget authority (BA), and outlays (O), 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.

27. FEDERAL PROGRAMS BY AGENCY AND ACCOUNT

LEGISLATIVE BRANCH

(In millions of dollars)

Account			2001 actual	estimate					
				2002	2003	2004	2005	2006	2007
Senate									
Federal funds									
General and Special Funds:									
Compensation of members, Senate:									
Appropriation, mandatory	801	BA	**18**	**19**	**20**	**18**	**18**	**18**	**18**
Outlays		O	18	19	20	18	18	18	18
Salaries, officers and employees:									
Appropriation, discretionary	801	BA	**87**	**104**	**120**	**123**	**125**	**128**	**131**
Outlays		O	86	104	120	123	125	128	131
Office of the Legislative Counsel of the Senate:									
Appropriation, discretionary	801	BA	**4**	**4**	**5**	**5**	**5**	**5**	**5**
Outlays		O	4	4	5	5	5	5	5
Inquiries and investigations:									
Appropriation, discretionary	801	BA	**69**	**107**	**107**	**109**	**111**	**114**	**117**
Outlays		O	72	107	107	109	111	114	117
Miscellaneous items:									
Appropriation, discretionary	801	BA	**9**	**14**	**18**	**18**	**19**	**19**	**20**
Outlays		O	9	14	18	18	19	19	20
Senators' official personnel and office expense account:									
Appropriation, discretionary	801	BA	**255**	**271**	**304**	**310**	**317**	**325**	**332**
Outlays		O	255	271	304	310	317	325	332
Secretary of the Senate:									
Appropriation, discretionary	801	BA	**3**	**9**	**7**	**7**	**7**	**7**	**8**
Outlays		O	3	8	8	7	8	8	8
Sergeant at Arms and Doorkeeper of the Senate:									
Appropriation, discretionary	801	BA	**85**	**130**	**117**	**119**	**122**	**125**	**128**
Outlays		O	71	153	117	119	122	125	128
Congressional use of foreign currency, Senate:									
Appropriation, mandatory	801	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	1	1	1	1	1	1	1
Senate items:									
Appropriation, discretionary	801	BA	**1**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	1	2	2	2	2	2	2
Public Enterprise Funds:									
Senate revolving funds:									
Spending authority from offsetting collections, mandatory	801	BA	....	....	....	**2**	**2**	**2**	**2**
Outlays		O	....	....	....	2	2	2	2
Senate revolving funds (gross)		BA	....	....	....	**2**	**2**	**2**	**2**
		O	....	....	....	2	2	2	2
Offsetting collections from interest on univested funds			....	....	....	–2	–2	–2	–2
Total Senate revolving funds (net)		BA	....	....	....	....	....	....	....
		O	....	....	....	....	....	....	....
Total Federal funds Senate		BA	**532**	**661**	**701**	**712**	**727**	**744**	**762**
		O	520	683	702	712	728	745	762
House of Representatives									
Federal funds									
General and Special Funds:									
Compensation of members and related administrative expenses:									
Appropriation, mandatory	801	BA	**82**	**85**	**85**	**87**	**87**	**87**	**88**
Outlays		O	82	85	85	87	87	87	88
Salaries and expenses:									
Appropriation, discretionary	801	BA	**862**	**955**	**987**	**1,007**	**1,028**	**1,052**	**1,076**
Outlays		O	808	917	1,027	1,047	1,044	1,051	1,075
Congressional use of foreign currency, House of Representatives:									
Appropriation, mandatory	801	BA	**4**	**6**	**6**	**6**	**6**	**6**	**6**

LEGISLATIVE BRANCH—Continued

(In millions of dollars)

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
Outlays		O	4	6	6	6	6	6	6
Total Federal funds House of Representatives		BA	**948**	**1,046**	**1,078**	**1,100**	**1,121**	**1,145**	**1,170**
		O	894	1,008	1,118	1,140	1,137	1,144	1,169

Joint Items

Federal funds

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
General and Special Funds:									
Capitol Guide Service and Special Services Office:									
Appropriation, discretionary	801	BA	**2**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	2	3	3	3	3	3	3
Joint Economic Committee:									
Appropriation, discretionary	801	BA	**3**	**3**	**4**	**4**	**4**	**4**	**4**
Outlays		O	3	3	4	4	4	4	4
Joint Committee on Taxation:									
Appropriation, discretionary	801	BA	**6**	**7**	**7**	**7**	**7**	**7**	**8**
Outlays		O	6	7	7	7	7	7	7
Office of the Attending Physician:									
Appropriation, discretionary	801	BA	**3**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	3	4	2	2	2	2	2
General expenses, Capitol Police:									
Appropriation, discretionary	801	BA	**36**	**44**	**28**	**29**	**29**	**30**	**31**
Outlays		O	6	90	28	29	29	30	31
Security enhancements:									
Appropriation, discretionary	801	BA	**–2**						
Outlays		O	19	41	1	3	2		
Salaries, Capitol Police:									
Appropriation, discretionary	801	BA	**119**	**120**	**176**	**180**	**183**	**187**	**192**
Outlays		O	102	164	177	181	185	190	196
Joint Committee on Inaugural Ceremonies:									
Appropriation, discretionary	801	BA	**1**						
Outlays		O	1						
Legislative Branch emergency response fund:									
Appropriation, discretionary	801	BA		**1**					
Outlays		O		1					
Total Federal funds Joint Items		BA	**168**	**180**	**220**	**225**	**228**	**233**	**240**
		O	142	313	222	229	232	236	243

Office of Compliance

Federal funds

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	801	BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	2	2	2	2	2	2	2

Congressional Budget Office

Federal funds

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	801	BA	**29**	**32**	**34**	**35**	**37**	**38**	**39**
Outlays		O	29	32	34	35	37	37	39

Architect of the Capitol

Federal funds

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
General and Special Funds:									
General administration, salaries and expenses:									
Appropriation, discretionary	801	BA		**55**	**69**	**70**	**72**	**73**	**75**
Outlays		O		50	66	66	72	73	75
Capitol buildings:									
Appropriation, discretionary	801	BA	**81**	**123**	**48**	**51**	**52**	**53**	**55**
Outlays		O	47	107	74	165	53	53	54
Capitol grounds:									
Appropriation, discretionary	801	BA	**5**	**7**	**9**	**9**	**9**	**10**	**10**

LEGISLATIVE BRANCH—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	9	15	12	9	9	9	10
Congressional Cemetery:									
Appropriation, discretionary	801	BA	1	1					
Outlays		O	1	1					
Senate office buildings:									
Appropriation, discretionary	801	BA	67	45	59	60	61	63	64
Outlays		O	59	56	65	62	63	62	63
House office buildings:									
Appropriation, discretionary	801	BA	45	57	50	51	52	53	54
Outlays		O	45	59	59	50	52	53	54
Capitol power plant:									
Appropriation, discretionary	801	BA	41	54	145	61	62	64	65
Spending authority from offsetting collections, discretionary		BA	4	4	4	4	4	4	4
Outlays		O	45	54	111	96	66	68	68
Capitol power plant (gross)		BA	45	58	149	65	66	68	69
		O	45	54	111	96	66	68	68
Offsetting collections from Federal sources			–4	–4	–4	–4	–4	–4	–4
Total Capitol power plant (net)		BA	41	54	145	61	62	64	65
		O	41	50	107	92	62	64	64
Library buildings and grounds, structural and mechanical care:									
Appropriation, discretionary	801	BA	17	23	28	29	29	30	31
Outlays		O	17	23	28	28	29	30	31
Capitol visitor center:									
Appropriation, discretionary	801	BA		70					
Outlays		O	6	63	130	115	60	8	
Intragovernmental Funds:									
Judiciary office building development and operations fund:									
Spending authority from offsetting collections, mandatory	801	BA	23	23	23	23	23	23	23
Outlays		O	20	23	23	21	21	21	21
Judiciary office building development and operations fund (gross)		BA	23	23	23	23	23	23	23
		O	20	23	23	21	21	21	21
Offsetting collections from Federal sources			–23	–23	–23	–23	–23	–23	–23
Total Judiciary office building development and operations fund (net)		BA							
		O	–3			–2	–2	–2	–2
	Trust funds								
Gifts and donations:									
Appropriation, mandatory	801	BA				1	1	1	1
Outlays		O						1	1
Total Federal funds Architect of the Capitol		BA	257	435	408	331	337	346	354
		O	222	424	541	585	398	350	349
Total Trust funds Architect of the Capitol		BA				1	1	1	1
		O						1	1

Botanic Garden

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	801	BA	3	6	6	6	6	6	6
Outlays		O	15	11	7	7	7	7	7
	Trust funds								
Gifts and donations:									
Appropriation, mandatory	801	BA		2	2	2	2		
Outlays		O		2	2	2	2		

LEGISLATIVE BRANCH—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Library of Congress									
Federal funds									
General and Special Funds:									
Salaries and expenses, Library of Congress:									
Appropriation, discretionary	503	BA	396	345	367	374	382	391	400
Spending authority from offsetting collections, discretionary		BA	69	13	13	13	14	14	14
Outlays		O	342	345	356	362	366	374	382
Salaries and expenses, Library of Congress (gross)		BA	465	358	380	387	396	405	414
		O	342	345	356	362	366	374	382
Change in uncollected customer payments from Federal sources		BA	–3						
Offsetting collections from Federal sources			–61	–6	–6	–6	–6	–6	–7
Offsetting collections from non-Federal sources			–5	–7	–7	–7	–7	–7	–8
Total Salaries and expenses, Library of Congress (net)		BA	396	345	367	374	383	392	399
		O	276	332	343	349	353	361	367
Copyright Office: Salaries and expenses:									
Appropriation, discretionary	376	BA	9	13	17	17	18	18	18
Spending authority from offsetting collections, discretionary		BA	27	29	30	31	31	32	33
Outlays		O	37	37	44	44	45	45	47
Copyright Office (gross)		BA	36	42	47	48	49	50	51
		O	37	37	44	44	45	45	47
Change in uncollected customer payments from Federal sources		BA	1						
Offsetting collections from Federal sources			–3						
Offsetting collections from non-Federal sources			–25	–29	–30	–31	–31	–32	–33
Total Copyright Office (net)		BA	9	13	17	17	18	18	18
		O	9	8	14	13	14	13	14
Congressional Research Service: Salaries and expenses:									
Appropriation, discretionary	801	BA	77	85	92	94	96	98	100
Outlays		O	77	82	89	91	93	95	97
Books for the blind and physically handicapped: Salaries and expenses:									
Appropriation, discretionary	503	BA	50	51	52	53	54	55	57
Outlays		O	50	36	43	44	44	46	46
Furniture and furnishings:									
Appropriation, discretionary	503	BA	5	8	8	8	8	9	9
Outlays		O	6	7	6	7	7	7	7
Payments to copyright owners:									
Appropriation, mandatory	376	BA	211	205	226	240	202	159	161
Outlays		O	270	126	206	259	215	229	241
Public Enterprise Funds:									
Cooperative acquisitions program revolving fund:									
Spending authority from offsetting collections, discretionary	503	BA	2	2	2	2	2	2	2
Outlays		O	2	2	2	2	2	2	2
Cooperative acquisitions program revolving fund (gross)		BA	2	2	2	2	2	2	2
		O	2	2	2	2	2	2	2
Offsetting collections from non-Federal sources			–2	–2	–2	–2	–2	–2	–2
Total Cooperative acquisitions program revolving fund (net)		BA							
		O							
Duplication services:									
Spending authority from offsetting collections, discretionary	503	BA		1	1	1	1	1	1
Outlays		O		1	1	1	1	1	1
Duplication services (gross)		BA		1	1	1	1	1	1
		O		1	1	1	1	1	1
Offsetting collections from non-Federal sources				–1	–1	–1	–1	–1	–1
Total Duplication services (net)		BA							
		O							
Gift shop, decimal classification, photo duplication, and related services:									
Spending authority from offsetting collections, discretionary	503	BA		10	7	7	7	7	8

LEGISLATIVE BRANCH—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	....	9	7	7	7	7	8
Gift shop, decimal classification, photo duplication, and related services (gross)		BA	....	**10**	**7**	**7**	**7**	**7**	**8**
		O	....	9	7	7	7	7	8
Offsetting collections from non-Federal sources			....	–10	–7	–7	–7	–7	–8
Total Gift shop, decimal classification, photo duplication, and related services (net)		BA	....	....	....	....	....	....	....
		O	....	–1	....	....	....	....	....
Intragovernmental Funds:									
Fedlink program and Federal research program:									
Authority to borrow, discretionary	503	BA	....	**2**	**2**	....	....	....	....
Spending authority from offsetting collections, discretionary		BA	....	**87**	**91**	**93**	**95**	**97**	**99**
Outlays		O	....	77	91	90	92	95	97
Fedlink program and Federal research program (gross)		BA	....	**89**	**93**	**93**	**95**	**97**	**99**
		O	....	77	91	90	92	95	97
Offsetting collections from Federal sources			....	–87	–91	–93	–95	–97	–99
Total Fedlink program and Federal research program (net)		BA	....	**2**	**2**	....	....	....	....
		O	....	–10	....	–3	–3	–2	–2
		Trust funds							
Gift and trust fund accounts:									
Appropriation, mandatory	503	BA	**88**	**22**	**22**	**22**	**22**	**21**	**20**
Spending authority from offsetting collections, mandatory		BA	**1**	....	....	....	....	....	....
Outlays		O	75	22	17	21	22	22	21
Gift and trust fund accounts (gross)		BA	**89**	**22**	**22**	**22**	**22**	**21**	**20**
		O	75	22	17	21	22	22	21
Offsetting collections from Federal sources			–1	....	....	....	....	....	....
Total Gift and trust fund accounts (net)		BA	**88**	**22**	**22**	**22**	**22**	**21**	**20**
		O	74	22	17	21	22	22	21
Total Federal funds Library of Congress		BA	**748**	**709**	**764**	**786**	**761**	**731**	**744**
		O	688	580	701	760	723	749	770
Total Trust funds Library of Congress		BA	**88**	**22**	**22**	**22**	**22**	**21**	**20**
		O	74	22	17	21	22	22	21

Government Printing Office

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Congressional printing and binding:									
Appropriation, discretionary	801	BA	**86**	**86**	**95**	**97**	**99**	**101**	**103**
Outlays		O	91	85	93	96	98	99	103
Office of Superintendent of Documents: Salaries and expenses:									
Appropriation, discretionary	808	BA	**30**	**32**	**34**	**35**	**35**	**36**	**37**
Outlays		O	33	30	32	33	36	36	37
Intragovernmental Funds:									
Government Printing Office revolving fund:									
Appropriation, discretionary	808	BA	**6**	**4**	....	....	....	....	....
Spending authority from offsetting collections, mandatory		BA	**765**	**802**	**790**	**833**	**846**	**863**	**880**
Outlays		O	756	801	790	833	846	863	881
Government Printing Office revolving fund (gross)		BA	**771**	**806**	**790**	**833**	**846**	**863**	**880**
		O	756	801	790	833	846	863	881
Change in uncollected customer payments from Federal sources		BA	**–19**	**9**	**10**	**10**	**11**	**11**	**11**
Offsetting collections from Federal sources			–697	–770	–759	–799	–812	–828	–845
Offsetting collections from non-Federal sources			–49	–41	–41	–42	–43	–44	–44
Total Government Printing Office revolving fund (net)		BA	**6**	**4**	....	**2**	**2**	**2**	**2**
		O	10	–10	–10	–8	–9	–9	–8
Total Federal funds Government Printing Office		BA	**122**	**122**	**129**	**134**	**136**	**139**	**142**
		O	134	105	115	121	125	126	132

LEGISLATIVE BRANCH—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
General Accounting Office									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	801	BA	**403**	**450**	**476**	**486**	**496**	**507**	**518**
Spending authority from offsetting collections, discretionary		BA	**2**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	405	430	477	488	499	509	521
Salaries and expenses (gross)		BA	**405**	**453**	**479**	**489**	**499**	**510**	**521**
		O	405	430	477	488	499	509	521
Offsetting collections from Federal sources			–2	–3	–3	–3	–3	–3	–3
Total Salaries and expenses (net)		BA	**403**	**450**	**476**	**486**	**496**	**507**	**518**
		O	403	427	474	485	496	506	518
United States Tax Court									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	752	BA	**38**	**38**	**38**	**39**	**40**	**41**	**41**
Outlays		O	34	34	38	38	39	40	42
Other Legislative Branch Agencies									
Legislative Branch Boards and Commissions									
Federal funds									
General and Special Funds:									
Medicare Payment Advisory Commission (Medicare):									
(Spending authority from offsetting collections, discretionary)	571	BA	**8**	**8**	**8**	**8**	**8**	**9**	**9**
(Outlays)		O	8	8	8	8	8	9	9
Medicare Payment Advisory Commission (gross)		BA	**8**	**8**	**8**	**8**	**8**	**9**	**9**
		O	8	8	8	8	8	9	9
Offsetting collections from Federal sources			–8	–8	–8	–8	–8	–9	–9
Total (Medicare) (net)		BA	....	....	....	....	....	....	....
		O	....	....	....	....	....	....	....
Total Medicare Payment Advisory Commission		BA	....	....	....	....	....	....	....
		O	....	....	....	....	....	....	....
Census Monitoring Board:									
Appropriation, discretionary	376	BA	**4**	....	....	....	....	....	....
Outlays		O	4	1	....	....	....	....	....
United States Commission on International Religious Freedom:									
Appropriation, discretionary	801	BA	....	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	2	3	4	3	3	3	3
Other legislative branch boards and commissions (Other general government):									
(Appropriation, discretionary)	808	BA	**9**	**3**	**3**	**3**	**3**	**3**	**3**
(Outlays)		O	4	2	5	6	5	3	3
Total Other legislative branch boards and commissions		BA	**9**	**3**	**3**	**3**	**3**	**3**	**3**
		O	4	2	5	6	5	3	3
Payment to Russian Leadership Development Center trust fund:									
Appropriation, discretionary	154	BA	....	**8**	**10**	**10**	**10**	**11**	**11**
Outlays		O	....	8	10	10	10	11	11
Trust funds									
Gifts and donations, Millennial Housing Commission:									
Appropriation, discretionary	801	BA	**1**	**1**	....	....	....	....	....
Outlays		O	....	2	....	....	....	....	....
U.S. Capitol Preservation Commission:									
Appropriation, mandatory	801	BA	**7**	**12**	**2**	**2**	**2**	**2**	**2**
Outlays		O	....	1	....	....	....	....	....

LEGISLATIVE BRANCH—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
John C. Stennis Center for Public Service Training and Development trust fund:									
Appropriation, mandatory	801	BA	**1**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	2	2	2	2	2	2	2
Russian Leadership Development Center trust fund:									
Appropriation, discretionary	154	BA	....	**22**	**12**	**12**	**13**	**13**	**13**
Outlays		O	....	13	14	13	13	13	13
Total Federal funds Legislative Branch Boards and Commissions		BA	**13**	**14**	**16**	**16**	**16**	**17**	**17**
		O	10	14	19	19	18	17	17
Total Trust funds Legislative Branch Boards and Commissions		BA	**9**	**37**	**16**	**16**	**17**	**17**	**17**
		O	2	18	16	15	15	15	15

Summary

Account			2001 actual	2002	2003	2004	2005	2006	2007
Federal funds:									
(As shown in detail above)		BA	**3,263**	**3,695**	**3,872**	**3,872**	**3,907**	**3,949**	**4,035**
		O	3,093	3,633	3,973	4,133	3,942	3,959	4,050
Deductions for offsetting receipts:									
Intrafund transactions	908	BA/O	*–21*	*–18*	*–26*	*–29*	*–29*	*–29*	*–26*
Total Federal funds		BA	**3,242**	**3,677**	**3,846**	**3,843**	**3,878**	**3,920**	**4,009**
		O	3,072	3,615	3,947	4,104	3,913	3,930	4,024
Trust funds:									
(As shown in detail above)		BA	**97**	**61**	**40**	**41**	**42**	**39**	**38**
		O	76	42	35	38	39	38	37
Deductions for offsetting receipts:									
Proprietary receipts from the public	503	BA/O	*–6*	....	.	*–1*	*–1*	*–1*	*–1*
	801	BA/O	*–5*	*–10*	.	....	....	....	....
	908	BA/O	*–2*	*–2*	*–2*	*–2*	*–2*	*–2*	*–2*
Total Trust funds		BA	**84**	**49**	**38**	**38**	**39**	**36**	**35**
		O	63	30	33	35	36	35	34
Interfund transactions	154	BA/O	....	*–20*	*–10*	*–10*	*–10*	*–10*	*–10*
Total Legislative Branch		BA	**3,326**	**3,706**	**3,874**	**3,871**	**3,907**	**3,946**	**4,034**
		O	3,135	3,625	3,970	4,129	3,939	3,955	4,048

JUDICIAL BRANCH

(In millions of dollars)

Supreme Court of the United States

Federal funds

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	752	BA	**37**	**40**	**46**	**47**	**48**	**49**	**50**
Appropriation, mandatory		BA	**2**	**2**	**2**	**2**	**3**	**3**	**3**
Outlays		O	39	40	47	46	49	52	54
Total Salaries and expenses		BA	**39**	**42**	**48**	**49**	**51**	**52**	**53**
		O	39	40	47	46	49	52	54
Care of the building and grounds:									
Appropriation, discretionary	752	BA	**9**	**68**	**54**	**10**	**10**	**10**	**11**
Outlays		O	6	12	12	39	47	23	10
Total Federal funds Supreme Court of the United States		BA	**48**	**110**	**102**	**59**	**61**	**62**	**64**
		O	45	52	59	85	96	75	64

JUDICIAL BRANCH—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
United States Court of Appeals for the Federal Circuit									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	752	BA	**17**	**18**	**21**	**21**	**22**	**22**	**23**
Appropriation, mandatory		BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	18	19	23	23	23	25	25
Total Salaries and expenses		BA	**19**	**20**	**23**	**23**	**24**	**24**	**25**
		O	18	19	23	23	23	25	25
United States Court of International Trade									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	752	BA	**10**	**11**	**12**	**12**	**13**	**13**	**13**
Appropriation, mandatory		BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	12	13	14	14	14	15	16
Total Salaries and expenses		BA	**12**	**13**	**14**	**14**	**15**	**15**	**15**
		O	12	13	14	14	14	15	16
Courts of Appeals, District Courts, and other Judicial Services									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	752	BA	**3,224**	**3,457**	**3,868**	**3,946**	**4,032**	**4,124**	**4,218**
Appropriation, mandatory		BA	**238**	**250**	**264**	**270**	**281**	**292**	**303**
Spending authority from offsetting collections, discretionary		BA	**231**	**285**	**276**	**282**	**288**	**295**	**302**
Outlays		O	3,816	3,973	4,393	4,493	4,595	4,704	4,816
Salaries and expenses (gross)		BA	**3,693**	**3,992**	**4,408**	**4,498**	**4,601**	**4,711**	**4,823**
		O	3,816	3,973	4,393	4,493	4,595	4,704	4,816
Offsetting collections from Federal sources			–221	–274	–264	–270	–276	–282	–289
Offsetting collections from non-Federal sources			–10	–11	–12	–12	–13	–13	–13
Total Salaries and expenses (net)		BA	**3,462**	**3,707**	**4,132**	**4,216**	**4,312**	**4,416**	**4,521**
		O	3,585	3,688	4,117	4,211	4,306	4,409	4,514
Defender services:									
Appropriation, discretionary	752	BA	**438**	**506**	**596**	**608**	**622**	**636**	**651**
Outlays		O	443	512	592	608	621	635	651
Fees of jurors and commissioners:									
Appropriation, discretionary	752	BA	**53**	**54**	**58**	**59**	**61**	**62**	**63**
Outlays		O	58	58	58	59	60	62	63
Court security:									
Appropriation, discretionary	752	BA	**225**	**279**	**298**	**312**	**330**	**348**	**367**
Outlays		O	208	293	298	308	325	343	362
Judiciary filing fees:									
Appropriation, mandatory	752	BA	**174**	**179**	**180**	**180**	**180**	**180**	**180**
Outlays		O	44	188	185	180	180	180	180
Registry Administration:									
Appropriation, mandatory	752	BA	....	**5**	**6**	**4**	**4**	**4**	**4**
Outlays		O	....	5	6	4	4	4	4
Judiciary information technology fund:									
Appropriation, mandatory	752	BA	**259**	**233**	**276**	**240**	**245**	**251**	**257**
Outlays		O	240	243	270	260	264	269	274
Total Federal funds Courts of Appeals, District Courts, and other Judicial Services		BA	**4,611**	**4,963**	**5,546**	**5,619**	**5,754**	**5,897**	**6,043**
		O	4,578	4,987	5,526	5,630	5,760	5,902	6,048

JUDICIAL BRANCH—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Administrative Office of the United States Courts									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	752	BA	**62**	**69**	**71**	**72**	**74**	**76**	**77**
Spending authority from offsetting collections, discretionary		BA	**43**	**50**	**51**	**52**	**53**	**54**	**56**
Outlays		O	104	118	124	124	126	130	133
Salaries and expenses (gross)		BA	**105**	**119**	**122**	**124**	**127**	**130**	**133**
		O	104	118	124	124	126	130	133
Offsetting collections from Federal sources			–43	–50	–51	–52	–53	–54	–56
Total Salaries and expenses (net)		BA	**62**	**69**	**71**	**72**	**74**	**76**	**77**
		O	61	68	73	72	73	76	77
Federal Judicial Center									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	752	BA	**20**	**21**	**23**	**23**	**24**	**24**	**25**
Outlays		O	20	21	23	23	24	24	25
Trust funds									
Gifts and donations, Federal Judicial Center Foundation:									
Appropriation, mandatory	752	BA	....	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	....	1	1	1	1	1	1
Judicial Retirement Funds									
Federal funds									
General and Special Funds:									
Payment to judiciary trust funds:									
Appropriation, mandatory	752	BA	**36**	**37**	**35**	**37**	**39**	**41**	**42**
Outlays		O	36	37	35	37	39	41	42
Trust funds									
Judicial officers' retirement fund:									
Appropriation, mandatory	602	BA	**30**	**34**	**36**	**30**	**32**	**34**	**35**
Outlays		O	19	22	25	28	31	34	35
Judicial survivors' annuities fund:									
Appropriation, mandatory	602	BA	**42**	**39**	**37**	**39**	**42**	**43**	**46**
Outlays		O	14	14	15	15	16	16	17
United States Court of Federal Claims Judges' retirement fund:									
Appropriation, mandatory	602	BA	**2**	**3**	**2**	**2**	**2**	**2**	**2**
Outlays		O	1	1	1	1	2	2	2
Total Federal funds Judicial Retirement Funds		BA	**36**	**37**	**35**	**37**	**39**	**41**	**42**
		O	36	37	35	37	39	41	42
Total Trust funds Judicial Retirement Funds		BA	**74**	**76**	**75**	**71**	**76**	**79**	**83**
		O	34	37	41	44	49	52	54
United States Sentencing Commission									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	752	BA	**10**	**12**	**13**	**13**	**14**	**14**	**14**
Outlays		O	10	12	13	13	13	13	14
Summary									
Federal funds:									
(As shown in detail above)		BA	**4,818**	**5,245**	**5,827**	**5,860**	**6,005**	**6,153**	**6,305**
		O	4,780	5,209	5,766	5,897	6,042	6,171	6,311
Deductions for offsetting receipts:									
Intrafund transactions	752	BA/O	*–247*	*–220*	*–262*	*–250*	*–255*	*–260*	*–265*

JUDICIAL BRANCH—Continued

(In millions of dollars)

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
Proprietary receipts from the public	752	BA/O	*–12*	*–13*	*–14*	*–15*	*–15*	*–15*	*–15*
Total Federal funds		BA	**4,559**	**5,012**	**5,551**	**5,595**	**5,735**	**5,878**	**6,025**
		O	4,521	4,976	5,490	5,632	5,772	5,896	6,031
Trust funds:									
(As shown in detail above)		BA	**74**	**77**	**76**	**72**	**77**	**80**	**84**
		O	34	38	42	45	50	53	55
Interfund transactions	752	BA/O	*–36*	*–37*	*–35*	*–37*	*–39*	*–41*	*–42*
Total Judicial Branch		BA	**4,597**	**5,052**	**5,592**	**5,630**	**5,773**	**5,917**	**6,067**
		O	4,519	4,977	5,497	5,640	5,783	5,908	6,044

DEPARTMENT OF AGRICULTURE

(In millions of dollars)

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
Office of the Secretary									
Federal funds									
General and Special Funds:									
Office of the Secretary:									
Appropriation, discretionary	352	BA	**12**	**91**	**45**	**46**	**47**	**48**	**49**
Outlays		O	16	77	69	45	47	48	49
Fund for rural America									
(Agricultural research and services):									
(Appropriation, discretionary)	352	BA	....	....	**–60**	**60**	....	....	....
(Appropriation, mandatory)		BA	**10**	....	**60**	**30**	**30**	**30**	**30**
(Outlays)		O	11	4	11	14	34	44	46
Total (Agricultural research and services)		BA	**10**	....	....	**90**	**30**	**30**	**30**
		O	11	4	11	14	34	44	46
(Area and regional development):									
(Appropriation, discretionary)	452	BA	....	....	**–100**	**80**	....	....	....
(Appropriation, mandatory)		BA	**20**	....	**100**	**30**	**30**	**30**	**30**
(Outlays)		O	19	4	....	110	30	30	30
Total (Area and regional development)		BA	**20**	....	....	**110**	**30**	**30**	**30**
		O	19	4	....	110	30	30	30
Total Fund for rural America		BA	**30**	....	....	**200**	**60**	**60**	**60**
		O	30	8	11	124	64	74	76
Trust funds									
Gifts and bequests:									
Appropriation, mandatory	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	**42**	**91**	**45**	**246**	**107**	**108**	**109**
		O	46	85	80	169	111	122	125
Total Trust funds Office of the Secretary		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
		O	1	1	1	1	1	1	1
Executive Operations									
Federal funds									
General and Special Funds:									
Executive operations:									
Appropriation, discretionary	352	BA	**28**	**30**	**36**	**37**	**37**	**38**	**39**
Spending authority from offsetting collections, discretionary		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	29	31	37	38	38	39	40
Executive operations (gross)		BA	**29**	**31**	**37**	**38**	**38**	**39**	**40**
		O	29	31	37	38	38	39	40

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Offsetting collections from Federal sources			–1	–1	–1	–1	–1	–1	–1
Total Executive operations (net)		BA	**28**	**30**	**36**	**37**	**37**	**38**	**39**
		O	28	30	36	37	37	38	39
Office of the Chief Financial Officer:									
Appropriation, discretionary	352	BA	**5**	**5**	**8**	**8**	**8**	**9**	**9**
Spending authority from offsetting collections, discretionary		BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	7	7	10	10	10	10	10
Office of the Chief Financial Officer (gross)		BA	**7**	**7**	**10**	**10**	**10**	**11**	**11**
		O	7	7	10	10	10	10	10
Change in uncollected customer payments from Federal sources		BA	**–1**						
Offsetting collections from Federal sources			–1	–2	–2	–2	–2	–2	–2
Total Office of the Chief Financial Officer (net)		BA	**5**	**5**	**8**	**8**	**8**	**9**	**9**
		O	6	5	8	8	8	8	8
Office of the Chief Information Officer:									
Appropriation, discretionary	352	BA	**10**	**10**	**31**	**32**	**32**	**33**	**34**
Spending authority from offsetting collections, discretionary		BA	**7**	**8**	**2**	**2**	**2**	**2**	**2**
Outlays		O	25	18	33	34	34	35	36
Office of the Chief Information Officer (gross)		BA	**17**	**18**	**33**	**34**	**34**	**35**	**36**
		O	25	18	33	34	34	35	36
Change in uncollected customer payments from Federal sources		BA	**–5**						
Adjustment to uncollected customer payments from Federal sources		BA	**8**						
Offsetting collections from Federal sources			–10	–8	–2	–2	–2	–2	–2
Total Office of the Chief Information Officer (net)		BA	**10**	**10**	**31**	**32**	**32**	**33**	**34**
		O	15	10	31	32	32	33	34
Common computing environment:									
Appropriation, discretionary	352	BA	**59**	**59**	**133**	**136**	**139**	**142**	**145**
Outlays		O	13	97	130	147	139	141	145
Intragovernmental Funds:									
Working capital fund:									
Appropriation, discretionary	352	BA			**21**	**21**	**22**	**22**	**23**
Spending authority from offsetting collections, discretionary		BA	**299**	**334**	**346**	**353**	**361**	**369**	**377**
Outlays		O	298	332	366	373	381	389	399
Working capital fund (gross)		BA	**299**	**334**	**367**	**374**	**383**	**391**	**400**
		O	298	332	366	373	381	389	399
Change in uncollected customer payments from Federal sources		BA	**–27**						
Offsetting collections from Federal sources			–272	–334	–346	–353	–361	–369	–377
Total Working capital fund (net)		BA			**21**	**21**	**22**	**22**	**23**
		O	26	–2	20	20	20	20	22
Total Federal funds Executive Operations		BA	**102**	**104**	**229**	**234**	**238**	**244**	**250**
		O	88	140	225	244	236	240	248

Departmental Administration

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Departmental administration:									
Appropriation, discretionary	352	BA	**38**	**39**	**48**	**49**	**50**	**51**	**52**
Spending authority from offsetting collections, discretionary		BA	**15**	**16**	**16**	**16**	**17**	**17**	**17**
Outlays		O	55	53	61	65	67	68	69
Departmental administration (gross)		BA	**53**	**55**	**64**	**65**	**67**	**68**	**69**
		O	55	53	61	65	67	68	69
Change in uncollected customer payments from Federal sources		BA	**–7**						
Adjustment to uncollected customer payments from Federal sources		BA	**10**						

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Offsetting collections from Federal sources			–18	–16	–16	–16	–17	–17	–17
Total Departmental administration (net)		BA	**38**	**39**	**48**	**49**	**50**	**51**	**52**
		O	37	37	45	49	50	51	52
Hazardous materials management:									
Appropriation, discretionary	304	BA	**16**	**16**	**16**	**16**	**17**	**17**	**17**
Outlays		O	19	18	17	18	18	18	19
Agriculture buildings and facilities:									
Appropriation, discretionary	352	BA	**183**	**188**	**70**	**71**	**73**	**75**	**77**
Spending authority from offsetting collections, discretionary		BA	**–1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	142	234	72	73	74	76	78
Agriculture buildings and facilities (gross)		BA	**182**	**189**	**71**	**72**	**74**	**76**	**78**
		O	142	234	72	73	74	76	78
Offsetting collections from Federal sources			1	–1	–1	–1	–1	–1	–1
Total Agriculture buildings and facilities (net)		BA	**183**	**188**	**70**	**71**	**73**	**75**	**77**
		O	143	233	71	72	73	75	77
Outreach for socially disadvantaged farmers:									
Appropriation, discretionary	351	BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	2	3	3	3	3	3	3
Total Federal funds Departmental Administration		BA	**240**	**246**	**137**	**139**	**143**	**146**	**149**
		O	201	291	136	142	144	147	151

Office of Communications

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Office of Communications:									
Appropriation, discretionary	352	BA	**10**	**10**	**11**	**11**	**11**	**12**	**12**
Spending authority from offsetting collections, discretionary		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	11	11	12	12	13	13	13
Office of Communications (gross)		BA	**11**	**11**	**12**	**12**	**12**	**13**	**13**
		O	11	11	12	12	13	13	13
Offsetting collections from Federal sources			–1	–1	–1	–1	–1	–1	–1
Total Office of Communications (net)		BA	**10**	**10**	**11**	**11**	**11**	**12**	**12**
		O	10	10	11	11	12	12	12

Office of the Inspector General

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Office of the Inspector General:									
Appropriation, discretionary	352	BA	**74**	**76**	**87**	**89**	**91**	**93**	**95**
Spending authority from offsetting collections, discretionary		BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	82	77	94	97	99	101	102
Office of the Inspector General (gross)		BA	**76**	**78**	**89**	**91**	**93**	**95**	**97**
		O	82	77	94	97	99	101	102
Offsetting collections from Federal sources			–2	–2	–2	–2	–2	–2	–2
Total Office of the Inspector General (net)		BA	**74**	**76**	**87**	**89**	**91**	**93**	**95**
		O	80	75	92	95	97	99	100

Office of the General Counsel

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Office of the General Counsel:									
Appropriation, discretionary	352	BA	**34**	**35**	**40**	**41**	**42**	**43**	**43**
Spending authority from offsetting collections, discretionary		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	33	36	41	42	43	43	44
Office of the General Counsel (gross)		BA	**35**	**36**	**41**	**42**	**43**	**44**	**44**
		O	33	36	41	42	43	43	44
Offsetting collections from Federal sources			–1	–1	–1	–1	–1	–1	–1
Total Office of the General Counsel (net)		BA	**34**	**35**	**40**	**41**	**42**	**43**	**43**
		O	32	35	40	41	42	42	43
Economic Research Service									
Federal funds									
General and Special Funds:									
Economic Research Service:									
Appropriation, discretionary	352	BA	**69**	**70**	**82**	**84**	**85**	**87**	**89**
Spending authority from offsetting collections, discretionary		BA	**2**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	71	73	84	86	89	90	92
Economic Research Service (gross)		BA	**71**	**73**	**85**	**87**	**88**	**90**	**92**
		O	71	73	84	86	89	90	92
Offsetting collections from Federal sources			–2	–3	–3	–3	–3	–3	–3
Total Economic Research Service (net)		BA	**69**	**70**	**82**	**84**	**85**	**87**	**89**
		O	69	70	81	83	86	87	89
National Agricultural Statistics Service									
Federal funds									
General and Special Funds:									
National Agricultural Statistics Service:									
Appropriation, discretionary	352	BA	**106**	**119**	**149**	**130**	**124**	**124**	**135**
Appropriation, mandatory		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Spending authority from offsetting collections, discretionary		BA	**11**	**11**	**11**	**11**	**11**	**12**	**12**
Outlays		O	119	129	156	144	137	137	147
National Agricultural Statistics Service (gross)		BA	**118**	**131**	**161**	**142**	**136**	**137**	**148**
		O	119	129	156	144	137	137	147
Offsetting collections from Federal sources			–8	–8	–8	–8	–8	–9	–9
Offsetting collections from non-Federal sources			–3	–3	–3	–3	–3	–3	–3
Total National Agricultural Statistics Service (net)		BA	**107**	**120**	**150**	**131**	**125**	**125**	**136**
		O	108	118	145	133	126	125	135
Agricultural Research Service									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	352	BA	**936**	**1,057**	**1,014**	**1,034**	**1,056**	**1,080**	**1,104**
Appropriation, mandatory		BA	**18**	....	....	....	....	....	....
Spending authority from offsetting collections, discretionary		BA	**45**	**60**	**60**	**61**	**63**	**64**	**66**
Outlays		O	974	1,083	1,050	1,094	1,114	1,139	1,164
Salaries and expenses (gross)		BA	**999**	**1,117**	**1,074**	**1,095**	**1,119**	**1,144**	**1,170**
		O	974	1,083	1,050	1,094	1,114	1,139	1,164
Offsetting collections from Federal sources			–40	–54	–54	–55	–56	–58	–59
Offsetting collections from non-Federal sources			–5	–6	–6	–6	–6	–6	–7
Total Salaries and expenses (net)		BA	**954**	**1,057**	**1,014**	**1,034**	**1,057**	**1,080**	**1,104**
		O	929	1,023	990	1,033	1,052	1,075	1,098
Buildings and facilities:									
Appropriation, discretionary	352	BA	**74**	**192**	**17**	**17**	**18**	**18**	**19**
Outlays		O	54	81	105	106	72	26	18
Trust funds									
Miscellaneous contributed funds:									
Appropriation, mandatory	352	BA	**30**	**35**	**35**	**35**	**23**	**23**	**23**

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	20	23	29	16	27	29	25
Total Federal funds Agricultural Research Service		BA	**1,028**	**1,249**	**1,031**	**1,051**	**1,075**	**1,098**	**1,123**
		O	983	1,104	1,095	1,139	1,124	1,101	1,116
Total Trust funds Agricultural Research Service		BA	**30**	**35**	**35**	**35**	**23**	**23**	**23**
		O	20	23	29	16	27	29	25

Cooperative State Research, Education, and Extension Service

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Integrated activities:									
Appropriation, discretionary	352	BA	**42**	**43**	**45**	**46**	**47**	**48**	**49**
Outlays		O	7	31	41	44	45	46	47
Initiative for future agriculture and food systems:									
Appropriation, discretionary	352	BA			**–240**	**120**			
Appropriation, mandatory		BA	**120**		**240**	**120**	**120**	**120**	**120**
Outlays		O	28	12	12	42	90	132	150
Total Initiative for future agriculture and food systems		BA	**120**			**240**	**120**	**120**	**120**
		O	28	12	12	42	90	132	150
Research and education activities:									
Appropriation, discretionary	352	BA	**514**	**552**	**563**	**575**	**588**	**601**	**615**
Appropriation, mandatory		BA	**28**						
Spending authority from offsetting collections, discretionary		BA	**11**	**16**	**16**	**16**	**17**	**17**	**17**
Outlays		O	515	553	560	630	580	607	621
Research and education activities (gross)		BA	**553**	**568**	**579**	**591**	**605**	**618**	**632**
		O	515	553	560	630	580	607	621
Offsetting collections from Federal sources			–11	–16	–16	–16	–17	–17	–17
Total Research and education activities (net)		BA	**542**	**552**	**563**	**575**	**588**	**601**	**615**
		O	504	537	544	614	563	590	604
Buildings and facilities:									
Outlays	352	O	24	12	12	12	8		
Extension activities:									
Appropriation, discretionary	352	BA	**433**	**440**	**421**	**430**	**439**	**450**	**460**
Appropriation, mandatory		BA	**5**						
Spending authority from offsetting collections, discretionary		BA	**16**	**25**	**25**	**26**	**26**	**27**	**27**
Outlays		O	449	502	455	460	462	472	482
Extension activities (gross)		BA	**454**	**465**	**446**	**456**	**465**	**477**	**487**
		O	449	502	455	460	462	472	482
Offsetting collections from Federal sources			–16	–25	–25	–26	–26	–27	–27
Total Extension activities (net)		BA	**438**	**440**	**421**	**430**	**439**	**450**	**460**
		O	433	477	430	434	436	445	455
Total Federal funds Cooperative State Research, Education, and Extension Service		BA	**1,142**	**1,035**	**1,029**	**1,291**	**1,194**	**1,219**	**1,244**
		O	996	1,069	1,039	1,146	1,142	1,213	1,256

Animal and Plant Health Inspection Service

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	352	BA	**894**	**891**	**782**	**798**	**815**	**834**	**853**
					[J] **–5**	[J] **–5**	[J] **–5**	[J] **–5**	[J] **–5**
Appropriation, mandatory		BA	**181**	**125**	**341**	**270**	**278**	**285**	**293**
Spending authority from offsetting collections, discretionary		BA	**39**	**36**	**36**	**37**	**38**	**38**	**39**
					[J] **5**	[J] **5**	[J] **5**	[J] **5**	[J] **5**
Outlays		O	957	1,142	1,218	1,107	1,128	1,153	1,183
Salaries and expenses (gross)		BA	**1,114**	**1,052**	**1,159**	**1,105**	**1,131**	**1,157**	**1,185**
		O	957	1,142	1,218	1,107	1,128	1,153	1,183
Offsetting collections from Federal sources			–17	–16	–16	–16	–17	–17	–17

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
Offsetting collections from non-Federal sources			–22	–20	–20	–20	–21	–21	–22
					[J]–5	[J]–5	[J]–5	[J]–5	[J]–5
Total Salaries and expenses (net)		BA	**1,075**	**1,016**	**1,118**	**1,064**	**1,088**	**1,114**	**1,141**
		O	918	1,106	1,177	1,066	1,085	1,110	1,139
Buildings and facilities:									
Appropriation, discretionary	352	BA	**10**	**21**	**13**	**13**	**14**	**14**	**14**
Outlays		O	7	13	19	13	13	13	14
Trust funds									
Miscellaneous trust funds:									
Appropriation, mandatory	352	BA	**9**	**13**	**14**	**14**	**14**	**14**	**14**
Outlays		O	1	8	13	14	14	14	14
Total Federal funds Animal and Plant Health Inspection Service		BA	**1,085**	**1,037**	**1,131**	**1,077**	**1,102**	**1,128**	**1,155**
		O	925	1,119	1,196	1,079	1,098	1,123	1,153
Total Trust funds Animal and Plant Health Inspection Service		BA	**9**	**13**	**14**	**14**	**14**	**14**	**14**
		O	1	8	13	14	14	14	14

Food Safety and Inspection Service

Federal funds

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	554	BA	**745**	**784**	**804**	**820**	**837**	**856**	**875**
Spending authority from offsetting collections, discretionary		BA	**96**	**99**	**99**	**101**	**103**	**106**	**108**
Outlays		O	794	882	899	920	939	961	982
Salaries and expenses (gross)		BA	**841**	**883**	**903**	**921**	**940**	**962**	**983**
		O	794	882	899	920	939	961	982
Offsetting collections from non-Federal sources			–96	–99	–99	–110	–112	–114	–116
Total Salaries and expenses (net)		BA	**745**	**784**	**804**	**811**	**828**	**848**	**867**
		O	698	783	800	810	827	847	866
Trust funds									
Expenses and refunds, inspection and grading of farm products:									
Appropriation, mandatory	352	BA	**3**	**3**	**3**	**4**	**4**	**4**	**4**
						[B]72	**[B]72**	**[B]74**	**[B]74**
Outlays		O	....	3	3	4	4	4	4
						[B]72	[B]72	[B]74	[B]74
Total Expenses and refunds, inspection and grading of farm products		BA	**3**	**3**	**3**	**76**	**76**	**78**	**78**
		O	....	3	3	76	76	78	78

Grain Inspection, Packers and Stockyards Administration

Federal funds

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	352	BA	**34**	**35**	**43**	**44**	**45**	**46**	**47**
					[J]–29	**[J]–29**	**[J]–29**	**[J]–29**	**[J]–29**
Spending authority from offsetting collections, discretionary		BA			**[J]29**	**[J]29**	**[J]29**	**[J]29**	**[J]29**
Outlays		O	34	35	42	43	44	46	47
Salaries and expenses (gross)		BA	**34**	**35**	**43**	**44**	**45**	**46**	**47**
		O	34	35	42	43	44	46	47
Offsetting collections from non-Federal sources					[J]–29	[J]–29	[J]–29	[J]–29	[J]–29
Total Salaries and expenses (net)		BA	**34**	**35**	**14**	**15**	**16**	**17**	**18**
		O	34	35	13	14	15	17	18
Public Enterprise Funds:									
Limitation on inspection and weighing services expenses:									
Spending authority from offsetting collections, mandatory	352	BA	**34**	**44**	**44**	**45**	**45**	**45**	**45**

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	34	44	44	45	45	45	45
Limitation on inspection and weighing services expenses (gross)		BA	**34**	**44**	**44**	**45**	**45**	**45**	**45**
		O	34	44	44	45	45	45	45
Offsetting collections from non-Federal sources			–34	–44	–44	–45	–45	–45	–45
Total Limitation on inspection and weighing services expenses (net)		BA	....	....	....	....	....	....	....
		O	....	....	....	....	....	....	....
Total Federal funds Grain Inspection, Packers and Stockyards Administration		BA	**34**	**35**	**14**	**15**	**16**	**17**	**18**
		O	34	35	13	14	15	17	18
Agricultural Marketing Service									
Federal funds									
General and Special Funds:									
Marketing services:									
Appropriation, discretionary	352	BA	**67**	**73**	**77**	**79**	**80**	**82**	**84**
Spending authority from offsetting collections, discretionary		BA	**44**	**65**	**67**	**68**	**70**	**71**	**73**
Outlays		O	103	129	143	147	150	153	156
Limitation on administrative level			(61)	(61)	(62)	(63)	(65)	(66)	(68)
Marketing services (gross)		BA	**111**	**138**	**144**	**147**	**150**	**153**	**157**
		O	103	129	143	147	150	153	156
Offsetting collections from non-Federal sources			–44	–65	–67	–68	–70	–71	–73
Total Marketing services (net)		BA	**67**	**73**	**77**	**79**	**80**	**82**	**84**
		O	59	64	76	79	80	82	83
Payments to States and possessions:									
Appropriation, discretionary	352	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	1	1	1	1	1	1	1
Perishable Agricultural Commodities Act fund:									
Appropriation, mandatory	352	BA	**68**	**7**	**8**	**9**	**9**	**9**	**9**
Outlays		O	68	9	10	11	11	11	11
Funds for strengthening markets, income, and supply (section 32):									
Appropriation, mandatory	605	BA	**739**	**890**	**641**	**641**	**641**	**641**	**641**
Spending authority from offsetting collections, mandatory		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	799	697	641	641	641	641	641
Funds for strengthening markets, income, and supply (section 32) (gross)		BA	**740**	**891**	**642**	**642**	**642**	**642**	**642**
		O	799	697	641	641	641	641	641
Offsetting collections from non-Federal sources			–1	–1	–1	–1	–1	–1	–1
Total Funds for strengthening markets, income, and supply (section 32) (net)		BA	**739**	**890**	**641**	**641**	**641**	**641**	**641**
		O	798	696	640	640	640	640	640
Trust funds									
Expenses and refunds, inspection and grading of farm products:									
Appropriation, mandatory	352	BA	**168**	**126**	**126**	**126**	**126**	**126**	**126**
Outlays		O	198	121	126	126	126	126	126
Milk market orders assessment fund:									
Spending authority from offsetting collections, mandatory	351	BA	**45**	**44**	**44**	**44**	**44**	**44**	**44**
Outlays		O	38	44	44	44	....	....	....
Milk market orders assessment fund (gross)		BA	**45**	**44**	**44**	**44**	**44**	**44**	**44**
		O	38	44	44	44	....	....	....
Offsetting collections from non-Federal sources			–45	–44	–44	–44	–44	–44	–44
Total Milk market orders assessment fund (net)		BA	....	....	....	....	....	....	....
		O	–7	....	....	....	–44	–44	–44
Total Federal funds Agricultural Marketing Service		BA	**875**	**971**	**727**	**730**	**731**	**733**	**735**
		O	926	770	727	731	732	734	735
Total Trust funds Agricultural Marketing Service		BA	**168**	**126**	**126**	**126**	**126**	**126**	**126**
		O	191	121	126	126	82	82	82

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Risk Management Agency									
Federal funds									
General and Special Funds:									
Administrative and operating expenses:									
Appropriation, discretionary	351	BA	**69**	**78**	**76**	**78**	**79**	**81**	**83**
Outlays		O	85	95	77	77	78	81	82
Public Enterprise Funds:									
Federal crop insurance corporation fund:									
Appropriation, discretionary	351	BA			**–115**	**–117**	**–120**	**–123**	**–126**
Appropriation, mandatory		BA	**3,401**	**2,900**	**2,886**	**2,990**	**3,107**	**3,250**	**3,380**
Spending authority from offsetting collections, mandatory		BA	**914**	**821**	**809**	**828**	**859**	**814**	**829**
Outlays		O	3,377	3,704	3,594	3,651	3,783	3,856	4,012
Federal crop insurance corporation fund (gross)		BA	**4,315**	**3,721**	**3,580**	**3,701**	**3,846**	**3,941**	**4,083**
		O	3,377	3,704	3,594	3,651	3,783	3,856	4,012
Offsetting collections from non-Federal sources			–914	–821	–809	–828	–859	–814	–829
Total Federal crop insurance corporation fund (net)		BA	**3,401**	**2,900**	**2,771**	**2,873**	**2,987**	**3,127**	**3,254**
		O	2,463	2,883	2,785	2,823	2,924	3,042	3,183
Total Federal funds Risk Management Agency		BA	**3,470**	**2,978**	**2,847**	**2,951**	**3,066**	**3,208**	**3,337**
		O	2,548	2,978	2,862	2,900	3,002	3,123	3,265
Farm Service Agency									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	351	BA	**937**	**1,004**	**1,063**	**1,084**	**1,106**	**1,131**	**1,156**
Spending authority from offsetting collections, discretionary		BA	**391**	**403**	**412**	**420**	**429**	**438**	**448**
Outlays		O	1,305	1,439	1,489	1,545	1,546	1,567	1,601
Salaries and expenses (gross)		BA	**1,328**	**1,407**	**1,475**	**1,504**	**1,535**	**1,569**	**1,604**
		O	1,305	1,439	1,489	1,545	1,546	1,567	1,601
Change in uncollected customer payments from Federal sources		BA	**–31**						
Offsetting collections from Federal sources			–328	–368	–376	–383	–391	–400	–408
Offsetting collections from non-Federal sources			–32	–35	–36	–36	–38	–38	–39
Total Salaries and expenses (net)		BA	**937**	**1,004**	**1,063**	**1,085**	**1,106**	**1,131**	**1,157**
		O	945	1,036	1,077	1,126	1,117	1,129	1,154
State mediation grants:									
Appropriation, discretionary	351	BA	**3**	**3**	**4**	**4**	**4**	**4**	**4**
Outlays		O	3	2	3	3	4	4	4
Tree assistance program:									
Outlays	351	O	1	2	2	2			
Conservation reserve program:									
Spending authority from offsetting collections, mandatory	302	BA	**1**						
Outlays		O		2					
Conservation reserve program (gross)		BA	**1**						
		O		2					
Offsetting collections from non-Federal sources			–1						
Total Conservation reserve program (net)		BA							
		O	–1	2					
Agricultural conservation program:									
Appropriation, discretionary	302	BA	**–45**						
Outlays		O	2	3	2	2	2	1	1
Emergency conservation program:									
Appropriation, discretionary	453	BA	**80**		**49**	**50**	**51**	**52**	**54**
Outlays		O	38	64	71	33	50	51	52
Public Enterprise Funds:									
Commodity Credit Corporation fund (Conservation and land management):									
(Authority to borrow, mandatory)	302	BA	**2,072**	**2,005**	**2,119**	**2,209**	**2,200**	**2,129**	**2,122**
				B **619**	*B* **1,080**	*B* **1,524**	*B* **1,761**	*B* **1,942**	*B* **1,887**

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
(Outlays)		O	1,946	2,107 [B] 179	2,119 [B] 526	2,221 [B] 939	2,222 [B] 1,251	2,138 [B] 1,420	2,119 [B] 1,520
Total (Conservation and land management)		BA	2,072	2,624	3,199	3,733	3,961	4,071	4,009
		O	1,946	2,286	2,645	3,160	3,473	3,558	3,639
(Farm income stabilization):									
(Appropriation, discretionary)	351	BA	....	....	–173	....	....	....	....
(Authority to borrow, mandatory)		BA	21,571	15,658 [B] 4,021	9,362 [B] 6,745	8,507 [B] 6,080	7,408 [B] 5,437	6,358 [B] 5,307	5,945 [B] 5,254
(Spending authority from offsetting collections, mandatory)		BA	12,314	13,343	13,035	12,759	12,653	12,757	12,579
(Outlays)		O	34,656	28,651 [B] 4,021	22,631 [B] 6,745	21,450 [B] 6,080	20,295 [B] 5,437	19,360 [B] 5,307	18,768 [B] 5,254
Commodity Credit Corporation fund (gross)		BA	35,957	35,646	32,168	31,079	29,459	28,493	27,787
		O	36,602	34,958	32,021	30,690	29,205	28,225	27,661
Offsetting collections from Federal sources			–1,289	–1,351	–1,740	–1,740	–1,740	–1,740	–1,740
Offsetting collections from non-Federal sources			–11,025	–11,992	–11,295	–11,019	–10,913	–11,017	–10,839
Total (Farm income stabilization) (net)		BA	21,571	19,679	15,934	14,587	12,845	11,665	11,199
		O	22,342	19,329	16,341	14,771	13,079	11,910	11,443
Total Commodity Credit Corporation fund		BA	23,643	22,303	19,133	18,320	16,806	15,736	15,208
		O	24,288	21,615	18,986	17,931	16,552	15,468	15,082
Credit Accounts:									
Agricultural credit insurance fund program account:									
Appropriation, discretionary	351	BA	400	468	499	509	521	533	546
Appropriation, mandatory		BA	322	1,287	....	....	....	....	....
Outlays		O	749	1,772	522	511	521	532	544
Limitation on direct loan activity			(848)	(885)	(802)	(819)	(837)	(857)	(877)
Limitation on loan guarantee commitments			(2,053)	(3,006)	(3,000)	(3,063)	(3,131)	(3,204)	(3,280)
Total Agricultural credit insurance fund program account		BA	722	1,755	499	509	521	533	546
		O	749	1,772	522	511	521	532	544
Agricultural credit insurance fund liquidating account:									
Spending authority from offsetting collections, mandatory	351	BA	24	18	17	15	14	13	11
Outlays		O	12	18	17	15	14	13	11
Agricultural credit insurance fund liquidating account (gross)		BA	24	18	17	15	14	13	11
		O	12	18	17	15	14	13	11
Offsetting collections from non-Federal sources			–824	–809	–784	–756	–722	–689	–652
Total Agricultural credit insurance fund liquidating account (net)		BA	–800	–791	–767	–741	–708	–676	–641
		O	–812	–791	–767	–741	–708	–676	–641
Commodity Credit Corporation export loans program account:									
Appropriation, discretionary	351	BA	4	4	4	4	4	4	4
Appropriation, mandatory		BA	194	413	294	294	294	294	294
Spending authority from offsetting collections, mandatory		BA	1,969	....	....	....	....	....	....
Outlays		O	201	417	292	298	298	298	298
Commodity Credit Corporation export loans program account (gross)		BA	2,167	417	298	298	298	298	298
		O	201	417	292	298	298	298	298
Offsetting collections from Federal sources			–1,969	....	....	....	....	....	....
Total Commodity Credit Corporation export loans program account (net)		BA	198	417	298	298	298	298	298
		O	–1,768	417	292	298	298	298	298
Commodity Credit Corporation guaranteed loans liquidating account:									
Spending authority from offsetting collections, mandatory	351	BA	104	....	....	....	....	....	....
Commodity Credit Corporation guaranteed loans liquidating account (gross)		BA	104	....	....	....	....	....	....
Offsetting collections from non-Federal sources			–423	–393	–384	–362	–374	–367	–356
Total Commodity Credit Corporation guaranteed loans liquidating account (net)		BA	–319	....	....	....	....	....	....
		O	–423	–393	–384	–362	–374	–367	–356

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Farm storage facility loans program account:									
Appropriation, mandatory	351	BA	**4**	**3**	**2**	**1**	**1**	**1**	**1**
Outlays		O	2	3	2	1	1	1	1
Apple loans program account:									
Outlays	351	O	1						
Limitation on direct loan activity			(12)						
Emergency boll weevil loan program account:									
Outlays	351	O	6						
Limitation on direct loan activity			(10)						
Total Federal funds Farm Service Agency		BA	**24,423**	**24,301**	**19,897**	**19,164**	**17,705**	**16,712**	**16,271**
		O	23,031	23,732	19,806	18,804	17,463	16,441	16,139

Natural Resources Conservation Service

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Conservation operations:									
Appropriation, discretionary	302	BA	**759**	**829**	**897**	**915**	**934**	**954**	**975**
Spending authority from offsetting collections, discretionary		BA	**161**	**129**	**108**	**110**	**112**	**115**	**117**
Outlays		O	807	1,011	1,003	1,031	1,048	1,066	1,089
Conservation operations (gross)		BA	**920**	**958**	**1,005**	**1,025**	**1,046**	**1,069**	**1,092**
		O	807	1,011	1,003	1,031	1,048	1,066	1,089
Change in uncollected customer payments from Federal sources		BA	**–83**						
Offsetting collections from Federal sources			–61	–111	–89	–91	–93	–95	–97
Offsetting collections from non-Federal sources			–17	–18	–19	–19	–20	–20	–21
Total Conservation operations (net)		BA	**759**	**829**	**897**	**915**	**933**	**954**	**974**
		O	729	882	895	921	935	951	971
Watershed surveys and planning:									
Appropriation, discretionary	301	BA	**12**	**12**					
Spending authority from offsetting collections, discretionary		BA		**1**					
Outlays		O	12	13	1				
Watershed surveys and planning (gross)		BA	**12**	**13**					
		O	12	13	1				
Offsetting collections from non-Federal sources				–1					
Total Watershed surveys and planning (net)		BA	**12**	**12**					
		O	12	12	1				
Emergency watershed protection:									
Appropriation, discretionary	301	BA	**249**	**111**	**111**	**113**	**116**	**118**	**121**
Spending authority from offsetting collections, discretionary		BA	**18**	**25**	**2**	**2**	**2**	**2**	**2**
Outlays		O	202	242	187	147	144	119	122
Emergency watershed protection (gross)		BA	**267**	**136**	**113**	**115**	**118**	**120**	**123**
		O	202	242	187	147	144	119	122
Change in uncollected customer payments from Federal sources		BA	**6**						
Offsetting collections from Federal sources			–17	–15					
Offsetting collections from non-Federal sources			–7	–10	–2	–2	–2	–2	–2
Total Emergency watershed protection (net)		BA	**249**	**111**	**111**	**113**	**116**	**118**	**121**
		O	178	217	185	145	142	117	120
Watershed rehabilitation program:									
Appropriation, discretionary	301	BA		**10**					
Outlays		O		6	5	1			
Resource conservation and development:									
Appropriation, discretionary	302	BA	**45**	**50**	**51**	**52**	**53**	**54**	**55**
Spending authority from offsetting collections, discretionary		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	42	49	52	53	54	55	56
Resource conservation and development (gross)		BA	**46**	**51**	**52**	**53**	**54**	**55**	**56**
		O	42	49	52	53	54	55	56

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Offsetting collections from non-Federal sources			–1	–1	–1	–1	–1	–1	–1
Total Resource conservation and development (net)		BA	**45**	**50**	**51**	**52**	**53**	**54**	**55**
		O	41	48	51	52	53	54	55
Great plains conservation program:									
Outlays	302	O	3	2	2				
Forestry incentives program:									
Appropriation, discretionary	302	BA	**7**	**7**					
Outlays		O	8	8	6	3			
Water bank program:									
Outlays	302	O	4	4	3				
Colorado river basin salinity control program:									
Outlays	304	O	1	1					
Wetlands reserve program:									
Outlays	302	O	4	4	3				
Wildlife habitat incentives program:									
Outlays	302	O	7	4	4	4	4	4	4
Credit Accounts:									
Agricultural resource conservation demonstration program account:									
Appropriation, mandatory	351	BA	**3**	**4**					
Outlays		O		7					
Trust funds									
Miscellaneous contributed funds:									
Authority to borrow, mandatory	302	BA	**1**						
Outlays		O	13	3					
Total Federal funds Natural Resources Conservation Service		BA	**1,075**	**1,023**	**1,059**	**1,080**	**1,102**	**1,126**	**1,150**
		O	987	1,195	1,155	1,126	1,134	1,126	1,150
Total Trust funds Natural Resources Conservation Service		BA	**1**						
		O	13	3					

Rural Development

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	452	BA	**162**	**169**	**185**	**188**	**191**	**195**	**199**
Spending authority from offsetting collections, discretionary		BA	**459**	**487**	**521**	**532**	**544**	**556**	**570**
Outlays		O	583	656	692	716	732	747	764
Salaries and expenses (gross)		BA	**621**	**656**	**706**	**720**	**735**	**751**	**769**
		O	583	656	692	716	732	747	764
Change in uncollected customer payments from Federal sources		BA	**–15**						
Adjustment to uncollected customer payments from Federal sources		BA	**15**						
Offsetting collections from Federal sources			–459	–487	–521	–532	–544	–556	–570
Total Salaries and expenses (net)		BA	**162**	**169**	**185**	**188**	**191**	**195**	**199**
		O	124	169	171	184	188	191	194
Credit Accounts:									
Rural community advancement program:									
Appropriation, discretionary	452	BA	**970**	**807**	**791**	**807**	**826**	**844**	**865**
Appropriation, mandatory		BA	**258**						
Spending authority from offsetting collections, discretionary		BA	**7**						
Outlays		O	913	777	765	770	793	758	822
Limitation on direct loan activity			(1,226)	(1,128)	(1,064)	(1,086)	(1,110)	(1,136)	(1,163)
Limitation on loan guarantee commitments			(2,668)	(1,018)	(1,018)	(1,039)	(1,062)	(1,087)	(1,113)
Rural community advancement program (gross)		BA	**1,235**	**807**	**791**	**807**	**826**	**844**	**865**
		O	913	777	765	770	793	758	822

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Offsetting collections from Federal sources			–7						
Total Rural community advancement program (net)		BA	**1,228**	**807**	**791**	**807**	**826**	**844**	**865**
		O	906	777	765	770	793	758	822
Total Federal funds Rural Development		BA	**1,390**	**976**	**976**	**995**	**1,017**	**1,039**	**1,064**
		O	1,030	946	936	954	981	949	1,016

Rural Housing Service

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Salaries and expenses:									
Outlays	452	O	52						
Rural housing assistance grants:									
Appropriation, discretionary	604	BA	**44**	**39**	**42**	**43**	**43**	**45**	**46**
Outlays		O	50	56	55	49	45	44	44
Rental assistance program:									
Appropriation, discretionary	604	BA	**679**	**701**	**712**	**727**	**743**	**760**	**778**
Outlays		O	603	658	690	702	747	757	768
Mutual and self-help housing grants:									
Appropriation, discretionary	604	BA	**34**	**35**	**34**	**35**	**35**	**36**	**37**
Outlays		O	22	26	34	34	34	35	36
Credit Accounts:									
Farm labor program account:									
Appropriation, discretionary	604	BA	**29**	**31**	**35**	**35**	**37**	**37**	**39**
Spending authority from offsetting collections, discretionary		BA	**2**						
Outlays		O		17	27	33	38	36	37
Limitation on direct loan activity			(28)	(28)	(36)	(37)	(38)	(38)	(39)
Farm labor program account (gross)		BA	**31**	**31**	**35**	**35**	**37**	**37**	**39**
		O		17	27	33	38	36	37
Offsetting collections from Federal sources			–2						
Total Farm labor program account (net)		BA	**29**	**31**	**35**	**35**	**37**	**37**	**39**
		O	–2	17	27	33	38	36	37
Rural housing insurance fund program account:									
Appropriation, discretionary	371	BA	**662**	**668**	**705**	**720**	**735**	**753**	**770**
Appropriation, mandatory		BA	**453**						
Outlays		O	1,077	682	727	731	734	754	767
Limitation on direct loan activity			(1,235)	(1,248)	(1,074)	(1,096)	(1,121)	(1,147)	(1,174)
Limitation on loan guarantee commitments			(3,236)	(3,238)	(2,850)	(2,910)	(2,974)	(3,044)	(3,116)
Total Rural housing insurance fund program account		BA	**1,115**	**668**	**705**	**720**	**735**	**753**	**770**
		O	1,077	682	727	731	734	754	767
Rural housing insurance fund liquidating account:									
Spending authority from offsetting collections, mandatory	371	BA	**832**	**486**	**414**	**282**	**207**	**101**	**81**
Outlays		O	740	581	440	283	264	198	81
Rural housing insurance fund liquidating account (gross)		BA	**832**	**486**	**414**	**282**	**207**	**101**	**81**
		O	740	581	440	283	264	198	81
Offsetting collections from Federal sources			–15						
Offsetting collections from non-Federal sources			–1,936	–1,733	–1,627	–1,511	–1,398	–1,294	–1,197
Total Rural housing insurance fund liquidating account (net)		BA	**–1,119**	**–1,247**	**–1,213**	**–1,229**	**–1,191**	**–1,193**	**–1,116**
		O	–1,211	–1,152	–1,187	–1,228	–1,134	–1,096	–1,116
Total Federal funds Rural Housing Service		BA	**782**	**227**	**315**	**331**	**402**	**438**	**554**
		O	591	287	346	321	464	530	536

Rural Business — Cooperative Service

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Rural empowerment zones and enterprise community grants:									
Appropriation, discretionary	452	BA	**15**	**15**					
Outlays		O	12	15	17	9	2		

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Salaries and expenses (Rural Development Administration):									
Outlays	452	O	6						
Rural cooperative development grants:									
Appropriation, discretionary	452	BA	**16**	**8**	**9**	**9**	**9**	**9**	**10**
Appropriation, mandatory		BA	**15**						
Spending authority from offsetting collections, discretionary		BA	**2**						
Outlays		O	6	27	16	9	10	10	10
Rural cooperative development grants (gross)		BA	**33**	**8**	**9**	**9**	**9**	**9**	**10**
		O	6	27	16	9	10	10	10
Offsetting collections from Federal sources			–2						
Total Rural cooperative development grants (net)		BA	**31**	**8**	**9**	**9**	**9**	**9**	**10**
		O	4	27	16	9	10	10	10
Rural economic development grants:									
Spending authority from offsetting collections, mandatory	452	BA	**4**	**4**	**3**	**3**	**3**	**3**	**3**
Outlays		O	7	8	4	3	3	3	3
Rural economic development grants (gross)		BA	**4**	**4**	**3**	**3**	**3**	**3**	**3**
		O	7	8	4	3	3	3	3
Change in uncollected customer payments from Federal sources		BA	**–2**	**–1**					
Offsetting collections from Federal sources			–2	–3	–3	–3	–3	–3	–3
Total Rural economic development grants (net)		BA							
		O	5	5	1				
National Sheep Industry Improvement Center:									
Appropriation, mandatory	452	BA	**5**	**1**					
Outlays		O	7	3					
Credit Accounts:									
Rural development loan fund program account:									
Appropriation, discretionary	452	BA	**23**	**20**	**24**	**24**	**25**	**25**	**26**
Appropriation, mandatory		BA	**4**						
Spending authority from offsetting collections, discretionary		BA	**3**						
Outlays		O	27	25	25	24	22	23	25
Limitation on direct loan activity			(38)	(38)	(40)	(41)	(42)	(43)	(44)
Rural development loan fund program account (gross)		BA	**30**	**20**	**24**	**24**	**25**	**25**	**26**
		O	27	25	25	24	22	23	25
Offsetting collections from Federal sources			–3						
Total Rural development loan fund program account (net)		BA	**27**	**20**	**24**	**24**	**25**	**25**	**26**
		O	24	25	25	24	22	23	25
Rural development loan fund liquidating account:									
Spending authority from offsetting collections, mandatory	452	BA	**1**	**1**					
Outlays		O	1						
Rural development loan fund liquidating account (gross)		BA	**1**	**1**					
		O	1						
Offsetting collections from non-Federal sources			–4	–4	–4	–3	–3	–3	–3
Total Rural development loan fund liquidating account (net)		BA	**–3**	**–3**	**–4**	**–3**	**–3**	**–3**	**–3**
		O	–3	–4	–4	–3	–3	–3	–3
Rural economic development loans program account:									
Appropriation, discretionary	452	BA	**4**	**4**	**3**	**3**	**3**	**3**	**3**
Appropriation, mandatory		BA	**4**						
Spending authority from offsetting collections, discretionary		BA	**2**						
Outlays		O	7	5	4	3	3	3	3
Limitation on direct loan activity			(15)	(15)	(15)	(15)	(16)	(16)	(16)
Rural economic development loans program account (gross)		BA	**10**	**4**	**3**	**3**	**3**	**3**	**3**
		O	7	5	4	3	3	3	3

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Offsetting collections from Federal sources			–2						
Total Rural economic development loans program account (net)		BA	**8**	**4**	**3**	**3**	**3**	**3**	**3**
		O	5	5	4	3	3	3	3
Rural economic development loans liquidating account:									
Offsetting collections from non-Federal sources	271		–1						
Total Rural economic development loans liquidating account (net)		BA	**–1**						
		O							
Total Federal funds Rural Business — Cooperative Service		BA	**82**	**45**	**32**	**33**	**34**	**34**	**36**
		O	59	76	59	42	34	33	35
Rural Utilities Service									
Federal funds									
General and Special Funds:									
High energy cost grants:									
Outlays	452	O		15	15	15			
Public Enterprise Funds:									
Rural communication development fund liquidating account:									
Appropriation, mandatory	452	BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Spending authority from offsetting collections, mandatory		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	2	1	1	1	1	1	1
Rural communication development fund liquidating account (gross)		BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
		O	2	1	1	1	1	1	1
Offsetting collections from non-Federal sources			–1	–1	–1	–1	–1	–1	–1
Total Rural communication development fund liquidating account (net)		BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
		O	1						
Credit Accounts:									
Rural electrification and telecommunications loans program account:									
Appropriation, discretionary	271	BA	**75**	**42**	**50**	**51**	**52**	**53**	**55**
Appropriation, mandatory		BA	**406**						
Outlays		O	470	80	63	55	58	56	55
Limitation on direct loan activity			(3,051)	(4,466)	(3,016)	(3,079)	(3,148)	(3,221)	(3,297)
Limitation on loan guarantee commitments			(59)	(100)	(100)	(102)	(104)	(107)	(109)
Total Rural electrification and telecommunications loans program account		BA	**481**	**42**	**50**	**51**	**52**	**53**	**55**
		O	470	80	63	55	58	56	55
Rural electrification and telecommunications liquidating account:									
Appropriation, discretionary	271	BA			**–3**	**–3**	**–3**	**–3**	**–3**
Appropriation, mandatory		BA	**20**	**19**	**22**	**124**	**16**	**20**	**106**
Spending authority from offsetting collections, mandatory		BA	**1,080**	**1,084**	**1,042**	**885**	**938**	**891**	**737**
Outlays		O	1,139	1,113	1,069	1,017	961	917	848
Rural electrification and telecommunications liquidating account (gross)		BA	**1,100**	**1,103**	**1,061**	**1,006**	**951**	**908**	**840**
		O	1,139	1,113	1,069	1,017	961	917	848
Offsetting collections from non-Federal sources			–2,518	–2,666	–2,447	–2,245	–2,059	–1,888	–1,730
Total Rural electrification and telecommunications liquidating account (net)		BA	**–1,418**	**–1,563**	**–1,386**	**–1,239**	**–1,108**	**–980**	**–890**
		O	–1,379	–1,553	–1,378	–1,228	–1,098	–971	–882
Rural telephone bank program account:									
Appropriation, discretionary	452	BA	**6**	**7**	**3**	**3**	**3**	**3**	**3**
Appropriation, mandatory		BA	**4**						
Outlays		O	8	4	5	5	5	5	6
Limitation on direct loan activity			(175)	(175)					
Total Rural telephone bank program account		BA	**10**	**7**	**3**	**3**	**3**	**3**	**3**
		O	8	4	5	5	5	5	6
Rural telephone bank liquidating account:									
Appropriation, mandatory	452	BA	**–24**	**–23**	**–22**	**–20**	**–19**	**–18**	**–18**
Spending authority from offsetting collections, mandatory		BA	**167**	**123**	**117**	**126**	**117**	**113**	**107**

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	25	28	29	28	28	28	28
Rural telephone bank liquidating account (gross)		BA	**143**	**100**	**95**	**106**	**98**	**95**	**89**
		O	25	28	29	28	28	28	28
Offsetting collections from interest on Federal securities			–55						
Offsetting collections from non-Federal sources			–196	–132	–126	–126	–117	–113	–107
Total Rural telephone bank liquidating account (net)		BA	**–108**	**–32**	**–31**	**–20**	**–19**	**–18**	**–18**
		O	–226	–104	–97	–98	–89	–85	–79
Distance learning and telemedicine program:									
Appropriation, discretionary	452	BA	**27**	**49**	**31**	**32**	**32**	**33**	**33**
Outlays		O	10	16	27	28	28	32	28
Limitation on direct loan activity			(400)	(380)	(130)	(133)	(136)	(139)	(142)
Local television loan guarantee program account:									
Appropriation, discretionary	452	BA		**22**					
Outlays		O		6	9	5	2		
Limitation on loan guarantee commitments				(258)					
Rural development insurance fund liquidating account:									
Appropriation, mandatory	452	BA	**476**	**315**	**165**	**73**			
Spending authority from offsetting collections, mandatory		BA					**11**		
Outlays		O	560	407	170	116	25	5	
Rural development insurance fund liquidating account (gross)		BA	**476**	**315**	**165**	**73**	**11**		
		O	560	407	170	116	25	5	
Offsetting collections from non-Federal sources			–388	–354	–332	–311	–292	–274	–257
Total Rural development insurance fund liquidating account (net)		BA	**88**	**–39**	**–167**	**–238**	**–281**	**–274**	**–257**
		O	172	53	–162	–195	–267	–269	–257
Total Federal funds Rural Utilities Service		BA	**–918**	**–1,512**	**–1,498**	**–1,409**	**–1,319**	**–1,181**	**–1,072**
		O	–944	–1,483	–1,518	–1,413	–1,361	–1,232	–1,129

Foreign Agricultural Service

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	352	BA	**128**	**126**	**136**	**139**	**142**	**145**	**148**
Spending authority from offsetting collections, discretionary		BA	**82**	**73**	**73**	**75**	**76**	**78**	**80**
Outlays		O	209	199	208	214	218	223	228
Salaries and expenses (gross)		BA	**210**	**199**	**209**	**214**	**218**	**223**	**228**
		O	209	199	208	214	218	223	228
Offsetting collections from Federal sources			–82	–73	–73	–75	–76	–78	–80
Total Salaries and expenses (net)		BA	**128**	**126**	**136**	**139**	**142**	**145**	**148**
		O	127	126	135	139	142	145	148
Scientific activities overseas (foreign currency program):									
Outlays	352	O	1	1					
Public Law 480 title I ocean freight differential grants:									
Appropriation, discretionary	351	BA	**20**	**20**	**28**	**29**	**29**	**30**	**31**
Spending authority from offsetting collections, mandatory		BA		**8**					
Outlays		O	1	48	34	29	29	30	30
Public Law 480 title I ocean freight differential grants (gross)		BA	**20**	**28**	**28**	**29**	**29**	**30**	**31**
		O	1	48	34	29	29	30	30
Offsetting collections from Federal sources				–8					
Total Public Law 480 title I ocean freight differential grants (net)		BA	**20**	**20**	**28**	**29**	**29**	**30**	**31**
		O	1	40	34	29	29	30	30
Public law 480 title II grants:									
Appropriation, discretionary	151	BA	**835**	**850**	**1,185**	**1,210**	**1,237**	**1,266**	**1,295**
Spending authority from offsetting collections, mandatory		BA	**28**	**10**					

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	975	953	1,063	1,150	1,199	1,236	1,274
Public law 480 title II grants (gross)		BA	**863**	**860**	**1,185**	**1,210**	**1,237**	**1,266**	**1,295**
		O	975	953	1,063	1,150	1,199	1,236	1,274
Offsetting collections from Federal sources			–28	–10					
Total Public law 480 title II grants (net)		BA	**835**	**850**	**1,185**	**1,210**	**1,237**	**1,266**	**1,295**
		O	947	943	1,063	1,150	1,199	1,236	1,274
Credit Accounts:									
Public law 480 title I program account:									
Appropriation, discretionary	351	BA	**116**	**128**	**101**	**103**	**105**	**108**	**110**
Appropriation, mandatory		BA	**82**	**63**					
Spending authority from offsetting collections, discretionary		BA	**57**						
Outlays		O	344	482	113	104	104	106	109
Limitation on direct loan activity			(160)	(155)	(132)	(135)	(138)	(141)	(144)
Public law 480 title I program account (gross)		BA	**255**	**191**	**101**	**103**	**105**	**108**	**110**
		O	344	482	113	104	104	106	109
Offsetting collections from Federal sources			–57						
Total Public law 480 title I program account (net)		BA	**198**	**191**	**101**	**103**	**105**	**108**	**110**
		O	287	482	113	104	104	106	109
P.L. 480 title I food for progress credits, program account:									
Appropriation, mandatory	351	BA		**45**					
Outlays		O		45					
Expenses, Public Law 480, foreign assistance programs, Agriculture liquidating account:									
Offsetting collections from Federal sources	151		–26	–32					
Offsetting collections from non-Federal sources			–460	–438	–432	–467	–455	–450	–437
Total Expenses, Public Law 480, foreign assistance programs, Agriculture liquidating account (net)		BA	**–486**	**–470**	**–432**	**–467**	**–455**	**–450**	**–437**
		O	–486	–470	–432	–467	–455	–450	–437
Trust funds									
Miscellaneous contributed funds:									
Appropriation, mandatory	352	BA		**4**	**4**	**4**	**4**	**4**	**4**
Outlays		O		4	4	4	4	4	4
Total Federal funds Foreign Agricultural Service		BA	**695**	**762**	**1,018**	**1,014**	**1,058**	**1,099**	**1,147**
		O	877	1,167	913	955	1,019	1,067	1,124
Total Trust funds Foreign Agricultural Service		BA		**4**	**4**	**4**	**4**	**4**	**4**
		O		4	4	4	4	4	4

Food and Nutrition Service

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Food program administration:									
Appropriation, discretionary	605	BA	**127**	**137**	**156**	**159**	**162**	**166**	**170**
Spending authority from offsetting collections, discretionary		BA	**1**						
Outlays		O	125	138	154	159	162	165	170
Food program administration (gross)		BA	**128**	**137**	**156**	**159**	**162**	**166**	**170**
		O	125	138	154	159	162	165	170
Offsetting collections from Federal sources			–1						
Total Food program administration (net)		BA	**127**	**137**	**156**	**159**	**162**	**166**	**170**
		O	124	138	154	159	162	165	170
Food stamp program:									
Appropriation, discretionary	605	BA	**16**	**17**	**17**	**17**	**18**	**18**	**19**
Appropriation, mandatory		BA	**20,058**	**22,975**	**26,233**	**26,152**	**26,438**	**26,771**	**27,660**
					B **–215**	*B* **148**	*B* **225**	*B* **282**	*B* **306**
Spending authority from offsetting collections, mandatory		BA	**74**	**125**	**125**	**125**	**125**	**125**	**125**

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	19,170	22,923	24,329	24,540	24,547	24,882	25,768
					[B]29	[B]148	[B]225	[B]282	[B]306
Food stamp program (gross)		BA	**20,148**	**23,117**	**26,160**	**26,442**	**26,806**	**27,196**	**28,110**
		O	19,170	22,923	24,358	24,688	24,772	25,164	26,074
Offsetting collections from non-Federal sources			–74	–125	–125	–125	–125	–125	–125
Total Food stamp program (net)		BA	**20,074**	**22,992**	**26,035**	**26,317**	**26,681**	**27,071**	**27,985**
		O	19,096	22,798	24,233	24,563	24,647	25,039	25,949
Child nutrition programs:									
Appropriation, discretionary	605	BA	**14**	**8**	**8**	**8**	**8**	**8**	**9**
Appropriation, mandatory		BA	**9,610**	**10,083**	**10,572**	**11,419**	**11,854**	**12,305**	**12,818**
Outlays		O	9,561	10,324	10,836	11,349	11,796	12,246	12,747
Total Child nutrition programs		BA	**9,624**	**10,091**	**10,580**	**11,427**	**11,862**	**12,313**	**12,827**
		O	9,561	10,324	10,836	11,349	11,796	12,246	12,747
Special supplemental nutrition program for women, infants, and children (WIC):									
Appropriation, discretionary	605	BA	**4,043**	**4,387**	**4,751**	**4,850**	**4,958**	**5,074**	**5,194**
Appropriation, mandatory		BA	**1**						
Spending authority from offsetting collections, discretionary		BA	**15**						
Outlays		O	4,092	4,426	4,725	4,844	4,951	5,066	5,185
Special supplemental nutrition program for women, infants, and children (WIC) (gross)		BA	**4,059**	**4,387**	**4,751**	**4,850**	**4,958**	**5,074**	**5,194**
		O	4,092	4,426	4,725	4,844	4,951	5,066	5,185
Offsetting collections from Federal sources			–15						
Total Special supplemental nutrition program for women, infants, and children (WIC) (net)		BA	**4,044**	**4,387**	**4,751**	**4,850**	**4,958**	**5,074**	**5,194**
		O	4,077	4,426	4,725	4,844	4,951	5,066	5,185
Commodity assistance program:									
Appropriation, discretionary	605	BA	**140**	**150**	**145**	**148**	**151**	**154**	**159**
Outlays		O	132	162	147	148	151	155	158
Food donations programs:									
Appropriation, discretionary	605	BA	**151**	**151**	**1**	**1**	**1**	**1**	**1**
Outlays		O	134	155	45	1	1	1	1
Total Federal funds Food and Nutrition Service		BA	**34,160**	**37,908**	**41,668**	**42,902**	**43,815**	**44,779**	**46,336**
		O	33,124	38,003	40,140	41,064	41,708	42,672	44,210

Forest Service

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
National forest system:									
Appropriation, discretionary	302	BA	**1,520**	**1,398**	**1,430**	**1,459**	**1,490**	**1,523**	**1,557**
Spending authority from offsetting collections, discretionary		BA	**117**	**98**	**66**	**67**	**69**	**70**	**72**
Outlays		O	1,435	1,438	1,491	1,522	1,554	1,588	1,624
National forest system (gross)		BA	**1,637**	**1,496**	**1,496**	**1,526**	**1,559**	**1,593**	**1,629**
		O	1,435	1,438	1,491	1,522	1,554	1,588	1,624
Change in uncollected customer payments from Federal sources		BA	**–8**						
Offsetting collections from Federal sources					–14	–14	–15	–15	–15
Offsetting collections from non-Federal sources			–109	–98	–52	–53	–54	–56	–57
Total National forest system (net)		BA	**1,520**	**1,398**	**1,430**	**1,459**	**1,490**	**1,522**	**1,557**
		O	1,326	1,340	1,425	1,455	1,485	1,517	1,552
Capital improvement and maintenance:									
Appropriation, discretionary	302	BA	**537**	**571**	**568**	**579**	**592**	**605**	**620**
Spending authority from offsetting collections, discretionary		BA	**31**	**4**	**4**	**4**	**4**	**4**	**4**
Outlays		O	470	635	630	581	592	605	620
Capital improvement and maintenance (gross)		BA	**568**	**575**	**572**	**583**	**596**	**609**	**624**
		O	470	635	630	581	592	605	620
Change in uncollected customer payments from Federal sources		BA	**–28**						

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Offsetting collections from Federal sources			–3						
Offsetting collections from non-Federal sources				–4	–4	–4	–4	–4	–4
Total Capital improvement and maintenance (net)		BA	**537**	**571**	**568**	**579**	**592**	**605**	**620**
		O	467	631	626	577	588	601	616
Forest and rangeland research:									
Appropriation, discretionary	302	BA	**257**	**282**	**254**	**259**	**265**	**271**	**277**
Spending authority from offsetting collections, discretionary		BA	**83**	**24**	**24**	**25**	**25**	**26**	**26**
Outlays		O	250	305	286	283	288	295	301
Forest and rangeland research (gross)		BA	**340**	**306**	**278**	**284**	**290**	**297**	**303**
		O	250	305	286	283	288	295	301
Change in uncollected customer payments from Federal sources		BA	**–60**						
Offsetting collections from Federal sources			–23	–23	–22	–22	–23	–23	–24
Offsetting collections from non-Federal sources				–1	–2	–2	–2	–2	–2
Total Forest and rangeland research (net)		BA	**257**	**282**	**254**	**260**	**265**	**272**	**277**
		O	227	281	262	259	263	270	275
State and private forestry:									
Appropriation, discretionary	302	BA	**443**	**413**	**280**	**287**	**292**	**298**	**305**
Spending authority from offsetting collections, discretionary		BA	**11**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	265	443	315	287	293	298	306
State and private forestry (gross)		BA	**454**	**415**	**282**	**289**	**294**	**300**	**307**
		O	265	443	315	287	293	298	306
Change in uncollected customer payments from Federal sources		BA	**–5**						
Offsetting collections from Federal sources			–6	–2	–2	–2	–2	–2	–2
Total State and private forestry (net)		BA	**443**	**413**	**280**	**287**	**292**	**298**	**305**
		O	259	441	313	285	291	296	304
Management of national forest lands for subsistence uses:									
Appropriation, discretionary	302	BA	**6**	**5**	**6**	**6**	**6**	**6**	**7**
Outlays		O	2	5	6	6	6	6	7
Wildland fire management:									
Appropriation, discretionary	302	BA	**1,665**	**1,450**	**1,426**	**1,455**	**1,486**	**1,519**	**1,554**
Spending authority from offsetting collections, discretionary		BA	**29**	**26**	**26**	**27**	**27**	**28**	**28**
Outlays		O	1,283	1,512	1,455	1,479	1,510	1,544	1,578
Wildland fire management (gross)		BA	**1,694**	**1,476**	**1,452**	**1,482**	**1,513**	**1,547**	**1,582**
		O	1,283	1,512	1,455	1,479	1,510	1,544	1,578
Change in uncollected customer payments from Federal sources		BA	**110**						
Offsetting collections from Federal sources			–139	–26	–26	–27	–27	–28	–28
Total Wildland fire management (net)		BA	**1,665**	**1,450**	**1,426**	**1,455**	**1,486**	**1,519**	**1,554**
		O	1,144	1,486	1,429	1,452	1,483	1,516	1,550
Southeast Alaska economic disaster fund:									
Appropriation, discretionary	451	BA	**5**						
Outlays		O	6	7	1				
Range betterment fund:									
Appropriation, discretionary	302	BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	3	3	3	3	4	4	4
Land acquisition:									
Appropriation, discretionary	302	BA	**153**	**152**	**132**	**135**	**138**	**141**	**144**
Spending authority from offsetting collections, discretionary		BA	**–4**						
Outlays		O	117	101	139	134	137	140	143
Land acquisition (gross)		BA	**149**	**152**	**132**	**135**	**138**	**141**	**144**
		O	117	101	139	134	137	140	143
Change in uncollected customer payments from Federal sources		BA	**4**						
Total Land acquisition (net)		BA	**153**	**152**	**132**	**135**	**138**	**141**	**144**
		O	117	101	139	134	137	140	143

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Forest Service permanent appropriations									
(Conservation and land management):									
(Appropriation, mandatory)	302	BA	**136**	**165**	**155**	**165**	**191**	**191**	**191**
						[B] **3**	[B] **10**	[B] **14**	[B] **15**
(Spending authority from offsetting collections, mandatory)		BA	**–4**						
(Outlays)		O	157	175	157	163	185	191	191
						[B] 3	[B] 10	[B] 14	[B] 15
Forest Service permanent appropriations (gross)		BA	**132**	**165**	**155**	**168**	**201**	**205**	**206**
		O	157	175	157	166	195	205	206
(Change in uncollected customer payments from Federal sources)		BA	**11**						
Offsetting collections from Federal sources			–7						
Total (Conservation and land management) (net)		BA	**136**	**165**	**155**	**168**	**201**	**205**	**206**
		O	150	175	157	166	195	205	206
(Recreational resources):									
(Appropriation, mandatory)	303	BA	**29**	**29**	**29**	**29**			
							[B] **33**	[B] **45**	[B] **45**
(Outlays)		O	52	23	29	29	6		
							[B] 33	[B] 45	[B] 45
Total (Recreational resources)		BA	**29**	**29**	**29**	**29**	**33**	**45**	**45**
		O	52	23	29	29	39	45	45
(General purpose fiscal assistance):									
(Appropriation, mandatory)	806	BA	**322**	**393**	**398**	**404**	**409**	**414**	**420**
(Outlays)		O	200	393	398	404	409	414	420
Total Forest Service permanent appropriations		BA	**487**	**587**	**582**	**601**	**643**	**664**	**671**
		O	402	591	584	599	643	664	671
Intragovernmental Funds:									
Working capital fund:									
Spending authority from offsetting collections, mandatory	302	BA	**195**	**134**	**134**	**134**	**134**	**134**	**134**
Outlays		O	234	134	134	134	134	134	134
Working capital fund (gross)		BA	**195**	**134**	**134**	**134**	**134**	**134**	**134**
		O	234	134	134	134	134	134	134
Change in uncollected customer payments from Federal sources		BA	**–2**						
Offsetting collections from Federal sources			–193	–134	–134	–134	–134	–134	–134
Total Working capital fund (net)		BA							
		O	41						
		Trust funds							
Forest Service trust funds:									
Appropriation, mandatory	302	BA	**129**	**191**	**194**	**205**	**205**	**205**	**205**
						[B] **10**	[B] **15**	[B] **24**	[B] **25**
Spending authority from offsetting collections, mandatory		BA	**21**						
Outlays		O	402	207	193	203	205	205	205
						[B] 10	[B] 15	[B] 24	[B] 25
Forest Service trust funds (gross)		BA	**150**	**191**	**194**	**215**	**220**	**229**	**230**
		O	402	207	193	213	220	229	230
Change in uncollected customer payments from Federal sources		BA	**2**						
Offsetting collections from Federal sources			–23						
Total Forest Service trust funds (net)		BA	**129**	**191**	**194**	**215**	**220**	**229**	**230**
		O	379	207	193	213	220	229	230
Total Federal funds Forest Service		BA	**5,076**	**4,861**	**4,681**	**4,785**	**4,915**	**5,030**	**5,138**
		O	3,994	4,886	4,788	4,770	4,900	5,014	5,122
Total Trust funds Forest Service		BA	**129**	**191**	**194**	**215**	**220**	**229**	**230**
		O	379	207	193	213	220	229	230

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			2001 actual	estimate					
				2002	2003	2004	2005	2006	2007
Summary									
Federal funds:									
(As shown in detail above)		BA	**75,822**	**77,432**	**76,512**	**77,796**	**77,583**	**78,185**	**79,986**
		O	70,493	77,491	75,167	75,360	75,136	75,632	77,515
Deductions for offsetting receipts:									
Intrafund transactions	352	BA/O	*–9*	*–59*	*–9*	*–9*	*–9*	*–9*	*–9*
	605	BA/O	....	*–1*	*–1*	*–1*	*–1*	*–1*	*–1*
Proprietary receipts from the public	271	BA/O	*–429*	*–17*	*–20*	*–20*	*–20*	*–20*	*–20*
	302	BA/O	*–256*	*–665*	*–670*	*–398*	*–395*	*–391*	*–391*
						[B] –3	*[B] –10*	*[B] –14*	*[B] –15*
	303	BA/O	*–37*	*–42*	*–44*	*–46*	*–4*	*–4*	*–4*
							[B] –43	*[B] –44*	*[B] –44*
	351	BA/O	*–964*	*–180*	*–2*	*–2*	*–2*	*–2*	*–2*
	371	BA/O	*–334*	....	....	....	....	....	....
	452	BA/O	*–169*	....	....	....	....	....	....
Total Federal funds		BA	**73,624**	**76,468**	**75,766**	**77,317**	**77,099**	**77,700**	**79,500**
		O	68,295	76,527	74,421	74,881	74,652	75,147	77,029
Trust funds:									
(As shown in detail above)		BA	**341**	**373**	**377**	**471**	**464**	**475**	**476**
		O	605	370	369	450	424	437	434
Deductions for offsetting receipts:									
Proprietary receipts from the public	302	BA/O	*–94*	*–155*	*–163*	*–172*	*–159*	*–159*	*–159*
						[B] –10	*[B] –15*	*[B] –24*	*[B] –25*
	352	BA/O	*–205*	*–174*	*–181*	*–181*	*–181*	*–181*	*–181*
						[B] –72	*[B] –72*	*[B] –74*	*[B] –74*
Total Trust funds		BA	**42**	**44**	**33**	**36**	**37**	**37**	**37**
		O	306	41	25	15	–3	–1	–5
Interfund transactions	302	BA/O	....	*–1*	*–1*	*–1*	*–1*	....	....
	352	BA/O	*–2*	*–2*	*–2*	*–2*	....	....	....
Total Department of Agriculture		BA	**73,664**	**76,509**	**75,796**	**77,350**	**77,135**	**77,737**	**79,537**
		O	68,599	76,565	74,443	74,893	74,648	75,146	77,024

DEPARTMENT OF COMMERCE

(In millions of dollars)

Account			2001 actual	estimate					
				2002	2003	2004	2005	2006	2007
Departmental Management									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	376	BA	**41**	**45**	**50**	**51**	**52**	**53**	**54**
Spending authority from offsetting collections, discretionary		BA	**91**	**120**	**138**	**141**	**144**	**147**	**151**
Outlays		O	106	193	187	192	196	200	205
Salaries and expenses (gross)		BA	**132**	**165**	**188**	**192**	**196**	**200**	**205**
		O	106	193	187	192	196	200	205
Change in uncollected customer payments from Federal sources		BA	**–7**	....	....	....	....	....	....
Offsetting collections from Federal sources			–84	–120	–138	–141	–144	–147	–151
Total Salaries and expenses (net)		BA	**41**	**45**	**50**	**51**	**52**	**53**	**54**
		O	22	73	49	51	52	53	54
Office of the Inspector General:									
Appropriation, discretionary	376	BA	**21**	**21**	**24**	**24**	**25**	**26**	**26**
Outlays		O	22	21	23	25	25	26	26
Intragovernmental Funds:									
Working capital fund:									
Spending authority from offsetting collections, mandatory	376	BA	**112**	**121**	**126**	**126**	**126**	**126**	**126**

DEPARTMENT OF COMMERCE—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	115	143	126	126	126	126	126
Working capital fund (gross)		BA	**112**	**121**	**126**	**126**	**126**	**126**	**126**
		O	115	143	126	126	126	126	126
Change in uncollected customer payments from Federal sources		BA	**13**	....	....	....	....	....	....
Offsetting collections from Federal sources			–125	–121	–126	–126	–126	–126	–126
Total Working capital fund (net)		BA	....	....	....	....	....	....	....
		O	–10	22	....	....	....	....	....
Franchise fund:									
Spending authority from offsetting collections, mandatory	376	BA	**14**	**17**	**17**	**17**	**17**	**17**	**17**
Outlays		O	15	18	17	17	17	17	17
Franchise fund (gross)		BA	**14**	**17**	**17**	**17**	**17**	**17**	**17**
		O	15	18	17	17	17	17	17
Change in uncollected customer payments from Federal sources		BA	**1**	....	....	....	....	....	....
Offsetting collections from Federal sources			–15	–17	–17	–17	–17	–17	–17
Total Franchise fund (net)		BA	....	....	....	....	....	....	....
		O	....	1	....	....	....	....	....
Credit Accounts:									
Emergency oil and gas guaranteed loan program account:									
Appropriation, discretionary	376	BA	**–115**	**–5**	**–1**	....	....	....	....
Outlays		O	....	3	....	....	....	....	....
Emergency steel guaranteed loan program account:									
Appropriation, discretionary	376	BA	....	....	**–96**	....	....	....	....
Outlays		O	1	47	....	....	....	....	....
Trust funds									
Gifts and bequests:									
Appropriation, mandatory	376	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	1	2	1	1	1	1	1
Total Federal funds Departmental Management		BA	**–53**	**61**	**–23**	**75**	**77**	**79**	**80**
		O	35	167	72	76	77	79	80
Total Trust funds Departmental Management		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
		O	1	2	1	1	1	1	1

Economic Development Administration

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	452	BA	**33**	**33**	**33**	**34**	**34**	**35**	**36**
Spending authority from offsetting collections, discretionary		BA	**2**	**2**	**1**	**1**	**1**	**1**	**1**
Outlays		O	32	34	34	34	35	36	36
Salaries and expenses (gross)		BA	**35**	**35**	**34**	**35**	**35**	**36**	**37**
		O	32	34	34	34	35	36	36
Offsetting collections from Federal sources			–2	–2	–1	–1	–1	–1	–1
Total Salaries and expenses (net)		BA	**33**	**33**	**33**	**34**	**34**	**35**	**36**
		O	30	32	33	33	34	35	35
Economic development assistance programs:									
Appropriation, discretionary	452	BA	**421**	**335**	**317**	**324**	**331**	**339**	**347**
Spending authority from offsetting collections, discretionary		BA	**22**	**18**	**18**	**18**	**19**	**19**	**20**
Outlays		O	356	479	451	388	364	348	348
Economic development assistance programs (gross)		BA	**443**	**353**	**335**	**342**	**350**	**358**	**367**
		O	356	479	451	388	364	348	348
Offsetting collections from Federal sources			–22	–18	–18	–18	–19	–19	–20
Total Economic development assistance programs (net)		BA	**421**	**335**	**317**	**324**	**331**	**339**	**347**
		O	334	461	433	370	345	329	328

DEPARTMENT OF COMMERCE—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Credit Accounts:									
Economic development revolving fund liquidating account:									
Appropriation, discretionary	452	BA	**–3**						
Spending authority from offsetting collections, mandatory		BA	**8**	**5**	**5**	**5**	**5**	**5**	**5**
Outlays		O	2	5	5	5	5	5	5
Economic development revolving fund liquidating account (gross)		BA	**5**	**5**	**5**	**5**	**5**	**5**	**5**
		O	2	5	5	5	5	5	5
Offsetting collections from non-Federal sources			–8	–5	–5	–5	–5	–5	–5
Total Economic development revolving fund liquidating account (net)		BA	**–3**						
		O	–6						
Total Federal funds Economic Development Administration		BA	**451**	**368**	**350**	**358**	**365**	**374**	**383**
		O	358	493	466	403	379	364	363

Bureau of the Census

Federal funds

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	376	BA	**166**	**179**	**215**	**219**	**224**	**229**	**234**
Appropriation, mandatory		BA	**20**	**20**	**20**	**20**	**20**	**20**	**20**
Outlays		O	192	165	215	235	242	247	253
Total Salaries and expenses		BA	**186**	**199**	**235**	**239**	**244**	**249**	**254**
		O	192	165	215	235	242	247	253
Periodic censuses and programs:									
Appropriation, discretionary	376	BA	**292**	**335**	**522**	**629**	**603**	**632**	**657**
Outlays		O	921	640	510	607	608	626	652
Intragovernmental Funds:									
Census working capital fund:									
Spending authority from offsetting collections, mandatory	376	BA	**226**	**226**	**233**	**198**	**198**	**198**	**198**
Outlays		O	166	226	233	198	198	198	198
Census working capital fund (gross)		BA	**226**	**226**	**233**	**198**	**198**	**198**	**198**
		O	166	226	233	198	198	198	198
Offsetting collections from Federal sources			–226	–226	–233	–198	–198	–198	–198
Total Census working capital fund (net)		BA							
		O	–60						
Total Federal funds Bureau of the Census		BA	**478**	**534**	**757**	**868**	**847**	**881**	**911**
		O	1,053	805	725	842	850	873	905

Economic and Statistical Analysis

Federal funds

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	376	BA	**57**	**66**	**76**	**78**	**79**	**81**	**83**
Spending authority from offsetting collections, discretionary		BA	**1**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	54	68	77	80	81	83	84
Salaries and expenses (gross)		BA	**58**	**68**	**78**	**80**	**81**	**83**	**85**
		O	54	68	77	80	81	83	84
Offsetting collections from Federal sources			–1	–2	–2	–2	–2	–2	–2
Total Salaries and expenses (net)		BA	**57**	**66**	**76**	**78**	**79**	**81**	**83**
		O	53	66	75	78	79	81	82
Public Enterprise Funds:									
Economics and statistics administration revolving fund:									
Spending authority from offsetting collections, discretionary	376	BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**

DEPARTMENT OF COMMERCE—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	3	3	3	3	3	3	3
Economics and statistics administration revolving fund (gross)		BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
		O	3	3	3	3	3	3	3
Offsetting collections from Federal sources			....	–1	–1	–1	–1	–1	–1
Offsetting collections from non-Federal sources			–3	–2	–2	–2	–2	–2	–2
Total Economics and statistics administration revolving fund (net)		BA	....	....	....	....	....	....	....
		O	....	....	....	....	....	....	....
Total Federal funds Economic and Statistical Analysis		BA	**57**	**66**	**76**	**78**	**79**	**81**	**83**
		O	53	66	75	78	79	81	82

Promotion of Industry and Commerce

International Trade Administration

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Operations and administration:									
Appropriation, discretionary	376	BA	**352**	**356**	**377**	**385**	**393**	**402**	**411**
Spending authority from offsetting collections, discretionary		BA	**16**	**26**	**36**	**37**	**38**	**38**	**39**
Outlays		O	344	368	403	417	428	436	447
Operations and administration (gross)		BA	**368**	**382**	**413**	**422**	**431**	**440**	**450**
		O	344	368	403	417	428	436	447
Offsetting collections from Federal sources			–4	–5	–5	–5	–5	–5	–5
Offsetting collections from non-Federal sources			–12	–21	–31	–32	–32	–33	–34
Total Operations and administration (net)		BA	**352**	**356**	**377**	**385**	**394**	**402**	**411**
		O	328	342	367	380	391	398	408

Export Administration

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Operations and administration									
(Other advancement of commerce):									
(Appropriation, discretionary)	376	BA	**68**	**74**	**103**	**105**	**107**	**110**	**112**
(Spending authority from offsetting collections, discretionary)		BA	**3**	**6**	**6**	**6**	**6**	**6**	**7**
(Outlays)		O	65	86	105	109	113	116	119
Operations and administration (gross)		BA	**71**	**80**	**109**	**111**	**113**	**116**	**119**
		O	65	86	105	109	113	116	119
Offsetting collections from Federal sources			–3	–5	–5	–5	–5	–5	–5
Offsetting collections from non-Federal sources			....	–1	–1	–1	–1	–1	–1
Total (Other advancement of commerce) (net)		BA	**68**	**74**	**103**	**105**	**107**	**110**	**113**
		O	62	80	99	103	107	110	113
Total Operations and administration		BA	**68**	**74**	**103**	**105**	**107**	**110**	**113**
		O	62	80	99	103	107	110	113

Minority Business Development Agency

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Minority business development:									
Appropriation, discretionary	376	BA	**28**	**29**	**30**	**31**	**31**	**32**	**33**
Outlays		O	24	25	30	30	31	31	32
Total Federal funds Promotion of Industry and Commerce		BA	**448**	**459**	**510**	**521**	**532**	**544**	**557**
		O	414	447	496	513	529	539	553

DEPARTMENT OF COMMERCE—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Science and Technology									
National Oceanic and Atmospheric Administration									
Federal funds									
General and Special Funds:									
Operations, research, and facilities:									
Appropriation, discretionary	306	BA	**2,240**	**2,391**	**2,359**	**2,407**	**2,459**	**2,515**	**2,572**
Appropriation, mandatory		BA	**15**	**16**	**1**				
Spending authority from offsetting collections, discretionary		BA	**193**	**222**	**218**	**222**	**227**	**232**	**238**
Spending authority from offsetting collections, mandatory		BA			**1**	**2**	**2**	**2**	**2**
Outlays		O	2,197	2,447	2,547	2,578	2,649	2,724	2,778
Operations, research, and facilities (gross)		BA	**2,448**	**2,629**	**2,579**	**2,631**	**2,688**	**2,749**	**2,812**
		O	2,197	2,447	2,547	2,578	2,649	2,724	2,778
Change in uncollected customer payments from Federal sources		BA	**7**						
Offsetting collections from Federal sources			–8	–12	–14	–15	–15	–15	–16
Offsetting collections from non-Federal sources			–192	–210	–205	–209	–214	–219	–224
Total Operations, research, and facilities (net)		BA	**2,255**	**2,407**	**2,360**	**2,407**	**2,459**	**2,515**	**2,572**
		O	1,997	2,225	2,328	2,354	2,420	2,490	2,538
Payments to NOAA commissioned officer corps retirement fund:									
Appropriation, mandatory	306	BA			**20**	**20**	**20**	**20**	**20**
Outlays		O			20	20	20	20	20
Procurement, acquisition and construction:									
Appropriation, discretionary	306	BA	**751**	**846**	**812**	**829**	**848**	**867**	**888**
Outlays		O	603	605	740	806	825	852	867
Pacific coastal salmon recovery:									
Appropriation, discretionary	306	BA	**110**	**157**	**110**	**112**	**115**	**117**	**120**
Outlays		O	35	289	110	112	115	117	120
Coastal impact assistance:									
Appropriation, discretionary	302	BA	**150**						
Outlays		O		74	60				
National Oceanic and Atmospheric Administration Commissioned Officer Corps retirement fund:									
Appropriation, mandatory	602	BA			**16**	**16**	**16**	**16**	**16**
Outlays		O			16	16	16	16	16
Limited access system administration fund:									
Appropriation, mandatory	306	BA	**3**						
Outlays		O	2	1					
Promote and develop fishery products and research pertaining to American fisheries:									
Appropriation, discretionary	376	BA	**–68**	**–68**	**–75**	**–77**	**–78**	**–80**	**–82**
Appropriation, mandatory		BA	**73**	**79**	**79**	**83**	**83**	**83**	**83**
Outlays		O	3	11	8	6	4	4	4
Total Promote and develop fishery products and research pertaining to American fisheries		BA	**5**	**11**	**4**	**6**	**5**	**3**	**1**
		O	3	11	8	6	4	4	4
Fishermen's contingency fund:									
Appropriation, discretionary	376	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O		3	1	1	1	1	1
Environmental improvement and restoration fund:									
Appropriation, mandatory	302	BA	**2**	**21**	**11**	**11**	**12**	**12**	**13**
Outlays		O		23	11	11	12	12	13
Public Enterprise Funds:									
Coastal zone management fund:									
Appropriation, discretionary	306	BA		**–3**	**–3**	**–3**	**–3**	**–3**	**–3**
Spending authority from offsetting collections, discretionary		BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	3						
Coastal zone management fund (gross)		BA	**3**						
		O	3						
Offsetting collections from non-Federal sources			–5	–3	–3	–3	–3	–3	–3
Total Coastal zone management fund (net)		BA	**–2**	**–3**	**–3**	**–3**	**–3**	**–3**	**–3**
		O	–2	–3	–3	–3	–3	–3	–3
Damage assessment and restoration revolving fund:									
Appropriation, mandatory	306	BA	**1**						

DEPARTMENT OF COMMERCE—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Spending authority from offsetting collections, mandatory		BA	**4**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	7	31	5	2	2	2	2
Damage assessment and restoration revolving fund (gross)		BA	**5**	**2**	**2**	**2**	**2**	**2**	**2**
		O	7	31	5	2	2	2	2
Offsetting collections from non-Federal sources			–4	–2	–2	–2	–2	–2	–2
Total Damage assessment and restoration revolving fund (net)		BA	**1**	....	....	....	....	....	....
		O	3	29	3	....	....	....	....
Credit Accounts:									
Fisheries finance program account:									
Appropriation, mandatory	376	BA	**2**	**1**	....	....	....	....	....
Reappropriation, discretionary		BA	**1**	....	....	....	....	....	....
Outlays		O	4	1	....	....	....	....	....
Limitation on direct loan activity			(74)	(24)	(24)	(25)	(25)	(26)	(26)
Total Fisheries finance program account		BA	**3**	**1**	....	....	....	....	....
		O	4	1	....	....	....	....	....
Federal ship financing fund fishing vessels liquidating account:									
Appropriation, mandatory	376	BA	**2**	....	....	....	....	....	....
Spending authority from offsetting collections, mandatory		BA	**4**	....	....	....	....	....	....
Outlays		O	2	....	....	....	....	....	....
Federal ship financing fund fishing vessels liquidating account (gross)		BA	**6**	....	....	....	....	....	....
		O	2	....	....	....	....	....	....
Offsetting collections from non-Federal sources			–4	....	....	....	....	....	....
Total Federal ship financing fund fishing vessels liquidating account (net)		BA	**2**	....	....	....	....	....	....
		O	–2	....	....	....	....	....	....
Trust funds									
North pacific marine research institute fund:									
Outlays	306	O	....	5	....	....	....	....	....
Total Federal funds National Oceanic and Atmospheric Administration		BA	**3,281**	**3,441**	**3,331**	**3,399**	**3,473**	**3,548**	**3,628**
		O	2,643	3,258	3,294	3,323	3,410	3,509	3,576
Total Trust funds National Oceanic and Atmospheric Administration		O	....	**5**	....	....	....	....	....

U.S. Patent and Trademark Office

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	376	BA	....	**2**	....	....	....	....	....
Spending authority from offsetting collections, discretionary		BA	**1,063**	**1,153**	**1,365**	**1,536**	**1,691**	**1,847**	**1,952**
						[J] **136**	[J] **79**	[J] **40**	[J] **40**
Outlays		O	999	840	1,263	1,363	1,541	1,711	1,813
						[J] 136	[J] 79	[J] 40	[J] 40
Salaries and expenses (gross)		BA	**1,063**	**1,155**	**1,365**	**1,672**	**1,770**	**1,887**	**1,992**
		O	999	840	1,263	1,499	1,620	1,751	1,853
Offsetting collections from non-Federal sources			–1,109	–1,373	–1,527	–1,544	–1,754	–1,940	–2,038
						[J] –136	[J] –79	[J] –40	[J] –40
Total Salaries and expenses (net)		BA	**–46**	**–218**	**–162**	**–8**	**–63**	**–93**	**–86**
		O	–110	–533	–264	–181	–213	–229	–225

Technology Administration

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	376	BA	**8**	**8**	**8**	**8**	**8**	**9**	**9**
Spending authority from offsetting collections, discretionary		BA	....	**1**	**1**	**1**	**1**	**1**	**1**

DEPARTMENT OF COMMERCE—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	9	17	8	9	9	9	9
Salaries and expenses (gross)		BA	**8**	**9**	**9**	**9**	**9**	**10**	**10**
		O	9	17	8	9	9	9	9
Offsetting collections from Federal sources			....	–1	–1	–1	–1	–1	–1
Total Salaries and expenses (net)		BA	**8**	**8**	**8**	**8**	**8**	**9**	**9**
		O	9	16	7	8	8	8	8
National Technical Information Service									
Federal funds									
Public Enterprise Funds:									
NTIS revolving fund:									
Spending authority from offsetting collections, discretionary	376	BA	**36**	**41**	**42**	**43**	**44**	**45**	**46**
Outlays		O	38	66	42	42	44	44	46
NTIS revolving fund (gross)		BA	**36**	**41**	**42**	**43**	**44**	**45**	**46**
		O	38	66	42	42	44	44	46
Offsetting collections from Federal sources			–20	–22	–22	–22	–23	–23	–24
Offsetting collections from non-Federal sources			–16	–19	–20	–20	–21	–21	–22
Total NTIS revolving fund (net)		BA	....	....	....	**1**	....	**1**	....
		O	2	25	....	....	....	....	....
National Institute of Standards and Technology									
Federal funds									
General and Special Funds:									
Scientific and technical research and services:									
Appropriation, discretionary	376	BA	**322**	**337**	**398**	**406**	**415**	**424**	**434**
Outlays		O	305	351	387	403	412	422	431
Industrial technology services:									
Appropriation, discretionary	376	BA	**252**	**293**	**121**	**123**	**127**	**129**	**132**
Spending authority from offsetting collections, discretionary		BA	**1**	....	....	....	....	....	....
Outlays		O	316	240	277	188	142	130	127
Industrial technology services (gross)		BA	**253**	**293**	**121**	**123**	**127**	**129**	**132**
		O	316	240	277	188	142	130	127
Offsetting collections from non-Federal sources			–1	....	....	....	....	....	....
Total Industrial technology services (net)		BA	**252**	**293**	**121**	**123**	**127**	**129**	**132**
		O	315	240	277	188	142	130	127
Construction of research facilities:									
Appropriation, discretionary	376	BA	**35**	**63**	**54**	**55**	**56**	**58**	**59**
Outlays		O	52	72	71	63	61	57	57
Intragovernmental Funds:									
Working capital fund:									
Appropriation, discretionary	376	BA	....	....	**4**	**4**	**4**	**4**	**4**
Spending authority from offsetting collections, discretionary		BA	**164**	**125**	**160**	**163**	**167**	**171**	**175**
Outlays		O	137	121	163	166	170	173	177
Working capital fund (gross)		BA	**164**	**125**	**164**	**167**	**171**	**175**	**179**
		O	137	121	163	166	170	173	177
Change in uncollected customer payments from Federal sources		BA	**–23**	....	....	....	....	....	....
Offsetting collections from Federal sources			–106	–86	–120	–122	–125	–128	–131
Offsetting collections from non-Federal sources			–34	–39	–40	–41	–42	–43	–44
Total Working capital fund (net)		BA	**1**	....	**4**	**4**	**4**	**4**	**4**
		O	–3	–4	3	3	3	2	2
Total Federal funds National Institute of Standards and Technology		BA	**610**	**693**	**577**	**588**	**602**	**615**	**629**
		O	669	659	738	657	618	611	617

DEPARTMENT OF COMMERCE—Continued

(In millions of dollars)

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
National Telecommunications and Information Administration									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	376	BA	**13**	**15**	**18**	**18**	**19**	**19**	**20**
Spending authority from offsetting collections, discretionary		BA	**18**	**23**	**26**	**27**	**27**	**28**	**28**
Outlays		O	25	45	46	45	45	48	48
Salaries and expenses (gross)		BA	**31**	**38**	**44**	**45**	**46**	**47**	**48**
		O	25	45	46	45	45	48	48
Offsetting collections from Federal sources			–18	–23	–26	–27	–27	–28	–28
Total Salaries and expenses (net)		BA	**13**	**15**	**18**	**18**	**19**	**19**	**20**
		O	7	22	20	18	18	20	20
Public telecommunications facilities, planning and construction:									
Appropriation, discretionary	503	BA	**44**	**51**	**44**	**45**	**46**	**47**	**48**
Outlays		O	22	48	50	43	45	46	47
Information infrastructure grants:									
Appropriation, discretionary	503	BA	**46**	**16**					
Outlays		O	18	42	28	13	3		
Total Federal funds National Telecommunications and Information Administration		BA	**103**	**82**	**62**	**63**	**65**	**66**	**68**
		O	47	112	98	74	66	66	67
Total Federal funds Science and Technology		BA	**3,956**	**4,006**	**3,816**	**4,051**	**4,085**	**4,146**	**4,248**
		O	3,260	3,537	3,873	3,881	3,889	3,965	4,043
Total Trust funds Science and Technology		O		5					
Summary									
Federal funds:									
(As shown in detail above)		BA	**5,337**	**5,494**	**5,486**	**5,951**	**5,985**	**6,105**	**6,262**
		O	5,173	5,515	5,707	5,793	5,803	5,901	6,026
Deductions for offsetting receipts:									
Intrafund transactions	306	BA/O			*–20*	*–20*	*–20*	*–20*	*–20*
	908	BA/O	*–10*	*–21*	*–11*	*–12*	*–13*	*–14*	*–15*
Proprietary receipts from the public	376	BA/O	*–27*	*–6*	*–7*	*–7*	*–7*	*–7*	*–7*
Total Federal funds		BA	**5,300**	**5,467**	**5,448**	**5,912**	**5,945**	**6,064**	**6,220**
		O	5,136	5,488	5,669	5,754	5,763	5,860	5,984
Trust funds:									
(As shown in detail above)		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
		O	1	7	1	1	1	1	1
Total Department of Commerce		BA	**5,301**	**5,468**	**5,449**	**5,913**	**5,946**	**6,065**	**6,221**
		O	5,137	5,495	5,670	5,755	5,764	5,861	5,985

DEPARTMENT OF DEFENSE—MILITARY

(In millions of dollars)

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
Military Personnel									
Federal funds									
General and Special Funds:									
Military personnel, Army:									
Appropriation, discretionary	051	BA	**22,551**	**23,708**	**27,059**	**103,833**	**107,940**	**113,513**	**117,236**
					[J] **10**	[J] **79**	[J] **108**	[J] **125**	[J] **132**
Appropriation, mandatory		BA		**5**	**20**	**20**	**20**	**20**	**20**
Spending authority from offsetting collections, discretionary		BA	**153**	**159**	**294**	**1,280**	**1,280**	**1,280**	**1,280**

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	21,728	23,675	26,917	100,048	107,923	113,774	117,658
					[J] 9	[J] 75	[J] 106	[J] 124	[J] 131
Military personnel, Army (gross)		BA	**22,704**	**23,872**	**27,383**	**105,212**	**109,348**	**114,938**	**118,668**
		O	21,728	23,675	26,926	100,123	108,029	113,898	117,789
Change in uncollected customer payments from Federal sources		BA	**–44**	....	....	....	....	....	....
Adjustment to uncollected customer payments from Federal sources		BA	**65**	....	....	....	....	....	....
Offsetting collections from Federal sources			–148	–128	–263	–1,247	–1,247	–1,247	–1,247
Offsetting collections from non-Federal sources			–26	–31	–31	–33	–33	–33	–33
Total Military personnel, Army (net)		BA	**22,551**	**23,713**	**27,089**	**103,932**	**108,068**	**113,658**	**117,388**
		O	21,554	23,516	26,632	98,843	106,749	112,618	116,509
Military personnel, Navy:									
Appropriation, discretionary	051	BA	**17,940**	**19,545**	**22,064**	....	....	....	....
					[J] 20				
Appropriation, mandatory		BA	....	**6**	**10**	**10**	**10**	**10**	**10**
Spending authority from offsetting collections, discretionary		BA	**235**	**222**	**399**	....	....	....	....
Outlays		O	17,728	19,620	22,235	685	74	52	32
					[J] 19	[J] 1			
Military personnel, Navy (gross)		BA	**18,175**	**19,773**	**22,493**	**10**	**10**	**10**	**10**
		O	17,728	19,620	22,254	686	74	52	32
Change in uncollected customer payments from Federal sources		BA	**–113**	....	....	....	....	....	....
Adjustment to uncollected customer payments from Federal sources		BA	**77**	....	....	....	....	....	....
Offsetting collections from Federal sources			–36	–222	–399	....	....	....	....
Offsetting collections from non-Federal sources			–163	....	....	....	....	....	....
Total Military personnel, Navy (net)		BA	**17,940**	**19,551**	**22,094**	**10**	**10**	**10**	**10**
		O	17,529	19,398	21,855	686	74	52	32
Military personnel, Marine Corps:									
Appropriation, discretionary	051	BA	**6,898**	**7,334**	**8,556**	....	....	....	....
Appropriation, mandatory		BA	....	**2**	**3**	**3**	**3**	**3**	**3**
Spending authority from offsetting collections, discretionary		BA	**30**	**32**	**32**	....	....	....	....
Outlays		O	6,749	7,266	8,476	308	83	36	12
Military personnel, Marine Corps (gross)		BA	**6,928**	**7,368**	**8,591**	**3**	**3**	**3**	**3**
		O	6,749	7,266	8,476	308	83	36	12
Change in uncollected customer payments from Federal sources		BA	**–14**	....	....	....	....	....	....
Adjustment to uncollected customer payments from Federal sources		BA	**2**	....	....	....	....	....	....
Offsetting collections from Federal sources			–14	–32	–32	....	....	....	....
Offsetting collections from non-Federal sources			–4	....	....	....	....	....	....
Total Military personnel, Marine Corps (net)		BA	**6,898**	**7,336**	**8,559**	**3**	**3**	**3**	**3**
		O	6,731	7,234	8,444	308	83	36	12
Military personnel, Air Force:									
Appropriation, discretionary	051	BA	**18,264**	**19,690**	**22,122**	....	....	....	....
					[J] 15				
Appropriation, mandatory		BA	....	**14**	**20**	**20**	**20**	**20**	**20**
Spending authority from offsetting collections, discretionary		BA	**190**	**190**	**444**	....	....	....	....
Outlays		O	17,516	19,765	22,335	1,395	172	42	20
					[J] 14	[J] 1			
Military personnel, Air Force (gross)		BA	**18,454**	**19,894**	**22,601**	**20**	**20**	**20**	**20**
		O	17,516	19,765	22,349	1,396	172	42	20
Change in uncollected customer payments from Federal sources		BA	**1**	....	....	....	....	....	....
Adjustment to uncollected customer payments from Federal sources		BA	**30**	....	....	....	....	....	....
Offsetting collections from Federal sources			–31	–166	–444	....	....	....	....
Offsetting collections from non-Federal sources			–190	–24	....	....	....	....	....
Total Military personnel, Air Force (net)		BA	**18,264**	**19,704**	**22,157**	**20**	**20**	**20**	**20**
		O	17,295	19,575	21,905	1,396	172	42	20
Reserve personnel, Army:									
Appropriation, discretionary	051	BA	**2,520**	**2,675**	**3,399**	....	....	....	....
					[J] 1	**[J] 1**	**[J] 1**	**[J] 1**	**[J] 1**
Spending authority from offsetting collections, discretionary		BA	**18**	**25**	**25**	....	....	....	....

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	2,389	2,614	3,297	249	29	6	3
					J 1	J 1	J 1	J 1	J 1
Reserve personnel, Army (gross)		BA	**2,538**	**2,700**	**3,425**	**1**	**1**	**1**	**1**
		O	2,389	2,614	3,298	250	30	7	4
Change in uncollected customer payments from Federal sources		BA	**–3**						
Adjustment to uncollected customer payments from Federal sources		BA	**4**						
Offsetting collections from Federal sources			–19	–25	–25				
Total Reserve personnel, Army (net)		BA	**2,520**	**2,675**	**3,400**	**1**	**1**	**1**	**1**
		O	2,370	2,589	3,273	250	30	7	4
Reserve personnel, Navy:									
Appropriation, discretionary	051	BA	**1,585**	**1,655**	**1,927**				
Spending authority from offsetting collections, discretionary		BA	**17**	**28**	**30**				
Outlays		O	1,528	1,647	1,864	123	11	4	2
Reserve personnel, Navy (gross)		BA	**1,602**	**1,683**	**1,957**				
		O	1,528	1,647	1,864	123	11	4	2
Change in uncollected customer payments from Federal sources		BA	**–1**						
Adjustment to uncollected customer payments from Federal sources		BA	**4**						
Offsetting collections from Federal sources			–20	–28	–30				
Total Reserve personnel, Navy (net)		BA	**1,585**	**1,655**	**1,927**				
		O	1,508	1,619	1,834	123	11	4	2
Reserve personnel, Marine Corps:									
Appropriation, discretionary	051	BA	**451**	**471**	**558**				
Spending authority from offsetting collections, discretionary		BA	**1**	**1**	**4**				
Outlays		O	430	463	547	41			
Reserve personnel, Marine Corps (gross)		BA	**452**	**472**	**562**				
		O	430	463	547	41			
Change in uncollected customer payments from Federal sources		BA	**–1**						
Offsetting collections from Federal sources				–1	–4				
Total Reserve personnel, Marine Corps (net)		BA	**451**	**471**	**558**				
		O	430	462	543	41			
Reserve personnel, Air Force:									
Appropriation, discretionary	051	BA	**984**	**1,061**	**1,244**				
Spending authority from offsetting collections, discretionary		BA		**6**	**7**				
Outlays		O	960	1,037	1,214	66	1		
Reserve personnel, Air Force (gross)		BA	**984**	**1,067**	**1,251**				
		O	960	1,037	1,214	66	1		
Adjustment to uncollected customer payments from Federal sources		BA	**1**						
Offsetting collections from Federal sources			–1	–6	–7				
Total Reserve personnel, Air Force (net)		BA	**984**	**1,061**	**1,244**				
		O	959	1,031	1,207	66	1		
National Guard personnel, Army:									
Appropriation, discretionary	051	BA	**3,988**	**4,044**	**5,129**				
					J 2				
Spending authority from offsetting collections, discretionary		BA	**11**	**16**	**18**				
Outlays		O	3,935	3,971	5,026	298	19	5	
					J 2				
National Guard personnel, Army (gross)		BA	**3,999**	**4,060**	**5,149**				
		O	3,935	3,971	5,028	298	19	5	
Change in uncollected customer payments from Federal sources		BA	**–10**						
Adjustment to uncollected customer payments from Federal sources		BA	**–14**						
Offsetting collections from Federal sources			14	–15	–17				
Offsetting collections from non-Federal sources			–2	–1	–1				
Total National Guard personnel, Army (net)		BA	**3,987**	**4,044**	**5,131**				
		O	3,947	3,955	5,010	298	19	5	

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
National Guard personnel, Air Force:									
Appropriation, discretionary	051	BA	1,709	1,787	2,136				
Spending authority from offsetting collections, discretionary		BA	24	26	26				
Outlays		O	1,689	1,802	2,140	75			
National Guard personnel, Air Force (gross)		BA	1,733	1,813	2,162				
		O	1,689	1,802	2,140	75			
Change in uncollected customer payments from Federal sources		BA	–3						
Adjustment to uncollected customer payments from Federal sources		BA	14						
Offsetting collections from Federal sources			–34	–26	–26				
Offsetting collections from non-Federal sources			–1						
Total National Guard personnel, Air Force (net)		BA	1,709	1,787	2,136				
		O	1,654	1,776	2,114	75			
Total Federal funds Military Personnel		BA	76,889	81,997	94,295	103,966	108,102	113,692	117,422
		O	73,977	81,155	92,817	102,086	107,139	112,764	116,579

Operation and Maintenance

Federal funds

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
General and Special Funds:									
Operation and maintenance, Army:									
Appropriation, discretionary	051	BA	21,825	22,542	24,573 J 8	145,696	152,150	157,875	161,124
Spending authority from offsetting collections, discretionary		BA	6,520	6,318	6,467	16,386	16,386	16,386	16,386
Outlays		O	29,063	28,701	30,151 J 6	138,511 J 2	161,672	166,352	169,574
Operation and maintenance, Army (gross)		BA	28,345	28,860	31,048	162,082	168,536	174,261	177,510
		O	29,063	28,701	30,157	138,513	161,672	166,352	169,574
Change in uncollected customer payments from Federal sources		BA	–1,970						
Adjustment to uncollected customer payments from Federal sources		BA	1,919						
Offsetting collections from Federal sources			–5,929	–5,813	–5,950	–15,643	–15,643	–15,643	–15,643
Offsetting collections from non-Federal sources			–490	–505	–517	–743	–743	–743	–743
Total Operation and maintenance, Army (net)		BA	21,875	22,542	24,581	145,696	152,150	157,875	161,124
		O	22,644	22,383	23,690	122,127	145,286	149,966	153,188
Operation and maintenance, Navy:									
Appropriation, discretionary	051	BA	25,159	26,936	29,022 J 7				
Spending authority from offsetting collections, discretionary		BA	3,590	4,433	4,888				
Outlays		O	27,503	30,397	33,342 J 6	5,898 J 1	1,392	613	172
Operation and maintenance, Navy (gross)		BA	28,749	31,369	33,917				
		O	27,503	30,397	33,348	5,899	1,392	613	172
Change in uncollected customer payments from Federal sources		BA	–1,058						
Adjustment to uncollected customer payments from Federal sources		BA	–174						
Offsetting collections from Federal sources			–2,308	–4,433	–4,888				
Total Operation and maintenance, Navy (net)		BA	25,209	26,936	29,029				
		O	25,195	25,964	28,460	5,899	1,392	613	172
Operation and maintenance, Marine Corps:									
Appropriation, discretionary	051	BA	2,894	2,948	3,358				
Spending authority from offsetting collections, discretionary		BA	468	412	412				
Outlays		O	3,353	3,340	3,591	1,075	187	32	10
Operation and maintenance, Marine Corps (gross)		BA	3,362	3,360	3,770				
		O	3,353	3,340	3,591	1,075	187	32	10
Change in uncollected customer payments from Federal sources		BA	–133						
Adjustment to uncollected customer payments from Federal sources		BA	136						
Offsetting collections from Federal sources			–449	–412	–412				
Offsetting collections from non-Federal sources			–22						
Total Operation and maintenance, Marine Corps (net)		BA	2,894	2,948	3,358				
		O	2,882	2,928	3,179	1,075	187	32	10

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Operation and maintenance, Air Force:									
Appropriation, discretionary	051	BA	24,349	26,093	27,305				
					J 1				
Spending authority from offsetting collections, discretionary		BA	2,806	2,292	2,370				
Outlays		O	26,497	27,995	29,068	6,235	1,296	469	80
					J 1				
Operation and maintenance, Air Force (gross)		BA	27,155	28,385	29,676				
		O	26,497	27,995	29,069	6,235	1,296	469	80
Change in uncollected customer payments from Federal sources		BA	–646						
Adjustment to uncollected customer payments from Federal sources		BA	133						
Offsetting collections from Federal sources			–2,124	–2,205	–2,280				
Offsetting collections from non-Federal sources			–119	–87	–90				
Total Operation and maintenance, Air Force (net)		BA	24,399	26,093	27,306				
		O	24,254	25,703	26,699	6,235	1,296	469	80
Operation and maintenance, Defense-wide:									
Appropriation, discretionary	051	BA	12,436	13,024	14,515				
Spending authority from offsetting collections, discretionary		BA	583	733	764				
Outlays		O	13,072	13,272	14,831	3,507	651	246	71
Operation and maintenance, Defense-wide (gross)		BA	13,019	13,757	15,279				
		O	13,072	13,272	14,831	3,507	651	246	71
Change in uncollected customer payments from Federal sources		BA	–210						
Adjustment to uncollected customer payments from Federal sources		BA	225						
Offsetting collections from Federal sources			–593	–702	–732				
Offsetting collections from non-Federal sources			–5	–31	–32				
Total Operation and maintenance, Defense-wide (net)		BA	12,436	13,024	14,515				
		O	12,474	12,539	14,067	3,507	651	246	71
Office of the Inspector General:									
Appropriation, discretionary	051	BA	155	159	165				
Spending authority from offsetting collections, discretionary		BA	1	1					
Outlays		O	148	158	163	18	3	1	
Office of the Inspector General (gross)		BA	156	160	165				
		O	148	158	163	18	3	1	
Change in uncollected customer payments from Federal sources		BA	–2						
Offsetting collections from Federal sources			1	–1					
Total Office of the Inspector General (net)		BA	155	159	165				
		O	149	157	163	18	3	1	
Operation and maintenance, Army Reserve:									
Appropriation, discretionary	051	BA	1,622	1,793	1,923				
Spending authority from offsetting collections, discretionary		BA	54	72	72				
Outlays		O	1,659	1,807	1,944	523	98	25	8
Operation and maintenance, Army Reserve (gross)		BA	1,676	1,865	1,995				
		O	1,659	1,807	1,944	523	98	25	8
Change in uncollected customer payments from Federal sources		BA	–18						
Adjustment to uncollected customer payments from Federal sources		BA	16						
Offsetting collections from Federal sources			–50	–72	–72				
Offsetting collections from non-Federal sources			–3						
Total Operation and maintenance, Army Reserve (net)		BA	1,621	1,793	1,923				
		O	1,606	1,735	1,872	523	98	25	8
Operation and maintenance, Navy Reserve:									
Appropriation, discretionary	051	BA	987	1,003	1,166				
Spending authority from offsetting collections, discretionary		BA	38	36	37				
Outlays		O	1,036	1,000	1,138	343	54	27	8
Operation and maintenance, Navy Reserve (gross)		BA	1,025	1,039	1,203				
		O	1,036	1,000	1,138	343	54	27	8
Change in uncollected customer payments from Federal sources		BA	–16						
Adjustment to uncollected customer payments from Federal sources		BA	19						
Offsetting collections from Federal sources			–40	–36	–37				

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Offsetting collections from non-Federal sources			–1						
Total Operation and maintenance, Navy Reserve (net)		BA	**987**	**1,003**	**1,166**				
		O	995	964	1,101	343	54	27	8
Operation and maintenance, Marine Corps Reserve:									
Appropriation, discretionary	051	BA	**144**	**143**	**186**				
Spending authority from offsetting collections, discretionary		BA	**9**	**2**	**2**				
Outlays		O	149	137	169	64	21	4	
Operation and maintenance, Marine Corps Reserve (gross)		BA	**153**	**145**	**188**				
		O	149	137	169	64	21	4	
Change in uncollected customer payments from Federal sources		BA	**–4**						
Adjustment to uncollected customer payments from Federal sources		BA	**4**						
Offsetting collections from Federal sources			–9	–2	–2				
Total Operation and maintenance, Marine Corps Reserve (net)		BA	**144**	**143**	**186**				
		O	140	135	167	64	21	4	
Operation and maintenance, Air Force Reserve:									
Appropriation, discretionary	051	BA	**1,958**	**2,059**	**2,190**				
Spending authority from offsetting collections, discretionary		BA	**46**	**61**	**64**				
Outlays		O	2,154	2,047	2,188	365	54	27	9
Operation and maintenance, Air Force Reserve (gross)		BA	**2,004**	**2,120**	**2,254**				
		O	2,154	2,047	2,188	365	54	27	9
Change in uncollected customer payments from Federal sources		BA	**–7**						
Adjustment to uncollected customer payments from Federal sources		BA	**21**						
Offsetting collections from Federal sources			–59	–61	–64				
Offsetting collections from non-Federal sources			–1						
Total Operation and maintenance, Air Force Reserve (net)		BA	**1,958**	**2,059**	**2,190**				
		O	2,094	1,986	2,124	365	54	27	9
Operation and maintenance, Army National Guard:									
Appropriation, discretionary	051	BA	**3,460**	**3,815**	**4,137**				
Spending authority from offsetting collections, discretionary		BA	**130**	**157**	**160**				
Outlays		O	3,453	3,912	4,158	989	151	54	16
Operation and maintenance, Army National Guard (gross)		BA	**3,590**	**3,972**	**4,297**				
		O	3,453	3,912	4,158	989	151	54	16
Change in uncollected customer payments from Federal sources		BA	**–16**						
Adjustment to uncollected customer payments from Federal sources		BA	**14**						
Offsetting collections from Federal sources			–122	–155	–158				
Offsetting collections from non-Federal sources			–6	–2	–2				
Total Operation and maintenance, Army National Guard (net)		BA	**3,460**	**3,815**	**4,137**				
		O	3,325	3,755	3,998	989	151	54	16
Operation and maintenance, Air National Guard:									
Appropriation, discretionary	051	BA	**3,599**	**4,035**	**4,150**				
Spending authority from offsetting collections, discretionary		BA	**256**	**246**	**251**				
Outlays		O	3,859	4,174	4,339	690	59	20	4
Operation and maintenance, Air National Guard (gross)		BA	**3,855**	**4,281**	**4,401**				
		O	3,859	4,174	4,339	690	59	20	4
Change in uncollected customer payments from Federal sources		BA	**–53**						
Adjustment to uncollected customer payments from Federal sources		BA	**52**						
Offsetting collections from Federal sources			–253	–243	–248				
Offsetting collections from non-Federal sources			–2	–3	–3				
Total Operation and maintenance, Air National Guard (net)		BA	**3,599**	**4,035**	**4,150**				
		O	3,604	3,928	4,088	690	59	20	4
Quality of life enhancements:									
Appropriation, discretionary	051	BA	**160**						
Outlays		O	294	238	85	27	9	1	
Quality of life enhancements (gross)		BA	**160**						
		O	294	238	85	27	9	1	

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Change in uncollected customer payments from Federal sources		BA	**–1**						
Offsetting collections from Federal sources			1						
Total Quality of life enhancements (net)		BA	**160**						
		O	295	238	85	27	9	1	
Overseas contingency operations transfer account:									
Appropriation, discretionary	051	BA	**61**	**50**	**53**				
Outlays		O		133	75	9	2	1	
OPLAN 34A–35 P.O.W. payments:									
Outlays	051	O		2	2	1			
United States Courts of Appeals for the Armed Forces:									
Appropriation, discretionary	051	BA	**9**	**9**	**10**				
Outlays		O	8	9	10	1			
Counter-terrorism and operational response transfer fund:									
Appropriation, discretionary	051	BA		**475**					
Outlays		O		354	95	16	5	3	2
Drug interdiction and counter-drug activities:									
Appropriation, discretionary	051	BA		**837**	**849**				
Outlays		O		624	800	197	37	14	9
Support for international sporting competitions:									
Appropriation, discretionary	051	BA		**23**	**19**				
Outlays		O	11	12	17	8	4	2	
Foreign currency fluctuations:									
Appropriation, discretionary	051	BA	**–68**						
Reappropriation, discretionary		BA	**454**						
Total Foreign currency fluctuations		BA	**386**						
Defense health program:									
Appropriation, discretionary	051	BA	**13,835**	**18,379**	**14,706**	**–5,448**	**–5,792**	**–6,157**	**–6,545**
Spending authority from offsetting collections, discretionary		BA	**809**	**900**	**900**				
Spending authority from offsetting collections, mandatory		BA			**5,634**	**11,579**	**12,318**	**13,104**	**13,940**
Outlays		O	14,251	18,913	20,711	8,809	7,240	7,058	7,340
Defense health program (gross)		BA	**14,644**	**19,279**	**21,240**	**6,131**	**6,526**	**6,947**	**7,395**
		O	14,251	18,913	20,711	8,809	7,240	7,058	7,340
Change in uncollected customer payments from Federal sources		BA	**–175**						
Adjustment to uncollected customer payments from Federal sources		BA	**559**						
Offsetting collections from Federal sources			–943	–651	–6,285	–11,579	–12,318	–13,104	–13,940
Offsetting collections from non-Federal sources			–250	–249	–249				
Total Defense health program (net)		BA	**13,835**	**18,379**	**14,706**	**–5,448**	**–5,792**	**–6,157**	**–6,545**
		O	13,058	18,013	14,177	–2,770	–5,078	–6,046	–6,600
The Department of Defense environmental restoration accounts:									
Appropriation, discretionary	051	BA		**1,269**	**1,278**				
Outlays		O		279	852	854	357	115	38
Overseas humanitarian, disaster and civic aid:									
Appropriation, discretionary	051	BA	**56**	**50**	**58**				
Outlays		O	60	69	40	39	16	4	2
Defense reinvestment for economic growth:									
Outlays	051	O	2						
Former Soviet Union threat reduction account:									
Appropriation, discretionary	051	BA	**442**	**338**	**417**	**417**	**417**	**417**	**417**
Outlays		O	362	589	507	476	442	432	430
Payment to Kaho'olawe Island conveyance, remediation, and environmental restoration fund:									
Appropriation, discretionary	051	BA	**60**	**67**	**25**				
Outlays		O	60	67	25				
Emergency response fund:									
Appropriation, discretionary	051	BA	**3,348**	**3,396**	**20,055**				
Outlays		O	139	10,674	16,856	5,253	1,734	578	280
Emergency response:									
Outlays	051	O	7						
Allied contributions and cooperation account:									
Appropriation, mandatory	051	BA	**490**	**210**	**210**	**210**	**210**	**210**	**210**
Outlays		O	496	210	210	210	210	210	210
Miscellaneous special funds:									
Appropriation, discretionary	051	BA	**136**	**97**	**55**				
Appropriation, mandatory		BA	**3**	**4**	**4**	**4**	**4**	**4**	**4**

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	119	114	110	44	15	9	5
Total Miscellaneous special funds		BA	139	101	59	4	4	4	4
		O	119	114	110	44	15	9	5
Overseas military facility investment recovery:									
Appropriation, discretionary	051	BA		1	1				
Outlays		O	6	2	2	1			
Credit Accounts:									
Defense vessel transfer program account:									
Appropriation, discretionary	051	BA	4						
Total Federal funds Operation and Maintenance		BA	117,727	129,755	150,446	140,879	146,989	152,349	155,210
		O	113,985	133,566	143,471	146,201	147,005	146,807	147,942

Procurement

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Aircraft procurement, Army:									
Appropriation, discretionary	051	BA	1,550	1,955	2,061	74,715	79,180	86,908	98,963
Spending authority from offsetting collections, discretionary		BA	2	53	38	1,435	1,435	1,435	1,435
Outlays		O	1,361	1,752	1,852	21,626	53,679	73,517	84,457
Aircraft procurement, Army (gross)		BA	1,552	2,008	2,099	76,150	80,615	88,343	100,398
		O	1,361	1,752	1,852	21,626	53,679	73,517	84,457
Change in uncollected customer payments from Federal sources		BA	–1						
Adjustment to uncollected customer payments from Federal sources		BA	2						
Offsetting collections from Federal sources			–3	–53	–38	–1,121	–1,121	–1,121	–1,121
Offsetting collections from non-Federal sources						–297	–297	–297	–297
Total Aircraft procurement, Army (net)		BA	1,550	1,955	2,061	74,732	79,197	86,925	98,980
		O	1,358	1,699	1,814	20,208	52,261	72,099	83,039
Missile procurement, Army:									
Appropriation, discretionary	051	BA	1,303	1,071	1,642				
Spending authority from offsetting collections, discretionary		BA	29	325	108				
Outlays		O	1,300	1,608	1,366	1,165	944	146	47
Missile procurement, Army (gross)		BA	1,332	1,396	1,750				
		O	1,300	1,608	1,366	1,165	944	146	47
Change in uncollected customer payments from Federal sources		BA	11						
Adjustment to uncollected customer payments from Federal sources		BA	12						
Offsetting collections from Federal sources			–46	–197	–103				
Offsetting collections from non-Federal sources			–6	–128	–5				
Total Missile procurement, Army (net)		BA	1,303	1,071	1,642				
		O	1,248	1,283	1,258	1,165	944	146	47
Procurement of weapons and tracked combat vehicles, Army:									
Appropriation, discretionary	051	BA	2,420	2,178	2,249				
Spending authority from offsetting collections, discretionary		BA	48	147	54				
Outlays		O	1,564	2,311	2,339	1,895	739	184	40
Procurement of weapons and tracked combat vehicles, Army (gross)		BA	2,468	2,325	2,303				
		O	1,564	2,311	2,339	1,895	739	184	40
Change in uncollected customer payments from Federal sources		BA	1						
Adjustment to uncollected customer payments from Federal sources		BA	1						
Offsetting collections from Federal sources			–50	–127	–42				
Offsetting collections from non-Federal sources				–20	–12				
Total Procurement of weapons and tracked combat vehicles, Army (net)		BA	2,420	2,178	2,249				
		O	1,514	2,164	2,285	1,895	739	184	40
Procurement of ammunition, Army:									
Appropriation, discretionary	051	BA	1,193	1,165	1,159				
Spending authority from offsetting collections, discretionary		BA	446	460	524				

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	1,551	1,620	1,661	914	391	136	49
Procurement of ammunition, Army (gross)		BA	**1,639**	**1,625**	**1,683**				
		O	1,551	1,620	1,661	914	391	136	49
Change in uncollected customer payments from Federal sources		BA	**–97**						
Adjustment to uncollected customer payments from Federal sources		BA	**1**						
Offsetting collections from Federal sources			–349	–445	–510				
Offsetting collections from non-Federal sources			–1	–16	–14				
Total Procurement of ammunition, Army (net)		BA	**1,193**	**1,164**	**1,159**				
		O	1,201	1,159	1,137	914	391	136	49
Other procurement, Army:									
Appropriation, discretionary	051	BA	**4,413**	**4,126**	**5,168**				
Spending authority from offsetting collections, discretionary		BA	**25**	**59**	**64**				
Outlays		O	4,042	4,091	4,455	3,535	1,110	357	108
Other procurement, Army (gross)		BA	**4,438**	**4,185**	**5,232**				
		O	4,042	4,091	4,455	3,535	1,110	357	108
Change in uncollected customer payments from Federal sources		BA	**–10**						
Adjustment to uncollected customer payments from Federal sources		BA	**7**						
Offsetting collections from Federal sources			–21	–51	–56				
Offsetting collections from non-Federal sources			–1	–8	–8				
Total Other procurement, Army (net)		BA	**4,413**	**4,126**	**5,168**				
		O	4,020	4,032	4,391	3,535	1,110	357	108
Aircraft procurement, Navy:									
Appropriation, discretionary	051	BA	**8,015**	**7,873**	**8,204**				
Spending authority from offsetting collections, discretionary		BA	**1**	**7**	**7**				
Outlays		O	8,403	7,816	8,022	6,715	3,569	954	403
Aircraft procurement, Navy (gross)		BA	**8,016**	**7,880**	**8,211**				
		O	8,403	7,816	8,022	6,715	3,569	954	403
Change in uncollected customer payments from Federal sources		BA	**–6**						
Adjustment to uncollected customer payments from Federal sources		BA	**3**						
Offsetting collections from Federal sources			1	–7	–7				
Total Aircraft procurement, Navy (net)		BA	**8,014**	**7,873**	**8,204**				
		O	8,404	7,809	8,015	6,715	3,569	954	403
Weapons procurement, Navy:									
Appropriation, discretionary	051	BA	**1,438**	**1,391**	**1,833**				
Spending authority from offsetting collections, discretionary		BA	**1**	**10**	**10**				
Outlays		O	1,549	1,395	1,477	1,239	778	368	135
Weapons procurement, Navy (gross)		BA	**1,439**	**1,401**	**1,843**				
		O	1,549	1,395	1,477	1,239	778	368	135
Change in uncollected customer payments from Federal sources		BA	**–2**						
Adjustment to uncollected customer payments from Federal sources		BA	**–2**						
Offsetting collections from Federal sources			4	–10	–10				
Total Weapons procurement, Navy (net)		BA	**1,439**	**1,391**	**1,833**				
		O	1,553	1,385	1,467	1,239	778	368	135
Procurement of ammunition, Navy and Marine Corps:									
Appropriation, discretionary	051	BA	**496**	**457**	**1,015**				
Spending authority from offsetting collections, discretionary		BA	**8**	**25**	**25**				
Outlays		O	475	571	588	609	406	130	78
Procurement of ammunition, Navy and Marine Corps (gross)		BA	**504**	**482**	**1,040**				
		O	475	571	588	609	406	130	78
Change in uncollected customer payments from Federal sources		BA	**6**						
Offsetting collections from Federal sources			–14	–25	–25				
Total Procurement of ammunition, Navy and Marine Corps (net)		BA	**496**	**457**	**1,015**				
		O	461	546	563	609	406	130	78
Shipbuilding and conversion, Navy:									
Appropriation, discretionary	051	BA	**11,721**	**9,500**	**8,191**				

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	7,288	7,682	8,318	7,981	6,259	4,258	2,457
Shipbuilding and conversion, Navy (gross)		BA	**11,721**	**9,500**	**8,191**				
		O	7,288	7,682	8,318	7,981	6,259	4,258	2,457
Change in uncollected customer payments from Federal sources		BA	**173**						
Offsetting collections from Federal sources			–173						
Total Shipbuilding and conversion, Navy (net)		BA	**11,721**	**9,500**	**8,191**				
		O	7,115	7,682	8,318	7,981	6,259	4,258	2,457
Other procurement, Navy:									
Appropriation, discretionary	051	BA	**3,446**	**4,133**	**4,347**				
Spending authority from offsetting collections, discretionary		BA	**136**	**42**	**42**				
Outlays		O	4,041	3,881	4,080	2,648	1,022	342	162
Other procurement, Navy (gross)		BA	**3,582**	**4,175**	**4,389**				
		O	4,041	3,881	4,080	2,648	1,022	342	162
Change in uncollected customer payments from Federal sources		BA	**–74**						
Adjustment to uncollected customer payments from Federal sources		BA	**3**						
Offsetting collections from Federal sources			69	–42	–42				
Offsetting collections from non-Federal sources			–134						
Total Other procurement, Navy (net)		BA	**3,446**	**4,133**	**4,347**				
		O	3,976	3,839	4,038	2,648	1,022	342	162
Procurement, Marine Corps:									
Appropriation, discretionary	051	BA	**1,185**	**984**	**1,288**				
Spending authority from offsetting collections, discretionary		BA		**9**	**9**				
Outlays		O	1,090	1,140	1,125	868	456	144	24
Procurement, Marine Corps (gross)		BA	**1,185**	**993**	**1,297**				
		O	1,090	1,140	1,125	868	456	144	24
Offsetting collections from Federal sources				–9	–9				
Total Procurement, Marine Corps (net)		BA	**1,185**	**984**	**1,288**				
		O	1,090	1,131	1,116	868	456	144	24
Aircraft procurement, Air Force:									
Appropriation, discretionary	051	BA	**9,915**	**10,422**	**12,067**				
Spending authority from offsetting collections, discretionary		BA	**33**	**50**	**50**				
Outlays		O	8,235	10,038	10,244	8,096	3,667	1,525	636
Aircraft procurement, Air Force (gross)		BA	**9,948**	**10,472**	**12,117**				
		O	8,235	10,038	10,244	8,096	3,667	1,525	636
Change in uncollected customer payments from Federal sources		BA	**–4**						
Adjustment to uncollected customer payments from Federal sources		BA	**–11**						
Offsetting collections from Federal sources			–18	–5	–5				
Offsetting collections from non-Federal sources				–45	–45				
Total Aircraft procurement, Air Force (net)		BA	**9,915**	**10,422**	**12,067**				
		O	8,217	9,988	10,194	8,096	3,667	1,525	636
Missile procurement, Air Force:									
Appropriation, discretionary	051	BA	**2,738**	**2,910**	**3,575**				
Spending authority from offsetting collections, discretionary		BA	**9**	**75**	**75**				
Outlays		O	2,992	2,635	3,062	2,119	881	337	186
Missile procurement, Air Force (gross)		BA	**2,747**	**2,985**	**3,650**				
		O	2,992	2,635	3,062	2,119	881	337	186
Change in uncollected customer payments from Federal sources		BA	**3**						
Adjustment to uncollected customer payments from Federal sources		BA	**–2**						
Offsetting collections from Federal sources			–10	–59	–59				
Offsetting collections from non-Federal sources				–16	–16				
Total Missile procurement, Air Force (net)		BA	**2,738**	**2,910**	**3,575**				
		O	2,982	2,560	2,987	2,119	881	337	186
Procurement of ammunition, Air Force:									
Appropriation, discretionary	051	BA	**665**	**855**	**1,134**				

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Spending authority from offsetting collections, discretionary		BA	**13**	**13**	**13**				
Outlays		O	498	620	809	846	452	173	44
Procurement of ammunition, Air Force (gross)		BA	**678**	**868**	**1,147**				
		O	498	620	809	846	452	173	44
Change in uncollected customer payments from Federal sources		BA	**–6**						
Offsetting collections from Federal sources			–7						
Offsetting collections from non-Federal sources				–13	–13				
Total Procurement of ammunition, Air Force (net)		BA	**665**	**855**	**1,134**				
		O	491	607	796	846	452	173	44
Other procurement, Air Force:									
Appropriation, discretionary	051	BA	**8,736**	**7,999**	**10,524**				
Spending authority from offsetting collections, discretionary		BA	**82**	**300**	**300**				
Outlays		O	7,600	10,301	10,125	3,835	1,010	263	89
Other procurement, Air Force (gross)		BA	**8,818**	**8,299**	**10,824**				
		O	7,600	10,301	10,125	3,835	1,010	263	89
Change in uncollected customer payments from Federal sources		BA	**–22**						
Adjustment to uncollected customer payments from Federal sources		BA	**–6**						
Offsetting collections from Federal sources			–53	–109	–109				
Offsetting collections from non-Federal sources			–1	–191	–191				
Total Other procurement, Air Force (net)		BA	**8,736**	**7,999**	**10,524**				
		O	7,546	10,001	9,825	3,835	1,010	263	89
Procurement, Defense-wide:									
Appropriation, discretionary	051	BA	**2,284**	**2,267**	**2,689**				
Spending authority from offsetting collections, discretionary		BA	**110**	**112**	**111**				
Outlays		O	2,388	2,466	2,586	1,732	806	272	46
Procurement, Defense-wide (gross)		BA	**2,394**	**2,379**	**2,800**				
		O	2,388	2,466	2,586	1,732	806	272	46
Change in uncollected customer payments from Federal sources		BA	**–7**						
Adjustment to uncollected customer payments from Federal sources		BA	**10**						
Offsetting collections from Federal sources			–101	–102	–101				
Offsetting collections from non-Federal sources			–12	–10	–10				
Total Procurement, Defense-wide (net)		BA	**2,284**	**2,267**	**2,689**				
		O	2,275	2,354	2,475	1,732	806	272	46
National guard and reserve equipment:									
Appropriation, discretionary	051	BA	**110**	**694**					
Outlays		O	386	326	301	285	106	20	11
Defense production act purchases:									
Appropriation, discretionary	051	BA	**3**	**40**	**73**				
Outlays		O	15	36	63	28	18		
Chemical agents and munitions destruction, Army:									
Appropriation, discretionary	051	BA	**977**	**1,098**	**1,490**				
Spending authority from offsetting collections, discretionary		BA	**6**	**5**	**5**				
Outlays		O	1,138	1,022	1,236	568	156	67	28
Chemical agents and munitions destruction, Army (gross)		BA	**983**	**1,103**	**1,495**				
		O	1,138	1,022	1,236	568	156	67	28
Change in uncollected customer payments from Federal sources		BA	**–2**						
Offsetting collections from Federal sources			–4	–5	–5				
Total Chemical agents and munitions destruction, Army (net)		BA	**977**	**1,098**	**1,490**				
		O	1,134	1,017	1,231	568	156	67	28
Total Federal funds Procurement		BA	**62,608**	**61,117**	**68,709**	**74,732**	**79,197**	**86,925**	**98,980**
		O	54,986	59,618	62,274	65,286	75,031	81,775	87,582

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Research, Development, Test, and Evaluation

Federal funds

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
General and Special Funds:									
Research, development, test, and evaluation, Army:									
Appropriation, discretionary	051	BA	6,310	7,138	6,918	57,039	60,696	58,947	58,020
Spending authority from offsetting collections, discretionary		BA	1,901	1,775	1,783	4,832	4,832	4,832	4,832
Outlays		O	7,649	8,376	8,620	37,511	57,631	61,574	61,974
Research, development, test, and evaluation, Army (gross)		BA	8,211	8,913	8,701	61,871	65,528	63,779	62,852
		O	7,649	8,376	8,620	37,511	57,631	61,574	61,974
Change in uncollected customer payments from Federal sources		BA	–207						
Adjustment to uncollected customer payments from Federal sources		BA	118						
Offsetting collections from Federal sources			–1,746	–1,775	–1,783	–4,715	–4,715	–4,715	–4,715
Offsetting collections from non-Federal sources			–66			–117	–117	–117	–117
Total Research, development, test, and evaluation, Army (net)		BA	6,310	7,138	6,918	57,039	60,696	58,947	58,020
		O	5,837	6,601	6,837	32,679	52,799	56,742	57,142
Research, development, test, and evaluation, Navy:									
Appropriation, discretionary	051	BA	9,583	11,375	12,502				
Spending authority from offsetting collections, discretionary		BA	183	195	195				
Outlays		O	9,662	10,719	11,979	4,946	866	225	70
Research, development, test, and evaluation, Navy (gross)		BA	9,766	11,570	12,697				
		O	9,662	10,719	11,979	4,946	866	225	70
Change in uncollected customer payments from Federal sources		BA	–15						
Adjustment to uncollected customer payments from Federal sources		BA	29						
Offsetting collections from Federal sources			–177	–195	–195				
Offsetting collections from non-Federal sources			–20						
Total Research, development, test, and evaluation, Navy (net)		BA	9,583	11,375	12,502				
		O	9,465	10,524	11,784	4,946	866	225	70
Research, development, test, and evaluation, Air Force:									
Appropriation, discretionary	051	BA	14,331	14,514	17,601				
Spending authority from offsetting collections, discretionary		BA	1,871	2,050	2,216				
Outlays		O	16,215	16,480	18,676	6,342	1,043	363	96
Research, development, test, and evaluation, Air Force (gross)		BA	16,202	16,564	19,817				
		O	16,215	16,480	18,676	6,342	1,043	363	96
Change in uncollected customer payments from Federal sources		BA	–37						
Adjustment to uncollected customer payments from Federal sources		BA	71						
Offsetting collections from Federal sources			–1,844	–2,050	–2,216				
Offsetting collections from non-Federal sources			–61						
Total Research, development, test, and evaluation, Air Force (net)		BA	14,331	14,514	17,601				
		O	14,310	14,430	16,460	6,342	1,043	363	96
Research, development, test, and evaluation, Defense-wide:									
Appropriation, discretionary	051	BA	11,286	15,297	16,614				
Spending authority from offsetting collections, discretionary		BA	462	540	639				
Outlays		O	11,099	13,799	16,155	8,162	1,436	236	80
Research, development, test, and evaluation, Defense-wide (gross)		BA	11,748	15,837	17,253				
		O	11,099	13,799	16,155	8,162	1,436	236	80
Change in uncollected customer payments from Federal sources		BA	–114						
Adjustment to uncollected customer payments from Federal sources		BA	27						
Offsetting collections from Federal sources			–283	–423	–522				
Offsetting collections from non-Federal sources			–92	–117	–117				
Total Research, development, test, and evaluation, Defense-wide (net)		BA	11,286	15,297	16,614				
		O	10,724	13,259	15,516	8,162	1,436	236	80
Developmental test and evaluation:									
Outlays	051	O	156	40	13	7	2	1	
Developmental test and evaluation (gross)		O	156	40	13	7	2	1	
Change in uncollected customer payments from Federal sources		BA	1						
Adjustment to uncollected customer payments from Federal sources		BA	7						

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
Offsetting collections from Federal sources			–8						
Total Developmental test and evaluation (net)		BA							
		O	148	40	13	7	2	1	
Operational test and evaluation:									
Appropriation, discretionary	051	BA	**225**	**230**	**222**				
Outlays		O	115	203	213	115	18	6	2
Total Federal funds Research, Development, Test, and Evaluation		BA	**41,735**	**48,554**	**53,857**	**57,039**	**60,696**	**58,947**	**58,020**
		O	40,599	45,057	50,823	52,251	56,164	57,573	57,390
Military Construction									
Federal funds									
General and Special Funds:									
Military construction, Army:									
Appropriation, discretionary	051	BA	**979**	**1,768**	**1,476**	**5,102**	**6,325**	**10,803**	**13,773**
Spending authority from offsetting collections, discretionary		BA	**2,133**	**2,000**	**2,000**	**2,365**	**2,365**	**2,365**	**2,365**
Outlays		O	3,191	3,118	3,372	3,957	5,449	7,299	9,991
Military construction, Army (gross)		BA	**3,112**	**3,768**	**3,476**	**7,467**	**8,690**	**13,168**	**16,138**
		O	3,191	3,118	3,372	3,957	5,449	7,299	9,991
Change in uncollected customer payments from Federal sources		BA	**184**						
Adjustment to uncollected customer payments from Federal sources		BA	**20**						
Offsetting collections from Federal sources			–2,164	–2,000	–2,000	–2,354	–2,354	–2,354	–2,354
Offsetting collections from non-Federal sources			–173			–11	–11	–11	–11
Total Military construction, Army (net)		BA	**979**	**1,768**	**1,476**	**5,102**	**6,325**	**10,803**	**13,773**
		O	854	1,118	1,372	1,592	3,084	4,934	7,626
Military construction, Navy:									
Appropriation, discretionary	051	BA	**939**	**1,122**	**895**				
Spending authority from offsetting collections, discretionary		BA	**358**	**354**	**354**				
Outlays		O	1,076	1,226	1,371	846	349	106	63
Military construction, Navy (gross)		BA	**1,297**	**1,476**	**1,249**				
		O	1,076	1,226	1,371	846	349	106	63
Change in uncollected customer payments from Federal sources		BA	**–62**						
Adjustment to uncollected customer payments from Federal sources		BA	**–5**						
Offsetting collections from Federal sources			–117	–354	–354				
Offsetting collections from non-Federal sources			–174						
Total Military construction, Navy (net)		BA	**939**	**1,122**	**895**				
		O	785	872	1,017	846	349	106	63
Military construction, Air Force:									
Appropriation, discretionary	051	BA	**885**	**1,224**	**644**				
Spending authority from offsetting collections, discretionary		BA	**1**						
Outlays		O	739	908	1,034	756	287	69	20
Military construction, Air Force (gross)		BA	**886**	**1,224**	**644**				
		O	739	908	1,034	756	287	69	20
Offsetting collections from Federal sources			–1						
Total Military construction, Air Force (net)		BA	**885**	**1,224**	**644**				
		O	738	908	1,034	756	287	69	20
Military construction, Defense-wide:									
Appropriation, discretionary	051	BA	**799**	**798**	**741**				
Outlays		O	698	755	766	665	339	160	70
North Atlantic Treaty Organization security investment program:									
Appropriation, discretionary	051	BA	**172**	**163**	**168**				
Spending authority from offsetting collections, discretionary		BA	**3**	**11**	**11**				
Outlays		O	101	378	275	83	42		
North Atlantic Treaty Organization security investment program (gross)		BA	**175**	**174**	**179**				
		O	101	378	275	83	42		

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Offsetting collections from non-Federal sources			–3	–11	–11				
Total North Atlantic Treaty Organization security investment program (net)		BA	172	163	168				
		O	98	367	264	83	42		
Military construction, Army National Guard:									
Appropriation, discretionary	051	BA	285	401	102				
Outlays		O	155	246	305	215	131	71	13
Military construction, Air National Guard:									
Appropriation, discretionary	051	BA	210	250	53				
Outlays		O	228	222	220	121	51	20	3
Military construction, Army Reserve:									
Appropriation, discretionary	051	BA	109	165	59				
Outlays		O	66	144	120	89	48	23	6
Military construction, Naval Reserve:									
Appropriation, discretionary	051	BA	62	51	52				
Outlays		O	1	47	55	34	19	13	6
Military construction, Air Force Reserve:									
Appropriation, discretionary	051	BA	37	74	32				
Outlays		O	45	49	62	41	14	3	1
Base realignment and closure account:									
Appropriation, discretionary	051	BA	1,006	633	545				
Spending authority from offsetting collections, discretionary		BA	16						
Outlays		O	1,325	999	772	300	142	59	15
Base realignment and closure account (gross)		BA	1,022	633	545				
		O	1,325	999	772	300	142	59	15
Change in uncollected customer payments from Federal sources		BA	–33						
Offsetting collections from Federal sources			17						
Total Base realignment and closure account (net)		BA	1,006	633	545				
		O	1,342	999	772	300	142	59	15
Foreign currency fluctuations, construction:									
Appropriation, discretionary	051	BA	–83	–60					
Reappropriation, discretionary		BA	57						
Total Foreign currency fluctuations, construction		BA	–26	–60					
Total Federal funds Military Construction		BA	5,457	6,589	4,767	5,102	6,325	10,803	13,773
		O	5,010	5,727	5,987	4,742	4,506	5,458	7,823

Family Housing

Federal funds

General and Special Funds:

Account			2001 actual	2002	2003	2004	2005	2006	2007
Family housing construction, Army:									
Appropriation, discretionary	051	BA	228	309	283	4,297	5,040	4,869	4,788
Outlays		O	102	146	202	2,093	3,324	4,035	4,295
Family housing operation and maintenance, Army:									
Appropriation, discretionary	051	BA	980	1,081	1,122	3	4	4	4
Spending authority from offsetting collections, discretionary		BA	17	22	22	71	71	71	71
Outlays		O	1,054	1,085	1,129	390	143	91	81
Family housing operation and maintenance, Army (gross)		BA	997	1,103	1,144	74	75	75	75
		O	1,054	1,085	1,129	390	143	91	81
Change in uncollected customer payments from Federal sources		BA	–2						
Adjustment to uncollected customer payments from Federal sources		BA	2						
Offsetting collections from Federal sources			–4	–4	–4	–24	–24	–24	–24
Offsetting collections from non-Federal sources			–13	–18	–18	–25	–25	–25	–25
Total Family housing operation and maintenance, Army (net)		BA	980	1,081	1,122	25	26	26	26
		O	1,037	1,063	1,107	341	94	42	32
Family housing construction, Navy and Marine Corps:									
Appropriation, discretionary	051	BA	412	328	376				
Outlays		O	289	363	349	332	228	127	44
Family housing operation and maintenance, Navy and Marine Corps:									
Appropriation, discretionary	051	BA	900	900	868				
Spending authority from offsetting collections, discretionary		BA	15	21	21				

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	922	903	904	346	89	44	9
Family housing operation and maintenance, Navy and Marine Corps (gross)		BA	**915**	**921**	**889**	....	....	....	....
		O	922	903	904	346	89	44	9
Adjustment to uncollected customer payments from Federal sources		BA	**2**	....	....	....	....	....	....
Offsetting collections from Federal sources			–14	–21	–21	....	....	....	....
Offsetting collections from non-Federal sources			–3	....	....	....	....	....	....
Total Family housing operation and maintenance, Navy and Marine Corps (net)		BA	**900**	**900**	**868**	....	....	....	....
		O	905	882	883	346	89	44	9
Family housing construction, Air Force:									
Appropriation, discretionary	051	BA	**247**	**539**	**677**	....	....	....	....
Outlays		O	273	294	429	494	246	153	57
Family housing operation and maintenance, Air Force:									
Appropriation, discretionary	051	BA	**837**	**835**	**844**	....	....	....	....
Spending authority from offsetting collections, discretionary		BA	**10**	**11**	**11**	....	....	....	....
Outlays		O	833	841	836	254	63	28	8
Family housing operation and maintenance, Air Force (gross)		BA	**847**	**846**	**855**	....	....	....	....
		O	833	841	836	254	63	28	8
Change in uncollected customer payments from Federal sources		BA	**–2**	....	....	....	....	....	....
Adjustment to uncollected customer payments from Federal sources		BA	**1**	....	....	....	....	....	....
Offsetting collections from Federal sources			1	....	....	....	....	....	....
Offsetting collections from non-Federal sources			–10	–11	–11	....	....	....	....
Total Family housing operation and maintenance, Air Force (net)		BA	**837**	**835**	**844**	....	....	....	....
		O	824	830	825	254	63	28	8
Family housing construction, Defense Wide:									
Appropriation, discretionary	051	BA	....	....	**5**	....	....	....	....
Outlays		O	....	....	1	2	1	1	....
Family housing operation and maintenance, Defense Wide:									
Appropriation, discretionary	051	BA	....	....	**42**	....	....	....	....
Spending authority from offsetting collections, discretionary		BA	....	....	**3**	....	....	....	....
Outlays		O	....	....	41	6	3	1	....
Family housing operation and maintenance, Defense Wide (gross)		BA	....	....	**45**	....	....	....	....
		O	....	....	41	6	3	1	....
Offsetting collections from Federal sources			....	....	–3	....	....	....	....
Total Family housing operation and maintenance, Defense Wide (net)		BA	....	....	**42**	....	....	....	....
		O	....	....	38	6	3	1	....
Family housing, Defense-wide:									
Appropriation, discretionary	051	BA	**45**	**44**	....	....	....	....	....
Spending authority from offsetting collections, discretionary		BA	**1**	**3**	....	....	....	....	....
Outlays		O	42	47	....	....	....	....	....
Family housing, Defense-wide (gross)		BA	**46**	**47**	....	....	....	....	....
		O	42	47	....	....	....	....	....
Offsetting collections from Federal sources			–1	–3	....	....	....	....	....
Total Family housing, Defense-wide (net)		BA	**45**	**44**	....	....	....	....	....
		O	41	44	....	....	....	....	....
Public Enterprise Funds:									
Homeowners assistance fund:									
Appropriation, discretionary	051	BA	**25**	**10**	....	....	....	....	....
Spending authority from offsetting collections, discretionary		BA	**9**	**14**	**14**	....	....	....	....
Outlays		O	28	19	14	....	....	....	....
Homeowners assistance fund (gross)		BA	**34**	**24**	**14**	....	....	....	....
		O	28	19	14	....	....	....	....
Change in uncollected customer payments from Federal sources		BA	**3**	**1**	....	....	....	....	....
Offsetting collections from Federal sources			–3	–1	....	....	....	....	....

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Offsetting collections from non-Federal sources			–9	–14	–14				
Total Homeowners assistance fund (net)		BA	**25**	**10**					
		O	16	4					
Credit Accounts:									
Family housing improvement fund:									
Appropriation, discretionary	051	BA	**11**	**7**	**2**				
Spending authority from offsetting collections, discretionary		BA	**9**						
Outlays		O	41	134	60	23			
Family housing improvement fund (gross)		BA	**20**	**7**	**2**				
		O	41	134	60	23			
Offsetting collections from Federal sources			–9						
Total Family housing improvement fund (net)		BA	**11**	**7**	**2**				
		O	32	134	60	23			
Total Federal funds Family Housing		BA	**3,685**	**4,053**	**4,219**	**4,322**	**5,066**	**4,895**	**4,814**
		O	3,519	3,760	3,894	3,891	4,048	4,431	4,445

Revolving and Management Funds

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
Public Enterprise Funds:									
National defense stockpile transaction fund:									
Spending authority from offsetting collections, mandatory	051	BA	**538**	**328**	**173**	**324**	**324**	**324**	**324**
Outlays		O	452	856	175	219	241	272	310
National defense stockpile transaction fund (gross)		BA	**538**	**328**	**173**	**324**	**324**	**324**	**324**
		O	452	856	175	219	241	272	310
Change in uncollected customer payments from Federal sources		BA	**–38**						
Offsetting collections from Federal sources			38						
Offsetting collections from non-Federal sources			–688	–471	–324	–324	–324	–324	–324
Total National defense stockpile transaction fund (net)		BA	**–150**	**–143**	**–151**				
		O	–198	385	–149	–105	–83	–52	–14
Reserve mobilization income insurance fund:									
Appropriation, discretionary	051	BA	**–13**						
Outlays		O	1						
Intragovernmental Funds:									
Pentagon reservation maintenance revolving fund:									
Spending authority from offsetting collections, mandatory	051	BA	**434**	**1,049**	**320**	**320**	**320**	**320**	**320**
Outlays		O	651	646	793	410	395	320	320
Pentagon reservation maintenance revolving fund (gross)		BA	**434**	**1,049**	**320**	**320**	**320**	**320**	**320**
		O	651	646	793	410	395	320	320
Change in uncollected customer payments from Federal sources		BA	**209**						
Offsetting collections from Federal sources			–643	–1,048	–319	–319	–319	–319	–319
Offsetting collections from non-Federal sources				–1	–1	–1	–1	–1	–1
Total Pentagon reservation maintenance revolving fund (net)		BA							
		O	8	–403	473	90	75		
National defense sealift fund:									
Appropriation, discretionary	051	BA	**399**	**429**	**934**				
Spending authority from offsetting collections, discretionary		BA	**645**	**805**	**805**				
Outlays		O	1,522	863	1,559	62	35	16	7
National defense sealift fund (gross)		BA	**1,044**	**1,234**	**1,739**				
		O	1,522	863	1,559	62	35	16	7
Change in uncollected customer payments from Federal sources		BA	**420**	**–420**					
Offsetting collections from Federal sources			–1,065	–385	–805				
Total National defense sealift fund (net)		BA	**399**	**429**	**934**				
		O	457	478	754	62	35	16	7

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Working capital fund, Army:									
Appropriation, discretionary	051	BA	113	273	425	2,115	2,639	2,264	3,418
Contract authority, mandatory		BA	810						
Spending authority from offsetting collections, discretionary		BA	5,134	5,949	6,738	80,258	80,258	80,258	80,258
Outlays		O	6,413	6,934	6,648	81,916	82,225	82,389	83,045
Working capital fund, Army (gross)		BA	6,057	6,222	7,163	82,373	82,897	82,522	83,676
		O	6,413	6,934	6,648	81,916	82,225	82,389	83,045
Change in uncollected customer payments from Federal sources		BA	810	548					
Offsetting collections from Federal sources			–5,913	–6,460	–6,696	–74,206	–74,206	–74,206	–74,206
Offsetting collections from non-Federal sources			–32	–37	–42	–6,052	–6,052	–6,052	–6,052
Total Working capital fund, Army (net)		BA	922	273	425	2,115	2,639	2,264	3,418
		O	468	437	–90	1,658	1,967	2,131	2,787
Working capital fund, Navy:									
Appropriation, discretionary	051	BA	543	398	424				
Contract authority, mandatory		BA	613						
Spending authority from offsetting collections, discretionary		BA	22,142	22,710	22,303				
Outlays		O	21,951	23,984	22,920				
Working capital fund, Navy (gross)		BA	23,298	23,108	22,727				
		O	21,951	23,984	22,920				
Change in uncollected customer payments from Federal sources		BA	–968	647					
Offsetting collections from Federal sources			–20,901	–23,081	–22,031				
Offsetting collections from non-Federal sources			–273	–276	–272				
Total Working capital fund, Navy (net)		BA	1,156	398	424				
		O	777	627	617				
Working capital fund, Air Force:									
Appropriation, discretionary	051	BA	122	150	152				
Contract authority, mandatory		BA	503						
Spending authority from offsetting collections, discretionary		BA	19,637	20,496	20,144				
Outlays		O	19,778	19,374	20,197				
Working capital fund, Air Force (gross)		BA	20,262	20,646	20,296				
		O	19,778	19,374	20,197				
Change in uncollected customer payments from Federal sources		BA	358	–1,479					
Offsetting collections from Federal sources			–19,571	–18,603	–19,757				
Offsetting collections from non-Federal sources			–424	–414	–387				
Total Working capital fund, Air Force (net)		BA	625	150	152				
		O	–217	357	53				
Working capital fund, Defense wide:									
Appropriation, discretionary	051	BA	204	207	340				
Contract authority, mandatory		BA	2,078						
Spending authority from offsetting collections, discretionary		BA	22,923	27,407	24,865				
Outlays		O	23,720	24,535	24,599				
Working capital fund, Defense wide (gross)		BA	25,205	27,614	25,205				
		O	23,720	24,535	24,599				
Change in uncollected customer payments from Federal sources		BA	195	–2,880					
Offsetting collections from Federal sources			–22,667	–23,388	–23,682				
Offsetting collections from non-Federal sources			–451	–1,139	–1,183				
Total Working capital fund, Defense wide (net)		BA	2,282	207	340				
		O	602	8	–266				
Working capital fund, Defense Commissary Agency:									
Appropriation, discretionary	051	BA	944	1,118	997				
Spending authority from offsetting collections, discretionary		BA	5,093	5,129	5,403				
Outlays		O	6,106	6,100	6,247				
Working capital fund, Defense Commissary Agency (gross)		BA	6,037	6,247	6,400				
		O	6,106	6,100	6,247				
Change in uncollected customer payments from Federal sources		BA	–15	15					
Offsetting collections from Federal sources			5	–43	–52				

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Offsetting collections from non-Federal sources			–5,083	–5,101	–5,351				
Total Working capital fund, Defense Commissary Agency (net)		BA	**944**	**1,118**	**997**				
		O	1,028	956	844				
Buildings maintenance fund:									
Spending authority from offsetting collections, mandatory	051	BA	**25**	**29**	**34**	**34**	**34**	**34**	**34**
Outlays		O	19	22	33	34	34	34	34
Buildings maintenance fund (gross)		BA	**25**	**29**	**34**	**34**	**34**	**34**	**34**
		O	19	22	33	34	34	34	34
Change in uncollected customer payments from Federal sources		BA	**8**	**–1**	**2**				
Offsetting collections from Federal sources			–34	–28	–36	–36	–36	–36	–36
Total Buildings maintenance fund (net)		BA	**–1**			**–2**	**–2**	**–2**	**–2**
		O	–15	–6	–3	–2	–2	–2	–2
Army conventional ammunition working capital fund:									
Spending authority from offsetting collections, mandatory	051	BA	**19**	**56**					
Outlays		O	117	85	63				
Army conventional ammunition working capital fund (gross)		BA	**19**	**56**					
		O	117	85	63				
Change in uncollected customer payments from Federal sources		BA	**81**	**–31**	**58**				
Offsetting collections from Federal sources			–100	–25	–58				
Total Army conventional ammunition working capital fund (net)		BA							
		O	17	60	5				
Total Federal funds Revolving and Management Funds		BA	**6,164**	**2,432**	**3,121**	**2,113**	**2,637**	**2,262**	**3,416**
		O	2,928	2,899	2,238	1,703	1,992	2,093	2,778

Allowances

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
General transfer authority outlay allowance:									
Outlays	051	O		280	290	155	65	30	25
Department of Defense Closed Accounts:									
Outlays	051	O	191						
Total Federal funds Allowances		O	**191**	**280**	**290**	**155**	**65**	**30**	**25**

Trust Funds

Trust funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
Voluntary separation incentive fund:									
Appropriation, mandatory	051	BA	**96**	**156**	**156**	**156**	**156**	**155**	**154**
Outlays		O	153	156	156	156	190	155	154
Host nation support fund for relocation:									
Appropriation, mandatory	051	BA	**7**	**6**	**6**	**6**	**6**	**6**	**6**
Outlays		O	4	6	6	6	6	6	6
Host nation support fund for relocation (gross)		BA	**7**	**6**	**6**	**6**	**6**	**6**	**6**
		O	4	6	6	6	6	6	6
Change in uncollected customer payments from Federal sources		BA	**–3**						
Offsetting collections from non-Federal sources			3						
Total Host nation support fund for relocation (net)		BA	**7**	**6**	**6**	**6**	**6**	**6**	**6**
		O	7	6	6	6	6	6	6
Other DOD trust funds:									
Appropriation, mandatory	051	BA	**44**	**45**	**45**	**45**	**45**	**45**	**45**
Outlays		O	46	45	45	45	45	45	45
National security education trust fund:									
Appropriation, discretionary	051	BA	**7**	**8**	**8**	**8**	**8**	**8**	**8**
Outlays		O	7	8	8	8	8	8	8
Foreign national employees separation pay:									
Appropriation, mandatory	051	BA	**36**	**10**	**10**	**10**	**10**	**10**	**10**

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	28	10	10	10	10	10	10
Other DOD trust revolving funds:									
Spending authority from offsetting collections, mandatory	051	BA	**16**	**15**	**15**	**15**	**15**	**15**	**15**
Outlays		O	15	15	15	15	15	15	15
Other DOD trust revolving funds (gross)		BA	**16**	**15**	**15**	**15**	**15**	**15**	**15**
		O	15	15	15	15	15	15	15
Change in uncollected customer payments from Federal sources		BA	**–1**						
Offsetting collections from non-Federal sources			–15	–15	–15	–15	–15	–15	–15
Total Other DOD trust revolving funds (net)		BA							
		O							
Surcharge collections, sales of commissary stores, Defense:									
Spending authority from offsetting collections, mandatory	051	BA	**261**	**263**	**266**	**266**	**266**	**266**	**266**
Outlays		O	285	257	253	253	253	253	253
Surcharge collections, sales of commissary stores, Defense (gross)		BA	**261**	**263**	**266**	**266**	**266**	**266**	**266**
		O	285	257	253	253	253	253	253
Change in uncollected customer payments from Federal sources		BA	**–11**						
Offsetting collections from Federal sources				–6	–6	–6	–6	–6	–6
Offsetting collections from non-Federal sources			–250	–257	–260	–260	–260	–260	–260
Total Surcharge collections, sales of commissary stores, Defense (net)		BA							
		O	35	–6	–13	–13	–13	–13	–13
Total Trust funds Trust Funds		BA	**190**	**225**	**225**	**225**	**225**	**224**	**223**
		O	276	219	212	212	246	211	210

Summary

Account			2001 actual	2002	2003	2004	2005	2006	2007
Federal funds:									
(As shown in detail above)		BA	**314,265**	**334,497**	**379,414**	**388,153**	**409,012**	**429,873**	**451,635**
		O	295,195	332,062	361,794	376,315	395,950	410,931	424,564
Deductions for offsetting receipts:									
Intrafund transactions	051	BA/O	*–60*	*–68*	*–25*				
Proprietary receipts from the public	051	BA/O	*–1,337*	*–1,538*	*–869*	*–844*	*–845*	*–820*	*–786*
Offsetting governmental receipts	051	BA/O	*–3*	*–4*	*–4*	*–4*	*–4*	*–4*	*–4*
Total Federal funds		BA	**312,865**	**332,887**	**378,516**	**387,305**	**408,163**	**429,049**	**450,845**
		O	293,795	330,452	360,896	375,467	395,101	410,107	423,774
Trust funds:									
(As shown in detail above)		BA	**190**	**225**	**225**	**225**	**225**	**224**	**223**
		O	276	219	212	212	246	211	210
Interfund transactions	051	BA/O	*–76*	*–118*	*–119*	*–121*	*–123*	*–123*	*–124*
Total Department of Defense—Military		BA	**312,979**	**332,994**	**378,622**	**387,409**	**408,265**	**429,150**	**450,944**
		O	293,995	330,553	360,989	375,558	395,224	410,195	423,860

DEPARTMENT OF EDUCATION

(In millions of dollars)

Office of Elementary and Secondary Education

Federal funds

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
General and Special Funds:									
Education for the disadvantaged:									
Appropriation, discretionary	501	BA	**2,938**	**4,967**	**6,005**	**6,284**	**6,589**	**6,917**	**7,252**
Advance appropriation, discretionary		BA	**6,205**	**6,758**	**7,383**	**7,383**	**7,383**	**7,383**	**7,383**
Outlays		O	8,651	9,401	11,850	13,265	13,768	14,100	14,429
Total Education for the disadvantaged		BA	**9,143**	**11,725**	**13,388**	**13,667**	**13,972**	**14,300**	**14,635**
		O	8,651	9,401	11,850	13,265	13,768	14,100	14,429

DEPARTMENT OF EDUCATION—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Impact aid:									
Appropriation, discretionary	501	BA	**993**	**1,144**	**1,141**	**1,165**	**1,191**	**1,218**	**1,247**
Outlays		O	1,040	1,152	1,126	1,161	1,188	1,214	1,243
School improvement programs:									
Appropriation, discretionary	501	BA	**3,104**	**6,072**	**5,019**	**5,161**	**5,315**	**5,481**	**5,651**
Advance appropriation, discretionary		BA	**1,515**	**1,765**	**1,765**	**1,765**	**1,765**	**1,765**	**1,765**
Spending authority from offsetting collections, discretionary		BA	**60**						
Outlays		O	2,856	4,449	6,713	6,983	6,980	7,077	7,240
School improvement programs (gross)		BA	**4,679**	**7,837**	**6,784**	**6,926**	**7,080**	**7,246**	**7,416**
		O	2,856	4,449	6,713	6,983	6,980	7,077	7,240
Offsetting collections from Federal sources			–60						
Total School improvement programs (net)		BA	**4,619**	**7,837**	**6,784**	**6,926**	**7,080**	**7,246**	**7,416**
		O	2,796	4,449	6,713	6,983	6,980	7,077	7,240
Reading excellence:									
Appropriation, discretionary	501	BA	**91**						
Advance appropriation, discretionary		BA	**195**	**195**					
Outlays		O	127	272	266	83	30		
Total Reading excellence		BA	**286**	**195**					
		O	127	272	266	83	30		
Education reform:									
Appropriation, discretionary	501	BA	**1,881**						
Outlays		O	1,738	1,793	651	121			
Chicago litigation settlement:									
Outlays	501	O	1	2	1				
Indian education:									
Appropriation, discretionary	501	BA	**116**	**120**	**122**	**125**	**127**	**130**	**133**
Outlays		O	78	113	118	121	124	127	130
Total Federal funds Office of Elementary and Secondary Education		BA	**17,038**	**21,021**	**21,435**	**21,883**	**22,370**	**22,894**	**23,431**
		O	14,431	17,182	20,725	21,734	22,090	22,518	23,042

Office of English Language Acquisition

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
English language acquisition:									
Appropriation, discretionary	501	BA	**460**	**665**	**665**	**679**	**694**	**710**	**727**
Outlays		O	410	479	600	656	676	690	705

Office of Special Education and Rehabilitative Services

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Special education:									
Appropriation, discretionary	501	BA	**2,368**	**3,601**	**4,616**	**4,818**	**5,039**	**5,275**	**5,519**
Advance appropriation, discretionary		BA	**3,742**	**5,072**	**5,072**	**5,072**	**5,072**	**5,072**	**5,072**
Outlays		O	5,809	6,924	8,192	9,344	9,880	10,149	10,384
Total Special education		BA	**6,110**	**8,673**	**9,688**	**9,890**	**10,111**	**10,347**	**10,591**
		O	5,809	6,924	8,192	9,344	9,880	10,149	10,384
Rehabilitation services and disability research:									
Appropriation, discretionary	506	BA	**405**	**464**	**469**	**479**	**490**	**501**	**513**
Appropriation, mandatory		BA	**2,400**	**2,482**	**2,533**	**2,591**	**2,649**	**2,710**	**2,775**
Spending authority from offsetting collections, discretionary		BA	**7**	**7**	**7**	**7**	**7**	**7**	**8**
Outlays		O	2,736	3,035	2,988	3,054	3,123	3,195	3,270
Rehabilitation services and disability research (gross)		BA	**2,812**	**2,953**	**3,009**	**3,077**	**3,146**	**3,218**	**3,296**
		O	2,736	3,035	2,988	3,054	3,123	3,195	3,270
Offsetting collections from Federal sources			–3	–3	–3	–3	–3	–3	–3
Offsetting collections from non-Federal sources			–4	–4	–4	–4	–4	–4	–4
Total Rehabilitation services and disability research (net)		BA	**2,805**	**2,946**	**3,002**	**3,070**	**3,139**	**3,211**	**3,289**
		O	2,729	3,028	2,981	3,047	3,116	3,188	3,263

DEPARTMENT OF EDUCATION—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
American Printing House for the Blind:									
Appropriation, discretionary	501	BA	**12**	**14**	**14**	**14**	**15**	**15**	**15**
Outlays		O	10	18	14	14	15	15	15
National Technical Institute for the Deaf:									
Appropriation, discretionary	502	BA	**53**	**55**	**52**	**53**	**54**	**55**	**57**
Outlays		O	58	48	50	53	53	54	56
Gallaudet University:									
Appropriation, discretionary	502	BA	**89**	**97**	**94**	**96**	**98**	**100**	**103**
Outlays		O	97	91	94	96	98	100	103
Total Federal funds Office of Special Education and Rehabilitative Services		BA	**9,069**	**11,785**	**12,850**	**13,123**	**13,417**	**13,728**	**14,055**
		O	8,703	10,109	11,331	12,554	13,162	13,506	13,821

Office of Vocational and Adult Education

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Vocational and adult education:									
Appropriation, discretionary	501	BA	**1,035**	**1,143**	**1,107**	**1,147**	**1,190**	**1,236**	**1,284**
Advance appropriation, discretionary		BA	**791**	**791**	**791**	**791**	**791**	**791**	**791**
Outlays		O	1,679	1,826	1,883	1,915	1,947	1,988	2,033
Total Vocational and adult education		BA	**1,826**	**1,934**	**1,898**	**1,938**	**1,981**	**2,027**	**2,075**
		O	1,679	1,826	1,883	1,915	1,947	1,988	2,033

Office of Postsecondary Education

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Higher education:									
Appropriation, discretionary	502	BA	**1,912**	**2,031**	**1,883**	**1,922**	**1,965**	**2,011**	**2,058**
Outlays		O	1,462	1,866	1,953	1,914	1,927	1,952	1,998
Howard University:									
Appropriation, discretionary	502	BA	**232**	**237**	**237**	**242**	**247**	**253**	**259**
Outlays		O	243	227	237	241	248	253	259
Credit Accounts:									
College housing and academic facilities loans program account:									
Appropriation, discretionary	502	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	1	2	1	1	1	1	1
College housing and academic facilities loans liquidating account:									
Appropriation, mandatory	502	BA	**7**	**5**	**4**	**4**	**4**	**4**	**4**
Spending authority from offsetting collections, mandatory		BA	**50**	**48**	**42**	**40**	**28**	**11**	**10**
Outlays		O	17	8	15	14	13	12	11
College housing and academic facilities loans liquidating account (gross)		BA	**57**	**53**	**46**	**44**	**32**	**15**	**14**
		O	17	8	15	14	13	12	11
Offsetting collections from non-Federal sources			–52	–49	–43	–41	–38	–36	–34
Total College housing and academic facilities loans liquidating account (net)		BA	**5**	**4**	**3**	**3**	**–6**	**–21**	**–20**
		O	–35	–41	–28	–27	–25	–24	–23
Total Federal funds Office of Postsecondary Education		BA	**2,150**	**2,273**	**2,124**	**2,168**	**2,207**	**2,244**	**2,298**
		O	1,671	2,054	2,163	2,129	2,151	2,182	2,235

Office of Student Financial Assistance

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Student financial assistance:									
Appropriation, discretionary	502	BA	**10,674**	**12,286**	**12,768**	**13,034**	**13,325**	**13,638**	**13,957**
				[A] **1,276**					
Outlays		O	10,161	11,993	11,421	12,827	13,096	13,391	13,705
					[A] 1,276				
Total Student financial assistance		BA	**10,674**	**13,562**	**12,768**	**13,034**	**13,325**	**13,638**	**13,957**
		O	10,161	11,993	12,697	12,827	13,096	13,391	13,705
Student aid administration:									
Appropriation, discretionary	502	BA	**3**	**2**	**936**	**955**	**978**	**999**	**1,023**

DEPARTMENT OF EDUCATION—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	3	2	603	841	935	988	1,011
Public Enterprise Funds:									
Federal student loan reserve fund:									
Spending authority from offsetting collections, mandatory	502	BA	**3,826**	**4,091**	**4,590**	**5,151**	**5,574**	**5,957**	**6,332**
Outlays		O	3,595	4,060	4,613	5,164	5,638	6,034	6,424
Federal student loan reserve fund (gross)		BA	**3,826**	**4,091**	**4,590**	**5,151**	**5,574**	**5,957**	**6,332**
		O	3,595	4,060	4,613	5,164	5,638	6,034	6,424
Offsetting collections from Federal sources			–3,417	–3,687	–4,207	–5,151	–5,574	–5,957	–6,332
Offsetting collections from non-Federal sources			–409	–404	–383	....	....	....	....
Total Federal student loan reserve fund (net)		BA	....	....	....	....	....	....	....
		O	–231	–31	23	13	64	77	92
Credit Accounts:									
Federal direct student loan program program account:									
Appropriation, discretionary	502	BA	....	....	**–797**	**–813**	**–833**	**–851**	**–871**
Appropriation, mandatory		BA	**1,931**	**783**	**797**	**796**	**797**	**797**	**798**
Outlays		O	1,974	708	319	58	2	–43	–63
					[B] 12				
Federal direct student loan program program account (gross)		BA	**1,931**	**783**	....	**–17**	**–36**	**–54**	**–73**
		O	1,974	708	331	58	2	–43	–63
Offsetting collections from Federal sources			–1,717	–731	–617	–725	–787	–873	–965
					[B] 3	[B] 5	[B] 5	[B] 6	[B] 6
Total Federal direct student loan program program account (net)		BA	**214**	**52**	**–614**	**–737**	**–818**	**–921**	**–1,032**
		O	257	–23	–283	–662	–780	–910	–1,022
Federal family education loan program account:									
Appropriation, discretionary	502	BA	**48**	**49**	....	....	....	....	....
Appropriation, mandatory		BA	**3,068**	**3,781**	**4,090**	**3,371**	**3,554**	**3,728**	**3,894**
					[B] 34	**[B] 11**	**[B] 15**	**[B] 14**	**[B] 14**
Outlays		O	3,176	3,330	3,659	3,036	3,098	3,250	3,395
					[B] 30	[B] 9	[B] 12	[B] 12	[B] 12
Federal family education loan program account (gross)		BA	**3,116**	**3,830**	**4,124**	**3,382**	**3,569**	**3,742**	**3,908**
		O	3,176	3,330	3,689	3,045	3,110	3,262	3,407
Offsetting collections from Federal sources			–4,728	....	....	....	....	....	....
Total Federal family education loan program account (net)		BA	**–1,612**	**3,830**	**4,124**	**3,382**	**3,569**	**3,742**	**3,908**
		O	–1,552	3,330	3,689	3,045	3,110	3,262	3,407
Federal family education loan liquidating account:									
Spending authority from offsetting collections, mandatory	502	BA	**437**	**147**	**117**	**84**	**61**	**23**	**16**
Outlays		O	649	212	117	84	61	23	16
Federal family education loan liquidating account (gross)		BA	**437**	**147**	**117**	**84**	**61**	**23**	**16**
		O	649	212	117	84	61	23	16
Offsetting collections from Federal sources			–476	....	....	....	....	....	....
Offsetting collections from non-Federal sources			–1,025	–892	–742	–592	–441	–301	–198
Total Federal family education loan liquidating account (net)		BA	**–1,064**	**–745**	**–625**	**–508**	**–380**	**–278**	**–182**
		O	–852	–680	–625	–508	–380	–278	–182
Total Federal funds Office of Student Financial Assistance		BA	**8,215**	**16,701**	**16,589**	**16,126**	**16,674**	**17,180**	**17,674**
		O	7,786	14,591	16,104	15,556	16,045	16,530	17,011

Office of Educational Research and Improvement

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Education research, statistics, and assessment:									
Appropriation, discretionary	503	BA	**722**	**444**	....	....	....	....	....
					[J] 433	**[J] 433**	**[J] 433**	**[J] 433**	**[J] 433**
Spending authority from offsetting collections, discretionary		BA	**5**	**5**	....	....	....	....	....
					[J] 5	**[J] 5**	**[J] 5**	**[J] 5**	**[J] 5**

DEPARTMENT OF EDUCATION—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	570	824	404	97	1		
					[J] 112	[J] 351	[J] 438	[J] 438	[J] 438
Education research, statistics, and assessment (gross)		BA	**727**	**449**	**438**	**438**	**438**	**438**	**438**
		O	570	824	516	448	439	438	438
Offsetting collections from Federal sources			–5	–5					
					[J] –5	[J] –5	[J] –5	[J] –5	[J] –5
Total Education research, statistics, and assessment (net)		BA	**722**	**444**	**433**	**433**	**433**	**433**	**433**
		O	565	819	511	443	434	433	433
Departmental Management									
Federal funds									
General and Special Funds:									
Program administration:									
Appropriation, discretionary	503	BA	**423**	**434**	**423**	**432**	**441**	**451**	**461**
Spending authority from offsetting collections, discretionary		BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	449	453	410	424	440	450	460
Program administration (gross)		BA	**425**	**436**	**425**	**434**	**443**	**453**	**463**
		O	449	453	410	424	440	450	460
Offsetting collections from Federal sources			–2	–2	–2	–2	–2	–2	–2
Total Program administration (net)		BA	**423**	**434**	**423**	**432**	**441**	**451**	**461**
		O	447	451	408	422	438	448	458
Office for Civil Rights:									
Appropriation, discretionary	751	BA	**79**	**83**	**89**	**91**	**93**	**95**	**97**
Outlays		O	83	85	85	89	93	94	97
Office of the Inspector General:									
Appropriation, discretionary	751	BA	**37**	**40**	**42**	**43**	**44**	**45**	**46**
Outlays		O	37	41	40	43	44	44	45
Total Federal funds Departmental Management		BA	**539**	**557**	**554**	**566**	**578**	**591**	**604**
		O	567	577	533	554	575	586	600
Summary									
Federal funds:									
(As shown in detail above)		BA	**40,019**	**55,380**	**56,548**	**56,916**	**58,354**	**59,807**	**61,297**
		O	35,812	47,637	53,850	55,541	57,080	58,433	59,880
Deductions for offsetting receipts:									
Proprietary receipts from the public	502	BA/O	*–64*	*–50*	*–50*	*–50*	*–50*	*–50*	*–50*
Total Department of Education		BA	**39,955**	**55,330**	**56,498**	**56,866**	**58,304**	**59,757**	**61,247**
		O	35,748	47,587	53,800	55,491	57,030	58,383	59,830

DEPARTMENT OF ENERGY

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
National Nuclear Security Administration									
Federal funds									
General and Special Funds:									
Office of the Administrator:									
Appropriation, discretionary	053	BA	**20**	**328**	**348**	**354**	**360**	**366**	**373**
Outlays		O	15	286	345	353	359	365	372
Naval Reactors:									
Appropriation, discretionary	053	BA	**690**	**689**	**708**	**720**	**733**	**747**	**761**
Outlays		O	684	689	705	717	730	744	758
Weapons activities:									
Appropriation, discretionary	053	BA	**5,137**	**5,562**	**5,869**	**5,969**	**6,076**	**6,192**	**6,309**
Spending authority from offsetting collections, discretionary		BA	**1,156**	**1,231**	**1,233**	**1,259**	**1,287**	**1,317**	**1,348**

DEPARTMENT OF ENERGY—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	5,849	6,615	6,974	7,184	7,320	7,464	7,611
Weapons activities (gross)		BA	**6,293**	**6,793**	**7,102**	**7,228**	**7,363**	**7,509**	**7,657**
		O	5,849	6,615	6,974	7,184	7,320	7,464	7,611
Change in uncollected customer payments from Federal sources		BA	**32**						
Offsetting collections from Federal sources			–1,095	–1,138	–1,138	–1,162	–1,188	–1,215	–1,244
Offsetting collections from non-Federal sources			–93	–93	–95	–97	–99	–101	–104
Total Weapons activities (net)		BA	**5,137**	**5,562**	**5,869**	**5,969**	**6,076**	**6,193**	**6,309**
		O	4,661	5,384	5,741	5,925	6,033	6,148	6,263
Defense nuclear nonproliferation:									
Appropriation, discretionary	053	BA	**905**	**1,027**	**1,114**	**1,133**	**1,154**	**1,176**	**1,198**
Outlays		O	750	968	1,097	1,111	1,142	1,163	1,185
Cerro Grande Fire Activities:									
Appropriation, discretionary	053	BA	**203**						
Outlays		O	55	216	20				
Total Federal funds National Nuclear Security Administration		BA	**6,955**	**7,606**	**8,039**	**8,176**	**8,323**	**8,482**	**8,641**
		O	6,165	7,543	7,908	8,106	8,264	8,420	8,578

Environmental and Other Defense Activities

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Defense environmental restoration and waste management:									
Appropriation, discretionary	053	BA	**5,069**	**5,258**	**4,558**	**4,653**	**4,756**	**4,867**	**4,981**
Spending authority from offsetting collections, discretionary		BA	**55**						
Outlays		O	4,764	5,325	4,759	4,659	4,721	4,829	4,941
Defense environmental restoration and waste management (gross)		BA	**5,124**	**5,258**	**4,558**	**4,653**	**4,756**	**4,867**	**4,981**
		O	4,764	5,325	4,759	4,659	4,721	4,829	4,941
Offsetting governmental collections (from non-Federal sources)			–55						
Total Defense environmental restoration and waste management (net)		BA	**5,069**	**5,258**	**4,558**	**4,653**	**4,756**	**4,867**	**4,981**
		O	4,709	5,325	4,759	4,659	4,721	4,829	4,941
Defense facilities closure projects:									
Appropriation, discretionary	053	BA	**1,102**	**1,093**	**1,091**	**1,114**	**1,139**	**1,165**	**1,193**
Outlays		O	1,038	1,069	1,092	1,107	1,130	1,156	1,183
Defense environmental management privatization:									
Appropriation, discretionary	053	BA	**–2**	**154**	**158**	**161**	**165**	**169**	**173**
Outlays		O	164	114	124	206	186	96	111
Environmental management cleanup reform:									
Appropriation, discretionary	053	BA			**800**	**817**	**835**	**854**	**875**
Outlays		O			560	772	828	848	867
Other defense activities:									
Appropriation, discretionary	053	BA	**601**	**552**	**472**	**482**	**492**	**504**	**516**
Outlays		O	545	565	497	561	572	501	513
Defense nuclear waste disposal:									
Appropriation, discretionary	053	BA	**125**	**280**	**315**	**322**	**329**	**336**	**344**
Outlays		O	209	220	306	320	327	334	342
Total Federal funds Environmental and Other Defense Activities		BA	**6,895**	**7,337**	**7,394**	**7,549**	**7,716**	**7,895**	**8,082**
		O	6,665	7,293	7,338	7,625	7,764	7,764	7,957

Energy Programs

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Science:									
Appropriation, discretionary	251	BA	**3,218**	**3,240**	**3,285**	**3,354**	**3,428**	**3,508**	**3,591**
Outlays		O	2,938	3,240	3,264	3,321	3,391	3,468	3,549
Energy supply:									
Appropriation, discretionary	271	BA	**658**	**670**	**697**	**712**	**727**	**744**	**762**
Spending authority from offsetting collections, discretionary		BA	**585**	**1,350**	**1,350**	**1,378**	**1,409**	**1,442**	**1,476**

DEPARTMENT OF ENERGY—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	1,215	2,045	2,031	2,078	2,126	2,175	2,225
Energy supply (gross)		BA	1,243	2,020	2,047	2,090	2,136	2,186	2,238
		O	1,215	2,045	2,031	2,078	2,126	2,175	2,225
Change in uncollected customer payments from Federal sources		BA	–15						
Offsetting collections from Federal sources			–304	–720	–720	–735	–751	–769	–787
Offsetting collections from non-Federal sources			–266	–630	–630	–643	–658	–673	–689
Total Energy supply (net)		BA	658	670	697	712	727	744	762
		O	645	695	681	700	717	733	749
Non-defense environmental management:									
Appropriation, discretionary	271	BA	287	236	166	169	173	177	181
Outlays		O	291	265	189	172	172	176	180
Uranium Facilities Maintenance and Remediation:									
Appropriation, discretionary	271	BA	413	418	382	390	398	408	418
Outlays		O	355	450	375	383	395	403	414
Fossil energy research and development:									
Appropriation, discretionary	271	BA	443	588	494	504	515	527	540
Outlays		O	389	545	708	654	606	603	595
Naval petroleum and oil shale reserves:									
Appropriation, discretionary	271	BA	2	17	21	21	22	22	23
Outlays		O	22	23	22	21	22	22	22
Energy conservation:									
Appropriation, discretionary	272	BA	810	916	905	924	944	966	989
Spending authority from offsetting collections, discretionary		BA	1	2	2	2	2	2	2
Outlays		O	764	833	899	914	929	950	972
Energy conservation (gross)		BA	811	918	907	926	946	968	991
		O	764	833	899	914	929	950	972
Offsetting collections from Federal sources			–1	–2	–2	–2	–2	–2	–2
Total Energy conservation (net)		BA	810	916	905	924	944	966	989
		O	763	831	897	912	927	948	970
Strategic petroleum reserve:									
Appropriation, discretionary	274	BA	158	172	170	174	177	182	186
Outlays		O	155	166	169	172	175	179	184
SPR petroleum account:									
Appropriation, discretionary	274	BA	–16		11	11	11	12	12
Outlays		O	5	3	13	11	11	12	12
Energy information administration:									
Appropriation, discretionary	276	BA	79	81	83	85	86	88	90
Outlays		O	77	80	82	84	85	88	90
Economic regulation:									
Appropriation, discretionary	276	BA	2	2	2	2	2	2	2
Outlays		O	2	2	3	2	2	2	2
Federal Energy Regulatory Commission:									
Spending authority from offsetting collections, discretionary	276	BA	183	192	200	204	208	213	218
Outlays		O	178	190	199	204	207	212	217
Federal Energy Regulatory Commission (gross)		BA	183	192	200	204	208	213	218
		O	178	190	199	204	207	212	217
Offsetting collections from non-Federal sources			–183	–192	–200	–204	–208	–213	–218
Total Federal Energy Regulatory Commission (net)		BA							
		O	–5	–2	–1		–1	–1	–1
Clean coal technology:									
Appropriation, discretionary	271	BA	–67	–40					
Advance appropriation, discretionary		BA	171	82	40				
Outlays		O	97	75					
Total Clean coal technology		BA	104	42	40				
		O	97	75					
Alternative fuels production:									
Appropriation, discretionary	271	BA	–1	–2					

DEPARTMENT OF ENERGY—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Elk Hills school lands fund:									
Appropriation, discretionary	271	BA	....	....	**36**	**26**	**26**	....	....
Advance appropriation, discretionary		BA	**36**	**36**	**36**	....	....	....	....
Outlays		O	36	36	72	26	26	....	....
Total Elk Hills school lands fund		BA	**36**	**36**	**72**	**26**	**26**	....	....
		O	36	36	72	26	26	....	....
Arctic National Wildlife Refuge, alternative energy:									
Appropriation, discretionary	271	BA				[J] **150**	[J] **170**	[J] **200**	[J] **200**
Outlays		O				[J] 68	[J] 137	[J] 181	[J] 196
Payments to States under Federal Power Act:									
Appropriation, mandatory	806	BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	3	3	3	3	3	3	3
Northeast home heating oil reserve:									
Appropriation, discretionary	274	BA	**8**	**8**	**8**	**8**	**8**	**9**	**9**
Outlays		O	....	4	8	8	8	8	8
Nuclear waste disposal:									
Appropriation, discretionary	271	BA	**193**	**97**	**212**	**216**	**221**	**226**	**232**
Outlays		O	176	146	155	214	219	224	229
Uranium enrichment decontamination and decommissioning fund:									
Outlays	271	O	....	2	....	....	....	....	....
Public Enterprise Funds:									
Isotope production and distribution program fund:									
Spending authority from offsetting collections, discretionary	271	BA	**27**	**26**	**22**	**22**	**23**	**24**	**24**
Outlays		O	27	26	22	22	23	23	24
Isotope production and distribution program fund (gross)		BA	**27**	**26**	**22**	**22**	**23**	**24**	**24**
		O	27	26	22	22	23	23	24
Offsetting collections from Federal sources			–19	–17	–14	–14	–15	–15	–15
Offsetting collections from non-Federal sources			–8	–9	–8	–8	–8	–9	–9
Total Isotope production and distribution program fund (net)		BA	....	....	....	....	....	....	....
		O	....	....	....	....	....	–1	....
Total Federal funds Energy Programs		BA	**6,397**	**6,524**	**6,551**	**6,749**	**6,911**	**7,074**	**7,238**
		O	5,949	6,564	6,640	6,751	6,895	7,048	7,202

Power Marketing Administration

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Operation and maintenance, Alaska Power Administration:									
Outlays	271	O	10	....	....	....	....	....	....
Operation and maintenance, Southeastern Power Administration:									
Appropriation, discretionary	271	BA	**4**	**5**	**5**	**5**	**5**	**5**	**5**
Spending authority from offsetting collections, discretionary		BA	**34**	**34**	**34**	**35**	**35**	**36**	**37**
Outlays		O	39	39	39	40	40	41	42
Operation and maintenance, Southeastern Power Administration (gross)		BA	**38**	**39**	**39**	**40**	**40**	**41**	**42**
		O	39	39	39	40	40	41	42
Offsetting collections from non-Federal sources			–34	–34	–34	–35	–35	–36	–37
Total Operation and maintenance, Southeastern Power Administration (net)		BA	**4**	**5**	**5**	**5**	**5**	**5**	**5**
		O	5	5	5	5	5	5	5
Operation and maintenance, Southwestern Power Administration:									
Appropriation, discretionary	271	BA	**29**	**29**	**28**	**29**	**29**	**30**	**31**
Spending authority from offsetting collections, discretionary		BA	**8**	**15**	**16**	**16**	**17**	**17**	**17**
Outlays		O	38	44	45	44	45	47	47
Operation and maintenance, Southwestern Power Administration (gross)		BA	**37**	**44**	**44**	**45**	**46**	**47**	**48**
		O	38	44	45	44	45	47	47
Change in uncollected customer payments from Federal sources		BA	**1**	....	....	....	....	....	....
Offsetting collections from Federal sources			–5	–8	–7	–7	–7	–7	–8

DEPARTMENT OF ENERGY—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Offsetting collections from non-Federal sources			–4	–7	–9	–9	–9	–10	–10
Total Operation and maintenance, Southwestern Power Administration (net)		BA	**29**	**29**	**28**	**29**	**30**	**30**	**30**
		O	29	29	29	28	29	30	29
Continuing fund, Southeastern Power Administration:									
Appropriation, mandatory	271	BA	**9**						
Outlays		O	10	5					
Continuing fund, Southwestern Power Administration:									
Appropriation, mandatory	271	BA	**1**						
Outlays		O	1						
Construction, rehabilitation, operation and maintenance, Western Area Power Administration:									
Appropriation, discretionary	271	BA	**173**	**178**	**169**	**172**	**176**	**180**	**184**
Spending authority from offsetting collections, discretionary		BA	**265**	**645**	**645**	**658**	**673**	**689**	**705**
Outlays		O	359	819	819	829	848	867	887
Construction, rehabilitation, operation and maintenance, Western Area Power Administration (gross)		BA	**438**	**823**	**814**	**830**	**849**	**869**	**889**
		O	359	819	819	829	848	867	887
Change in uncollected customer payments from Federal sources		BA	**–12**						
Offsetting collections from Federal sources			–71	–178	–179	–183	–187	–191	–196
Offsetting collections from non-Federal sources			–182	–467	–466	–476	–486	–498	–509
Total Construction, rehabilitation, operation and maintenance, Western Area Power Administration (net)		BA	**173**	**178**	**169**	**171**	**176**	**180**	**184**
		O	106	174	174	170	175	178	182
Emergency fund, Western Area Power Administration:									
Appropriation, mandatory	271	BA	**43**						
Outlays		O	36	7					
Falcon and Amistad operating and maintenance fund:									
Appropriation, discretionary	271	BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	2	3	3	3	3	3	3
Public Enterprise Funds:									
Bonneville Power Administration fund:									
Authority to borrow, mandatory	271	BA	**260**	**251**	**228**	**222**	**304**	**237**	**161**
						^{B}**113**	^{B}**498**	^{B}**89**	
Spending authority from offsetting collections, mandatory		BA	**3,888**	**3,550**	**3,459**	**3,461**	**3,019**	**3,007**	**3,096**
Outlays		O	4,364	3,735	3,687	3,683	3,323	3,244	3,257
						^{B}113	^{B}498	^{B}89	
Bonneville Power Administration fund (gross)		BA	**4,148**	**3,801**	**3,687**	**3,796**	**3,821**	**3,333**	**3,257**
		O	4,364	3,735	3,687	3,796	3,821	3,333	3,257
Offsetting collections from Federal sources			–90	–90	–90	–90	–90	–90	–90
Offsetting collections from non-Federal sources			–3,937	–3,697	–3,616	–3,780	–3,404	–3,354	–3,355
Total Bonneville Power Administration fund (net)		BA	**121**	**14**	**–19**	**–74**	**327**	**–111**	**–188**
		O	337	–52	–19	–74	327	–111	–188
Colorado river basins power marketing fund, Western Area Power Administration:									
Spending authority from offsetting collections, discretionary	271	BA	**392**	**439**	**411**	**420**	**429**	**439**	**449**
Outlays		O	362	439	411	420	429	439	449
Colorado river basins power marketing fund, Western Area Power Administration (gross)		BA	**392**	**439**	**411**	**420**	**429**	**439**	**449**
		O	362	439	411	420	429	439	449
Offsetting collections from Federal sources			–8	–9	–9	–9	–9	–10	–10
Offsetting collections from non-Federal sources			–384	–456	–424	–433	–442	–453	–463
Total Colorado river basins power marketing fund, Western Area Power Administration (net)		BA		**–26**	**–22**	**–22**	**–22**	**–24**	**–24**
		O	–30	–26	–22	–22	–22	–24	–24
Total Federal funds Power Marketing Administration		BA	**383**	**203**	**164**	**112**	**519**	**83**	**10**
		O	506	145	170	110	517	81	7

DEPARTMENT OF ENERGY—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Departmental Administration									
Federal funds									
General and Special Funds:									
Departmental administration:									
Appropriation, discretionary	276	BA	**126**	**81**	**170**	**173**	**177**	**181**	**185**
Spending authority from offsetting collections, discretionary		BA	**107**	**138**	**138**	**141**	**144**	**147**	**151**
Outlays		O	225	222	293	312	320	328	334
Departmental administration (gross)		BA	**233**	**219**	**308**	**314**	**321**	**328**	**336**
		O	225	222	293	312	320	328	334
Offsetting collections from Federal sources			–70	–90	–90	–92	–94	–96	–98
Offsetting collections from non-Federal sources			–37	–48	–48	–49	–50	–51	–52
Total Departmental administration (net)		BA	**126**	**81**	**170**	**173**	**177**	**181**	**186**
		O	118	84	155	171	176	181	184
Office of the Inspector General:									
Appropriation, discretionary	276	BA	**33**	**33**	**39**	**40**	**41**	**42**	**43**
Outlays		O	34	33	38	40	41	41	42
Intragovernmental Funds:									
Working capital fund:									
Spending authority from offsetting collections, discretionary	276	BA	**84**	**86**	**86**	**88**	**90**	**92**	**94**
Outlays		O	77	86	86	87	90	92	94
Working capital fund (gross)		BA	**84**	**86**	**86**	**88**	**90**	**92**	**94**
		O	77	86	86	87	90	92	94
Offsetting collections from Federal sources			–84	–86	–86	–88	–90	–92	–94
Total Working capital fund (net)		BA							
		O	–7			–1			
Total Federal funds Departmental Administration		BA	**159**	**114**	**209**	**213**	**218**	**223**	**229**
		O	145	117	193	210	217	222	226
Summary									
Federal funds:									
(As shown in detail above)		BA	**20,789**	**21,784**	**22,357**	**22,799**	**23,687**	**23,757**	**24,200**
		O	19,430	21,662	22,249	22,802	23,657	23,535	23,970
Deductions for offsetting receipts:									
Intrafund transactions	271	BA/O	*–419*	*–420*	*–442*	*–452*	*–463*	*–474*	*–485*
	908	BA/O	*–1,367*	*–848*	*–922*	*–991*	*–1,070*	*–1,147*	*–1,218*
Proprietary receipts from the public	053	BA/O	*–1*						
	271	BA/O	*–1,152*	*–1,289*	*–1,237*	*–1,210*	*–1,230*	*–1,229*	*–1,215*
					B 149	*B 149*	*B 150*	*B 150*	*B 150*
Offsetting governmental receipts	276	BA/O	*–1*	*–12*	*–13*	*–13*	*–13*	*–13*	*–13*
Total Department of Energy		BA	**17,849**	**19,215**	**19,892**	**20,282**	**21,061**	**21,044**	**21,419**
		O	16,490	19,093	19,784	20,285	21,031	20,822	21,189

DEPARTMENT OF HEALTH AND HUMAN SERVICES

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Health Programs									
Public Health Service									
Food and Drug Administration									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	554	BA	**1,144**	**1,421**	**1,432**	**1,466**	**1,497**	**1,531**	**1,565**
Appropriation, mandatory		BA	**2**	**2**	**2**	**1**	**1**	**1**	**1**

DEPARTMENT OF HEALTH AND HUMAN SERVICES—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Spending authority from offsetting collections, discretionary		BA	191	212	44	53	54	55	56
					[J] 272	[J] 272	[J] 272	[J] 272	[J] 272
Outlays		O	1,318	1,547	1,486	1,529	1,567	1,578	1,613
					[J] 272	[J] 272	[J] 272	[J] 272	[J] 272
Salaries and expenses (gross)		BA	1,337	1,635	1,750	1,792	1,824	1,859	1,894
		O	1,318	1,547	1,758	1,801	1,839	1,850	1,885
Change in uncollected customer payments from Federal sources		BA	–8						
Adjustment to uncollected customer payments from Federal sources		BA	12						
Offsetting collections from non-Federal sources			–195	–212	–44	–45	–54	–55	–56
					[J] –272	[J] –272	[J] –272	[J] –272	[J] –272
Total Salaries and expenses (net)		BA	1,146	1,423	1,434	1,475	1,498	1,532	1,566
		O	1,123	1,335	1,442	1,484	1,513	1,523	1,557
Public Enterprise Funds:									
Revolving fund for certification and other services:									
Spending authority from offsetting collections, mandatory	554	BA	5	5	5	5	5	6	6
Outlays		O	4	5	5	5	5	6	6
Revolving fund for certification and other services (gross)		BA	5	5	5	5	5	6	6
		O	4	5	5	5	5	6	6
Offsetting collections from non-Federal sources			–5	–5	–5	–5	–5	–6	–6
Total Revolving fund for certification and other services (net)		BA							
		O	–1						
Total Federal funds Food and Drug Administration		BA	1,146	1,423	1,434	1,475	1,498	1,532	1,566
		O	1,122	1,335	1,442	1,484	1,513	1,523	1,557

Health Resources and Services Administration

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Vaccine injury compensation:									
Spending authority from offsetting collections, mandatory	551	BA	1						
Outlays		O	34	11					
Vaccine injury compensation (gross)		BA	1						
		O	34	11					
Offsetting collections from Federal sources			–1						
Total Vaccine injury compensation (net)		BA							
		O	33	11					
Payment to the Ricky Ray hemophilia relief fund:									
Appropriation, mandatory	551	BA	580						
Outlays		O	580						
Public Enterprise Funds:									
Medical facilities guarantee and loan fund:									
Spending authority from offsetting collections, mandatory	551	BA	3	4	4				
Medical facilities guarantee and loan fund (gross)		BA	3	4	4				
Offsetting collections from non-Federal sources			–3	–4	–4				
Credit Accounts:									
Health resources and services									
(Health care services):									
(Appropriation, discretionary)	551	BA	4,975	5,425	5,072	5,306	5,568	5,837	5,974
(Appropriation, mandatory)		BA	50	50					
					[B] 50	[B] 50	[B] 50	[B] 50	[B] 50
(Advance appropriation, discretionary)		BA	20	30					
(Spending authority from offsetting collections, discretionary)		BA	120	130	134	132	136	138	142
(Spending authority from offsetting collections, mandatory)		BA	4	5	6	6	6	6	6
(Outlays)		O	4,256	4,952	5,285	5,081	5,438	5,812	5,998
					[B] 14	[B] 37	[B] 42	[B] 47	[B] 50
Health resources and services (gross)		BA	5,169	5,640	5,262	5,494	5,760	6,031	6,172
		O	4,256	4,952	5,299	5,118	5,480	5,859	6,048

DEPARTMENT OF HEALTH AND HUMAN SERVICES—Continued

(In millions of dollars)

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
(Adjustment to uncollected customer payments from Federal sourc)		BA	**52**						
Offsetting collections from Federal sources			–159	–113	–116	–114	–117	–119	–122
Offsetting collections from non-Federal sources			–17	–21	–24	–23	–25	–25	–25
Total (Health care services) (net)		BA	**5,045**	**5,506**	**5,122**	**5,357**	**5,618**	**5,887**	**6,025**
		O	4,080	4,818	5,159	4,981	5,338	5,715	5,901
(Health research and training):									
(Appropriation, discretionary)	552	BA	**594**	**672**	**309**	**315**	**322**	**330**	**338**
(Spending authority from offsetting collections, discretionary)		BA	**30**	**26**	**27**	**28**	**28**	**29**	**30**
(Outlays)		O	502	631	480	351	349	363	362
Health resources and services (gross)		BA	**5,669**	**6,204**	**5,458**	**5,700**	**5,968**	**6,246**	**6,393**
		O	4,582	5,449	5,639	5,332	5,687	6,078	6,263
Offsetting collections from Federal sources			–30	–27	–27	–28	–28	–29	–30
Total (Health research and training) (net)		BA	**594**	**671**	**309**	**315**	**322**	**330**	**338**
		O	472	604	453	323	321	334	332
Total Health resources and services		BA	**5,639**	**6,177**	**5,431**	**5,672**	**5,940**	**6,217**	**6,363**
		O	4,552	5,422	5,612	5,304	5,659	6,049	6,233
Health education assistance loans program account:									
Appropriation, discretionary	552	BA	**4**	**4**	**4**	**4**	**4**	**4**	**4**
Outlays		O	4	5	4	4	4	4	4
Health education assistance loans liquidating account:									
Appropriation, mandatory	552	BA	**10**	**10**	**7**	**5**	**3**	**2**	**1**
Spending authority from offsetting collections, mandatory		BA	**25**	**20**	**20**	**20**	**20**	**20**	**20**
Outlays		O	16	30	27	25	23	22	21
Health education assistance loans liquidating account (gross)		BA	**35**	**30**	**27**	**25**	**23**	**22**	**21**
		O	16	30	27	25	23	22	21
Offsetting collections from non-Federal sources			–25	–20	–20	–20	–20	–20	–20
Total Health education assistance loans liquidating account (net)		BA	**10**	**10**	**7**	**5**	**3**	**2**	**1**
		O	–9	10	7	5	3	2	1
Trust funds									
Vaccine injury compensation program trust fund:									
Appropriation, discretionary	551	BA	**10**	**10**	**10**	**10**	**10**	**11**	**11**
Appropriation, mandatory		BA	**79**	**82**	**86**	**90**	**95**	**100**	**105**
Outlays		O	89	92	96	100	105	111	116
Total Vaccine injury compensation program trust fund		BA	**89**	**92**	**96**	**100**	**105**	**111**	**116**
		O	89	92	96	100	105	111	116
Ricky Ray hemophilia relief fund:									
Appropriation, mandatory	551	BA	**582**						
Outlays		O	473	146	3				
Total Federal funds Health Resources and Services Administration		BA	**6,233**	**6,191**	**5,442**	**5,681**	**5,947**	**6,223**	**6,368**
		O	5,157	5,444	5,619	5,313	5,666	6,055	6,238
Total Trust funds Health Resources and Services Administration		BA	**671**	**92**	**96**	**100**	**105**	**111**	**116**
		O	562	238	99	100	105	111	116

Indian Health Services

Federal funds

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
General and Special Funds:									
Indian Health Services:									
Appropriation, discretionary	551	BA	**2,320**	**2,448**	**2,513**	**2,577**	**2,633**	**2,693**	**2,755**
Appropriation, mandatory		BA	**100**	**100**	**100**				
Spending authority from offsetting collections, discretionary		BA	**709**	**767**	**767**	**781**	**799**	**818**	**836**
Outlays		O	3,088	3,311	3,440	3,470	3,437	3,504	3,584
Indian Health Services (gross)		BA	**3,129**	**3,315**	**3,380**	**3,358**	**3,432**	**3,511**	**3,591**
		O	3,088	3,311	3,440	3,470	3,437	3,504	3,584
Change in uncollected customer payments from Federal sources		BA	**–33**						
Adjustment to uncollected customer payments from Federal sources		BA	**117**						

DEPARTMENT OF HEALTH AND HUMAN SERVICES—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Offsetting collections from Federal sources			–448	–392	–403	–410	–419	–429	–439
Offsetting collections from non-Federal sources			–345	–375	–364	–372	–380	–389	–398
Total Indian Health Services (net)		BA	**2,420**	**2,548**	**2,613**	**2,576**	**2,633**	**2,693**	**2,754**
		O	2,295	2,544	2,673	2,688	2,638	2,686	2,747
Indian health facilities:									
Appropriation, discretionary	551	BA	**370**	**376**	**371**	**379**	**387**	**396**	**405**
Appropriation, mandatory		BA	**11**	**6**	**6**	**6**	**6**	**6**	**6**
Spending authority from offsetting collections, discretionary		BA	**3**	**7**	**7**	**7**	**7**	**7**	**8**
Outlays		O	337	337	384	398	403	405	414
Indian health facilities (gross)		BA	**384**	**389**	**384**	**392**	**400**	**409**	**419**
		O	337	337	384	398	403	405	414
Change in uncollected customer payments from Federal sources		BA	**4**						
Offsetting collections from Federal sources			–7	–7	–7	–7	–7	–7	–8
Total Indian health facilities (net)		BA	**381**	**382**	**377**	**385**	**393**	**402**	**411**
		O	330	330	377	391	396	398	406
Total Federal funds Indian Health Services		BA	**2,801**	**2,930**	**2,990**	**2,961**	**3,026**	**3,095**	**3,165**
		O	2,625	2,874	3,050	3,079	3,034	3,084	3,153
Centers for Disease Control and Prevention									
Federal funds									
General and Special Funds:									
Disease control, research, and training									
(Health care services):									
(Appropriation, discretionary)	551	BA	**3,590**	**3,964**	**3,583**	**3,676**	**3,756**	**3,843**	**3,932**
(Appropriation, mandatory)		BA	**13**	**3**	**3**				
(Spending authority from offsetting collections, discretionary)		BA	**121**	**136**	**141**	**145**	**148**	**151**	**155**
(Outlays)		O	3,143	3,689	3,881	3,805	3,830	3,928	4,011
Disease control, research, and training (gross)		BA	**3,724**	**4,103**	**3,727**	**3,821**	**3,904**	**3,994**	**4,087**
		O	3,143	3,689	3,881	3,805	3,830	3,928	4,011
Offsetting collections from Federal sources			–116	–102	–106	–108	–111	–113	–116
Offsetting collections from non-Federal sources			–5	–5	–5	–6	–6	–6	–6
Total (Health care services) (net)		BA	**3,603**	**3,996**	**3,616**	**3,707**	**3,787**	**3,875**	**3,965**
		O	3,022	3,582	3,770	3,691	3,713	3,809	3,889
(Health research and training):									
(Appropriation, discretionary)	552	BA	**324**	**394**	**348**	**355**	**363**	**371**	**379**
(Appropriation, mandatory)		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
(Spending authority from offsetting collections, discretionary)		BA	**76**	**23**	**47**	**48**	**49**	**50**	**51**
(Outlays)		O	374	381	416	404	406	411	424
Disease control, research, and training (gross)		BA	**4,004**	**4,414**	**4,012**	**4,111**	**4,200**	**4,297**	**4,396**
		O	3,396	3,963	4,186	4,095	4,119	4,220	4,313
(Change in uncollected customer payments from Federal sources)		BA	**–76**	**–23**	**–47**	**–82**	**–47**	**–47**	**–47**
(Adjustment to uncollected customer payments from Federal sourc)		BA	**88**						
Offsetting collections from Federal sources			–88	–29	–30	–31	–31	–32	–33
Total (Health research and training) (net)		BA	**325**	**366**	**319**	**291**	**335**	**343**	**351**
		O	286	352	386	373	375	379	391
Total Disease control, research, and training		BA	**3,928**	**4,362**	**3,935**	**3,998**	**4,122**	**4,218**	**4,316**
		O	3,308	3,934	4,156	4,064	4,088	4,188	4,280
Trust funds									
Toxic substances and environmental public health, Agency for Toxic Substances and Disease Registry:									
Appropriation, discretionary	551	BA	**78**	**81**	**80**	**82**	**83**	**85**	**87**
Spending authority from offsetting collections, discretionary		BA	**19**	**26**	**26**	**27**	**27**	**28**	**28**
Outlays		O	54	87	90	104	109	112	113
Toxic substances and environmental public health, Agency for Toxic Substances and Disease Registry (gross)		BA	**97**	**107**	**106**	**109**	**110**	**113**	**115**
		O	54	87	90	104	109	112	113
Change in uncollected customer payments from Federal sources		BA	**–12**						

DEPARTMENT OF HEALTH AND HUMAN SERVICES—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Offsetting collections from Federal sources			–7	–26	–26	–27	–27	–28	–28
Total Toxic substances and environmental public health, Agency for Toxic Substances and Disease Registry (net)		BA	**78**	**81**	**80**	**82**	**83**	**85**	**87**
		O	47	61	64	77	82	84	85
Total Federal funds Centers for Disease Control and Prevention		BA	**3,928**	**4,362**	**3,935**	**3,998**	**4,122**	**4,218**	**4,316**
		O	3,308	3,934	4,156	4,064	4,088	4,188	4,280
Total Trust funds Centers for Disease Control and Prevention		BA	**78**	**81**	**80**	**82**	**83**	**85**	**87**
		O	47	61	64	77	82	84	85

National Institutes of Health

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
National Institutes of Health:									
Appropriation, discretionary	552	BA	**20,447**	**23,343**	**27,335**	**27,911**	**28,532**	**29,197**	**29,881**
Appropriation, mandatory		BA	**111**	**111**	**111**	**14**	**14**	**14**	**14**
Spending authority from offsetting collections, discretionary		BA	**1,443**	**1,611**	**1,685**	**1,722**	**1,760**	**1,800**	**1,842**
Outlays		O	18,850	22,288	25,272	28,170	29,680	30,336	31,072
National Institutes of Health (gross)		BA	**22,001**	**25,065**	**29,131**	**29,647**	**30,306**	**31,011**	**31,737**
		O	18,850	22,288	25,272	28,170	29,680	30,336	31,072
Change in uncollected customer payments from Federal sources		BA	**75**						
Offsetting collections from Federal sources			–1,518	–1,611	–1,685	–1,722	–1,760	–1,800	–1,842
Total National Institutes of Health (net)		BA	**20,558**	**23,454**	**27,446**	**27,925**	**28,546**	**29,211**	**29,895**
		O	17,332	20,677	23,587	26,448	27,920	28,536	29,230

Substance Abuse and Mental Health Services Administration

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Substance abuse and mental health services:									
Appropriation, discretionary	551	BA	**2,968**	**3,142**	**3,197**	**3,326**	**3,440**	**3,555**	**3,639**
Spending authority from offsetting collections, discretionary		BA	**24**	**36**	**37**	**38**	**39**	**39**	**40**
Outlays		O	2,777	2,954	3,121	3,237	3,341	3,476	3,603
Substance abuse and mental health services (gross)		BA	**2,992**	**3,178**	**3,234**	**3,364**	**3,479**	**3,594**	**3,679**
		O	2,777	2,954	3,121	3,237	3,341	3,476	3,603
Change in uncollected customer payments from Federal sources		BA	**–2**						
Adjustment to uncollected customer payments from Federal sources		BA	**14**						
Offsetting collections from Federal sources			–36	–36	–37	–38	–39	–39	–40
Total Substance abuse and mental health services (net)		BA	**2,968**	**3,142**	**3,197**	**3,326**	**3,440**	**3,555**	**3,639**
		O	2,741	2,918	3,084	3,199	3,302	3,437	3,563

Agency for Healthcare Research and Quality

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Health care policy and research:									
Appropriation, discretionary	552	BA	**107**	**3**					
Spending authority from offsetting collections, discretionary		BA	**186**	**310**	**265**	**270**	**276**	**283**	**290**
Outlays		O	216	401	361	365	276	283	290
Health care policy and research (gross)		BA	**293**	**313**	**265**	**270**	**276**	**283**	**290**
		O	216	401	361	365	276	283	290
Change in uncollected customer payments from Federal sources		BA	**–6**						

DEPARTMENT OF HEALTH AND HUMAN SERVICES—Continued

(In millions of dollars)

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
Offsetting collections from Federal sources			–180	–310	–265	–270	–276	–283	–290
Total Health care policy and research (net)		BA	107	3	....	....	....	....	....
		O	36	91	96	95	....	....	....
Total Federal funds Public Health Service		BA	37,741	41,505	44,444	45,366	46,579	47,834	48,949
		O	32,321	37,273	41,034	43,682	45,523	46,823	48,021
Total Trust funds Public Health Service		BA	749	173	176	182	188	196	203
		O	609	299	163	177	187	195	201

Other Health Programs

Centers for Medicare and Medicaid Services

Federal funds

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
General and Special Funds:									
Grants to States for medicaid:									
Appropriation, mandatory	551	BA	98,830	108,433	112,090	119,282	129,268	140,479	152,682
					[B] 98	[B] –948	[B] –1,327	[B] –1,696	[B] –1,792
Advance appropriation, mandatory		BA	30,589	36,208	46,602	51,861	56,203	61,078	66,384
Spending authority from offsetting collections, mandatory		BA	1,299	201	....	....	....	....	....
					[B] 1,280	[B] 2,560	[B] 3,920	[B] 5,510	[B] 7,510
Outlays		O	130,647	144,952	158,692	171,143	185,471	201,557	219,066
					[B] 1,378	[B] 1,612	[B] 2,593	[B] 3,814	[B] 5,718
Grants to States for medicaid (gross)		BA	130,718	144,842	160,070	172,755	188,064	205,371	224,784
		O	130,647	144,952	160,070	172,755	188,064	205,371	224,784
Change in uncollected customer payments from Federal sources		BA	–26	....	....	....	....	....	....
Offsetting collections from Federal sources			–1,273	–201	....	....	....	....	....
					[J] –1,280	[J] –2,560	[J] –3,920	[J] –5,510	[J] –7,510
Total Grants to States for medicaid (net)		BA	129,419	144,641	158,790	170,195	184,144	199,861	217,274
		O	129,374	144,751	158,790	170,195	184,144	199,861	217,274
State grants and demonstrations:									
Appropriation, mandatory	551	BA	62	67	72	77	81	82	42
Outlays		O	2	18	30	50	58	65	60
Payments to health care trust funds:									
Appropriation, mandatory	571	BA	75,382	92,886	90,339	94,608	100,399	107,258	114,687
					[J] –19	[J] –1	[J] 102	[J] 74	[J] 54
Outlays		O	75,447	88,849	90,339	94,608	100,399	107,258	114,687
					[J] –19	[J] –1	[J] 102	[J] 74	[J] 54
Total Payments to health care trust funds		BA	75,382	92,886	90,320	94,607	100,501	107,332	114,741
		O	75,447	88,849	90,320	94,607	100,501	107,332	114,741
Program management									
(Health care services):									
(Spending authority from offsetting collections, discretionary)	551	BA	2,213	2,412	2,572	2,625	2,683	2,745	2,809
(Outlays)		O	2,179	2,412	2,572	2,625	2,683	2,745	2,809
Program management (gross)		BA	2,213	2,412	2,572	2,625	2,683	2,745	2,809
		O	2,179	2,412	2,572	2,625	2,683	2,745	2,809
(Change in uncollected customer payments from Federal sources)		BA	–541	....	....	....	....	....	....
(Adjustment to uncollected customer payments from Federal sourc)		BA	546	....	....	....	....	....	....
Offsetting collections from Federal sources			–2,156	–2,349	–2,510	–2,562	–2,618	–2,679	–2,741
					[J] 130	[J] 130	[J] 130	[J] 130	[J] 130
Offsetting collections from non-Federal sources			–62	–63	–62	–63	–65	–66	–68
					[J] –130	[J] –130	[J] –130	[J] –130	[J] –130
Total (Health care services) (net)		BA	....	....	....	....	....	....	....
		O	–39	....	....	....	....	....	....
(Health research and training):									
(Spending authority from offsetting collections, discretionary)	552	BA	138	117	28	29	29	30	31

DEPARTMENT OF HEALTH AND HUMAN SERVICES—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
(Outlays)		O	53	117	28	29	29	30	31
Program management (gross)		BA	**138**	**117**	**28**	**29**	**29**	**30**	**31**
		O	14	117	28	29	29	30	31
Offsetting collections from Federal sources			–138	–117	–28	–29	–29	–30	–31
Total (Health research and training) (net)		BA	....	....	....	....	....	....	....
		O	–85	....	....	....	....	....	....
Total Program management		BA	....	....	....	....	....	....	....
		O	–124	....	....	....	....	....	....
State children's health insurance fund:									
Appropriation, mandatory	551	BA	**4,249**	**3,115**	**3,175**	**3,175**	**4,082**	**4,082**	**5,040**
Reappropriation, mandatory		BA	**2,034**	....	....	....	....	....	....
Outlays		O	3,699	3,689	4,362	4,463	4,151	4,160	4,401
					[B]–40	[B]420	[B]530	[B]180	[B]90
Total State children's health insurance fund		BA	**6,283**	**3,115**	**3,175**	**3,175**	**4,082**	**4,082**	**5,040**
		O	3,699	3,689	4,322	4,883	4,681	4,340	4,491
		Trust funds							
Federal hospital insurance trust fund:									
Appropriation, discretionary	571	BA	**1,448**	**1,652**	**1,604**	**1,636**	**1,672**	**1,710**	**1,749**
					[J]–25	**[J]–25**	**[J]–25**	**[J]–25**	**[J]–25**
Appropriation, mandatory		BA	**140,346**	**143,091**	**146,996**	**152,390**	**162,374**	**167,660**	**178,187**
					[B]410	**[B]730**	**[B]940**	**[B]940**	**[B]920**
Spending authority from offsetting collections, mandatory		BA	**1**	....	....	....	....	....	....
Outlays		O	142,022	144,813	148,542	154,237	163,977	169,193	180,161
					[B]410	[B]730	[B]940	[B]940	[B]920
					[J]–25	[J]–25	[J]–25	[J]–25	[J]–25
Federal hospital insurance trust fund (gross)		BA	**141,795**	**144,743**	**148,985**	**154,731**	**164,961**	**170,285**	**180,831**
		O	142,022	144,813	148,927	154,942	164,892	170,108	181,056
Offsetting collections from Federal sources			–1	....	....	....	....	....	....
Total Federal hospital insurance trust fund (net)		BA	**141,794**	**144,743**	**148,985**	**154,731**	**164,961**	**170,285**	**180,831**
		O	142,021	144,813	148,927	154,942	164,892	170,108	181,056
Health care fraud and abuse control account:									
Appropriation, mandatory	571	BA	**953**	**1,010**	**1,075**	**1,075**	**1,075**	**1,075**	**1,075**
Spending authority from offsetting collections, mandatory		BA	**3**	....	....	....	....	....	....
Outlays		O	929	1,010	1,075	1,075	1,075	1,075	1,075
Health care fraud and abuse control account (gross)		BA	**956**	**1,010**	**1,075**	**1,075**	**1,075**	**1,075**	**1,075**
		O	929	1,010	1,075	1,075	1,075	1,075	1,075
Offsetting collections from Federal sources			–3	....	....	....	....	....	....
Total Health care fraud and abuse control account (net)		BA	**953**	**1,010**	**1,075**	**1,075**	**1,075**	**1,075**	**1,075**
		O	926	1,010	1,075	1,075	1,075	1,075	1,075
Federal supplementary medical insurance trust fund:									
Appropriation, discretionary	571	BA	**1,955**	**2,078**	**2,228**	**2,274**	**2,323**	**2,377**	**2,433**
					[J]–105	**[J]–105**	**[J]–105**	**[J]–105**	**[J]–105**
Appropriation, mandatory		BA	**97,508**	**104,123**	**108,369**	**112,463**	**119,990**	**124,994**	**135,242**
					[B]–10	**[B]120**	**[B]290**	**[B]330**	**[B]190**
					[J]80				
Spending authority from offsetting collections, mandatory		BA	**3,103**	**1,313**	**652**	....	....	....	....
Outlays		O	102,589	107,538	111,201	114,770	122,274	127,303	137,706
					[B]–10	[B]120	[B]290	[B]330	[B]190
					[J]–25	[J]–105	[J]–105	[J]–105	[J]–105
Federal supplementary medical insurance trust fund (gross)		BA	**102,566**	**107,514**	**111,214**	**114,752**	**122,498**	**127,596**	**137,760**
		O	102,589	107,538	111,166	114,785	122,459	127,528	137,791
Offsetting collections from Federal sources			–3,103	–1,313	–652	....	....	....	....
Total Federal supplementary medical insurance trust fund (net)		BA	**99,463**	**106,201**	**110,562**	**114,752**	**122,498**	**127,596**	**137,760**
		O	99,486	106,225	110,514	114,785	122,459	127,528	137,791

DEPARTMENT OF HEALTH AND HUMAN SERVICES—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Allowance for medicare modernization:									
Appropriation, mandatory	571	BA						[B] **10,800**	[B] **13,900**
Outlays		O						[B] 10,800	[B] 13,900
Allowance for transitional Medicare low-income drug assistance:									
Appropriation, mandatory	571	BA			[J] **1,200**	[J] **2,560**	[J] **3,920**	[J] **5,510**	[J] **7,510**
Outlays		O			[J] 1,200	[J] 2,560	[J] 3,920	[J] 5,510	[J] 7,510
Total Federal funds Centers for Medicare and Medicaid Services		BA	**211,146**	**240,709**	**252,357**	**268,054**	**288,808**	**311,357**	**337,097**
		O	208,398	237,307	253,462	269,735	289,384	311,598	336,566
Total Trust funds Centers for Medicare and Medicaid Services		BA	**242,210**	**251,954**	**261,822**	**273,118**	**292,454**	**315,266**	**341,076**
		O	242,433	252,048	261,716	273,362	292,346	315,021	341,332
Total Federal funds Health Programs		BA	**248,887**	**282,214**	**296,801**	**313,420**	**335,387**	**359,191**	**386,046**
		O	240,719	274,580	294,496	313,417	334,907	358,421	384,587
Total Trust funds Health Programs		BA	**242,959**	**252,127**	**261,998**	**273,300**	**292,642**	**315,462**	**341,279**
		O	243,042	252,347	261,879	273,539	292,533	315,216	341,533

Administration for Children and Families

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Temporary assistance for needy families:									
Appropriation, mandatory	609	BA	**16,689**	**16,689**	**16,689**	**17,689**	**16,689**	**16,689**	**16,689**
					[B] **319**	[B] **319**	[B] **319**	[B] **319**	[B] **319**
Outlays		O	18,583	18,334	19,353	18,781	18,093	17,631	17,186
					[B] 1	[B] 214	[B] 265	[B] 325	[B] 317
Total Temporary assistance for needy families		BA	**16,689**	**16,689**	**17,008**	**18,008**	**17,008**	**17,008**	**17,008**
		O	18,583	18,334	19,354	18,995	18,358	17,956	17,503
Contingency fund:									
Appropriation, mandatory	609	BA			[B] **2,000**				
Outlays		O			[B] 45	[B] 100	[B] 5	[B] 15	[B] 70
Payments to States for child support enforcement and family support programs:									
Appropriation, mandatory	609	BA	**2,442**	**2,448**	**2,476**	**2,824**	**2,978**	**3,270**	**3,587**
					[B] **–59**	[B] **–39**	[B] **–43**	[B] **–48**	[B] **–53**
Advance appropriation, mandatory		BA	**650**	**1,000**	**1,100**	**1,100**	**1,200**	**1,200**	**1,400**
Spending authority from offsetting collections, mandatory		BA	**425**	**460**	**461**	**454**	**446**	**458**	**471**
Outlays		O	3,706	4,018	4,133	4,342	4,596	4,895	5,401
					[B] –59	[B] –39	[B] –43	[B] –48	[B] –53
Payments to States for child support enforcement and family support programs (gross)		BA	**3,517**	**3,908**	**3,978**	**4,339**	**4,581**	**4,880**	**5,405**
		O	3,706	4,018	4,074	4,303	4,553	4,847	5,348
Offsetting governmental collections (from non-Federal sources)			–425	–460	–461	–454	–446	–458	–471
Total Payments to States for child support enforcement and family support programs (net)		BA	**3,092**	**3,448**	**3,517**	**3,885**	**4,135**	**4,422**	**4,934**
		O	3,281	3,558	3,613	3,849	4,107	4,389	4,877
Low income home energy assistance:									
Appropriation, discretionary	609	BA	**2,000**	**2,000**	**1,700**	**1,735**	**1,774**	**1,815**	**1,858**
Outlays		O	2,161	1,831	1,692	1,647	1,684	1,717	1,757
Refugee and entrant assistance:									
Appropriation, discretionary	609	BA	**433**	**460**	**453**	**462**	**473**	**484**	**495**
Outlays		O	456	463	467	459	464	473	483
Promoting safe and stable families:									
Appropriation, discretionary	506	BA	....	**70**	**225**	**230**	**235**	**241**	**246**
Appropriation, mandatory		BA	**305**	**305**	**305**	**305**	**305**	**305**	**305**
Outlays		O	258	300	372	493	517	535	545
Total Promoting safe and stable families		BA	**305**	**375**	**530**	**535**	**540**	**546**	**551**
		O	258	300	372	493	517	535	545
Job opportunities and basic skills training program:									
Outlays	504	O	4	4	3	....	....	....	....
Child care entitlement to States:									
Appropriation, mandatory	609	BA	**2,567**	**2,717**	**2,717**	**2,717**	**2,717**	**2,717**	**2,717**
Reappropriation, mandatory		BA	**4**	....	....	....	....	....	....

DEPARTMENT OF HEALTH AND HUMAN SERVICES—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	2,341	2,535	2,737	2,703	2,719	2,717	2,717
Total Child care entitlement to States		BA	**2,571**	**2,717**	**2,717**	**2,717**	**2,717**	**2,717**	**2,717**
		O	2,341	2,535	2,737	2,703	2,719	2,717	2,717
Payments to States for the child care and development block grant:									
Appropriation, discretionary	609	BA	**817**	**2,100**	**2,100**	**2,144**	**2,192**	**2,243**	**2,296**
Advance appropriation, discretionary		BA	**1,183**						
Outlays		O	1,376	1,917	2,062	2,120	2,163	2,210	2,263
Total Payments to States for the child care and development block grant		BA	**2,000**	**2,100**	**2,100**	**2,144**	**2,192**	**2,243**	**2,296**
		O	1,376	1,917	2,062	2,120	2,163	2,210	2,263
Social services block grant:									
Appropriation, mandatory	506	BA	**1,725**	**1,700**	**1,700**	**1,700**	**1,700**	**1,700**	**1,700**
Outlays		O	1,851	1,803	1,793	1,792	1,792	1,792	1,700
Children and families services programs:									
Appropriation, discretionary	506	BA	**6,566**	**7,040**	**7,090**	**7,267**	**7,460**	**7,668**	**7,880**
					[J] **30**	[J] **30**	[J] **30**	[J] **30**	[J] **30**
Advance appropriation, discretionary		BA	**1,400**	**1,400**	**1,400**	**1,400**	**1,400**	**1,400**	**1,400**
Spending authority from offsetting collections, discretionary		BA	**16**	**15**	**15**	**15**	**16**	**16**	**16**
Outlays		O	6,956	7,746	8,310	8,548	8,780	8,964	9,163
					[J] 4	[J] 20	[J] 28	[J] 31	[J] 31
Children and families services programs (gross)		BA	**7,982**	**8,455**	**8,535**	**8,712**	**8,906**	**9,114**	**9,326**
		O	6,956	7,746	8,314	8,568	8,808	8,995	9,194
Change in uncollected customer payments from Federal sources		BA	**–1**						
Offsetting collections from Federal sources			–15	–15	–15	–15	–16	–16	–16
Total Children and families services programs (net)		BA	**7,966**	**8,440**	**8,520**	**8,697**	**8,890**	**9,098**	**9,310**
		O	6,941	7,731	8,299	8,553	8,792	8,979	9,178
Violent crime reduction programs:									
Outlays	754	O	88	25	4				
Children's research and technical assistance:									
Appropriation, mandatory	609	BA	**39**	**37**	**53**	**54**	**55**	**56**	**57**
Spending authority from offsetting collections, mandatory		BA	**8**	**10**	**11**	**12**	**12**	**12**	**12**
Outlays		O	48	49	52	57	66	68	69
Children's research and technical assistance (gross)		BA	**47**	**47**	**64**	**66**	**67**	**68**	**69**
		O	48	49	52	57	66	68	69
Offsetting collections from non-Federal sources			–8	–10	–11	–12	–12	–12	–12
Total Children's research and technical assistance (net)		BA	**39**	**37**	**53**	**54**	**55**	**56**	**57**
		O	40	39	41	45	54	56	57
Payments to States for foster care and adoption assistance:									
Appropriation, discretionary	609	BA			**60**	**61**	**63**	**64**	**66**
Appropriation, mandatory		BA	**4,863**	**4,886**	**4,855**	**5,237**	**5,585**	**6,023**	**6,494**
Advance appropriation, mandatory		BA	**1,538**	**1,736**	**1,754**	**1,746**	**1,862**	**2,008**	**2,165**
Outlays		O	5,711	6,098	6,430	6,938	7,432	8,008	8,628
Total Payments to States for foster care and adoption assistance		BA	**6,401**	**6,622**	**6,669**	**7,044**	**7,510**	**8,095**	**8,725**
		O	5,711	6,098	6,430	6,938	7,432	8,008	8,628
Total Federal funds Administration for Children and Families		BA	**43,221**	**44,588**	**46,967**	**46,981**	**46,994**	**48,184**	**49,651**
		O	43,091	44,638	46,912	47,694	48,087	48,847	49,778

Administration on Aging

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Aging services programs:									
Appropriation, discretionary	506	BA	**1,104**	**1,201**	**1,342**	**1,370**	**1,401**	**1,433**	**1,467**
Outlays		O	953	1,137	1,295	1,353	1,387	1,420	1,453

DEPARTMENT OF HEALTH AND HUMAN SERVICES—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Departmental Management									
Federal funds									
General and Special Funds:									
General departmental management:									
Appropriation, discretionary	551	BA	**721**	**3,269**	**2,901**	**2,961**	**3,027**	**3,098**	**3,170**
Spending authority from offsetting collections, discretionary		BA	**131**	**153**	**150**	**153**	**156**	**160**	**164**
Outlays		O	680	1,763	2,514	3,008	3,115	3,163	3,249
General departmental management (gross)		BA	**852**	**3,422**	**3,051**	**3,114**	**3,183**	**3,258**	**3,334**
		O	680	1,763	2,514	3,008	3,115	3,163	3,249
Change in uncollected customer payments from Federal sources		BA	**–49**						
Adjustment to uncollected customer payments from Federal sources		BA	**46**						
Offsetting collections from Federal sources			–128	–153	–150	–153	–156	–160	–164
Total General departmental management (net)		BA	**721**	**3,269**	**2,901**	**2,961**	**3,027**	**3,098**	**3,170**
		O	552	1,610	2,364	2,855	2,959	3,003	3,085
Program Support Center									
Federal funds									
General and Special Funds:									
Retirement pay and medical benefits for commissioned officers:									
Appropriation, mandatory	551	BA	**250**	**262**	**16**	**1**	**1**	**1**	**1**
Outlays		O	241	256	17	1	1	1	1
Payment to Public Health Service Commissioned Corps retirement system:									
Appropriation, mandatory	551	BA			**132**	**137**	**146**	**156**	**167**
Outlays		O			132	137	146	156	167
Public Health Service Commissioned Corps retirement fund:									
Appropriation, mandatory	602	BA			**235**	**264**	**278**	**293**	**309**
Outlays		O			235	263	277	291	308
Intragovernmental Funds:									
HHS service and supply fund:									
Spending authority from offsetting collections, mandatory	551	BA	**381**	**425**	**464**	**464**	**464**	**464**	**464**
Outlays		O	366	425	464	464	464	464	464
HHS service and supply fund (gross)		BA	**381**	**425**	**464**	**464**	**464**	**464**	**464**
		O	366	425	464	464	464	464	464
Change in uncollected customer payments from Federal sources		BA	**–14**						
Offsetting collections from Federal sources			–367	–425	–464	–464	–464	–464	–464
Total HHS service and supply fund (net)		BA							
		O	–1						
Trust funds									
Miscellaneous trust funds:									
Appropriation, mandatory	551	BA	**70**	**70**	**70**	**70**	**70**	**70**	**70**
Outlays		O	53	78	72	70	70	70	70
Total Federal funds Program Support Center		BA	**250**	**262**	**383**	**402**	**425**	**450**	**477**
		O	240	256	384	401	424	448	476
Total Trust funds Program Support Center		BA	**70**	**70**	**70**	**70**	**70**	**70**	**70**
		O	53	78	72	70	70	70	70
Office of the Inspector General									
Federal funds									
General and Special Funds:									
Office of the Inspector General:									
Appropriation, discretionary	551	BA	**42**	**45**	**50**	**51**	**52**	**53**	**54**
Spending authority from offsetting collections, discretionary		BA	**16**	**17**	**12**	**12**	**13**	**13**	**13**
Outlays		O	58	59	62	63	65	65	66
Office of the Inspector General (gross)		BA	**58**	**62**	**62**	**63**	**65**	**66**	**67**
		O	58	59	62	63	65	65	66
Change in uncollected customer payments from Federal sources		BA	**–11**						
Adjustment to uncollected customer payments from Federal sources		BA	**19**						

DEPARTMENT OF HEALTH AND HUMAN SERVICES—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Offsetting collections from Federal sources			–24	–17	–12	–12	–13	–13	–13
Total Office of the Inspector General (net)		BA	**42**	**45**	**50**	**51**	**52**	**53**	**54**
		O	34	42	50	51	52	52	53

Summary

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Federal funds:									
(As shown in detail above)		BA	**294,225**	**331,579**	**348,444**	**365,185**	**387,286**	**412,409**	**440,865**
		O	285,589	322,263	345,501	365,771	387,816	412,191	439,432
Deductions for offsetting receipts:									
Intrafund transactions	551	BA/O			*–132*	*–137*	*–146*	*–156*	*–167*
Proprietary receipts from the public	551	BA/O	*–11*	*–6*	*–6*	*–6*	*–6*	*–6*	*–6*
	552	BA/O	*–15*	*–15*	*–15*	*–15*	*–15*	*–15*	*–15*
	554	BA/O	*–2*	*–2*	*–2*	*–2*	*–2*	*–2*	*–2*
	609	BA/O	*–856*	*–765*	*–789*	*–836*	*–887*	*–917*	*–948*
					[B] *–7*	[B] *–14*	[B] *103*	[B] *164*	[B] *172*
Total Federal funds		BA	**293,341**	**330,791**	**347,493**	**364,175**	**386,333**	**411,477**	**439,899**
		O	284,705	321,475	344,550	364,761	386,863	411,259	438,466
Trust funds:									
(As shown in detail above)		BA	**243,029**	**252,197**	**262,068**	**273,370**	**292,712**	**315,532**	**341,349**
		O	243,095	252,425	261,951	273,609	292,603	315,286	341,603
Deductions for offsetting receipts:									
Proprietary receipts from the public	551	BA/O	*–32*	*–32*	*–32*	*–32*	*–32*	*–32*	*–32*
	571	BA/O	*–23,748*	*–25,622*	*–27,347*	*–29,013*	*–30,984*	*–33,152*	*–35,529*
						[B] *–35*	[B] *–82*	[B] *–95*	[B] *–23*
	908	BA/O	*–5*						
Total Trust funds		BA	**219,244**	**226,543**	**234,689**	**244,290**	**261,614**	**282,253**	**305,765**
		O	219,310	226,771	234,572	244,529	261,505	282,007	306,019
Interfund transactions	551	BA/O	*–580*						
	571	BA/O	*–76,668*	*–88,880*	*–90,347*	*–94,608*	*–100,399*	*–107,258*	*–114,687*
					[J] *19*	[J] *1*	[J] *–102*	[J] *–74*	[J] *–54*
Total Department of Health and Human Services		BA	**435,337**	**468,454**	**491,854**	**513,858**	**547,446**	**586,398**	**630,923**
		O	426,767	459,366	488,794	514,683	547,867	585,934	629,744

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

(In millions of dollars)

Public and Indian Housing Programs

Federal funds

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
General and Special Funds:									
Housing certificate fund:									
Appropriation, discretionary	604	BA	**7,770**	**10,241**	**12,227**	**14,040**	**14,620**	**15,193**	**15,758**
Advance appropriation, discretionary		BA	**4,200**	**4,200**	**4,200**	**4,200**	**4,200**	**4,200**	**4,200**
Outlays		O	16,720	17,771	18,339	18,807	19,169	19,508	19,874
Total Housing certificate fund		BA	**11,970**	**14,441**	**16,427**	**18,240**	**18,820**	**19,393**	**19,958**
		O	16,720	17,771	18,339	18,807	19,169	19,508	19,874
Moving to work:									
Outlays	451	O	2	3					
Public housing capital fund:									
Appropriation, discretionary	604	BA	**2,993**	**2,843**	**2,426**	**2,477**	**2,531**	**2,591**	**2,652**
Outlays		O	3,550	3,656	3,553	3,304	3,283	3,361	3,035
Public housing operating fund:									
Appropriation, discretionary	604	BA	**3,235**	**3,495**	**3,530**	**3,604**	**3,684**	**3,771**	**3,859**
Outlays		O	3,137	3,385	3,459	3,563	3,638	3,721	3,809
Drug elimination grants for low-income housing:									
Appropriation, discretionary	604	BA	**309**	**–11**					
Outlays		O	309	312	247	91			
Revitalization of severely distressed public housing (HOPE VI):									
Appropriation, discretionary	604	BA	**574**	**574**	**574**	**586**	**599**	**613**	**627**

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	487	552	608	691	810	897	546
Native American housing block grant:									
Appropriation, discretionary	604	BA	**649**	**649**	**647**	**661**	**675**	**691**	**707**
Outlays		O	684	711	740	802	639	669	684
Limitation on loan guarantee commitments			(53)	(53)	(17)	(17)	(18)	(18)	(19)
Native Hawaiian Housing Block Grant:									
Appropriation, discretionary	604	BA	....	....	**10**	**10**	**10**	**11**	**11**
Outlays		O	....	....	1	3	5	7	9
Public Enterprise Funds:									
Low-rent public housing—loans and other expenses:									
Authority to borrow, mandatory	604	BA	**25**	**40**	**40**	**40**	**40**	**40**	**40**
Spending authority from offsetting collections, mandatory		BA	**77**	**71**	**74**	**84**	**84**	**84**	**84**
Outlays		O	97	111	114	124	124	124	124
Low-rent public housing—loans and other expenses (gross)		BA	**102**	**111**	**114**	**124**	**124**	**124**	**124**
		O	97	111	114	124	124	124	124
Offsetting collections from Federal sources			–70	–71	–74	–84	–84	–84	–84
Offsetting collections from non-Federal sources			–7	....	....	....	....	....	....
Total Low-rent public housing—loans and other expenses (net)		BA	**25**	**40**	**40**	**40**	**40**	**40**	**40**
		O	20	40	40	40	40	40	40
Credit Accounts:									
Indian housing loan guarantee fund program account:									
Appropriation, discretionary	371	BA	**6**	**6**	**5**	**5**	**5**	**5**	**5**
Outlays		O	1	7	9	9	10	6	6
Limitation on loan guarantee commitments			(72)	(234)	(234)	(239)	(244)	(250)	(256)
Native Hawaiian Housing Loan Guarantee Fund program account:									
Appropriation, discretionary	371	BA	....	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	....	....	1	....	1	1	1
Limitation on loan guarantee commitments			....	(40)	(40)	(41)	(42)	(43)	(44)
Total Federal funds Public and Indian Housing Programs		BA	**19,761**	**22,038**	**23,660**	**25,624**	**26,365**	**27,116**	**27,860**
		O	24,910	26,437	26,997	27,310	27,595	28,210	28,004

Community Planning and Development

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Housing opportunities for persons with AIDS:									
Appropriation, discretionary	604	BA	**257**	**277**	**292**	**298**	**305**	**312**	**319**
Outlays		O	241	250	260	268	276	296	304
Community development block grants:									
Appropriation, discretionary	451	BA	**5,112**	**7,000**	**4,716**	**4,815**	**4,922**	**5,037**	**5,155**
					[J] **16**	[J] **16**	[J] **16**	[J] **16**	[J] **16**
Outlays		O	4,939	5,235	5,878	6,521	5,460	4,936	4,999
						[J] 5	[J] 12	[J] 14	[J] 15
Total Community development block grants		BA	**5,112**	**7,000**	**4,732**	**4,831**	**4,938**	**5,053**	**5,171**
		O	4,939	5,235	5,878	6,526	5,472	4,950	5,014
Empowerment zones/enterprise communities:									
Appropriation, discretionary	451	BA	**185**	**45**	....	....	....	....	....
Outlays		O	31	90	104	68	18	9	2
Brownfields redevelopment:									
Appropriation, discretionary	451	BA	**25**	**25**	**25**	**26**	**26**	**27**	**27**
Outlays		O	4	26	31	39	39	36	27
Youthbuild program:									
Outlays	604	O	....	1	....	....	....	....	....
Home investment partnership program:									
Appropriation, discretionary	604	BA	**1,796**	**1,846**	**2,084**	**2,128**	**2,175**	**2,226**	**2,278**
Outlays		O	1,424	1,551	1,600	2,039	2,163	2,431	2,159
Homeless assistance grants:									
Appropriation, discretionary	604	BA	**1,023**	**1,123**	**1,130**	**1,154**	**1,179**	**1,207**	**1,235**
Outlays		O	965	1,062	1,199	1,299	1,351	1,268	1,260
Emergency food and shelter program:									
Appropriation, discretionary	605	BA			[J] **153**	[J] **153**	[J] **153**	[J] **153**	[J] **153**
Outlays		O			[J] 153	[J] 153	[J] 153	[J] 153	[J] 153
Rural housing and economic development:									
Appropriation, discretionary	604	BA	**25**	**25**	....	....	....	....	....

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	17	25	25	23	8	1	1
Urban development action grants:									
Outlays	451	O	1	15	15	15	15	7	
Capacity building for community development and affordable housing:									
Outlays	451	O	5	2					
Shelter Plus Care Renewals:									
Appropriation, discretionary	604	BA	**100**						
Outlays		O	2	46	52				
Public Enterprise Funds:									
Revolving fund (liquidating programs):									
Spending authority from offsetting collections, mandatory	451	BA	**81**	**1**	**1**	**3**	**3**	**3**	**4**
Outlays		O	5	4	3	2	2	2	2
Revolving fund (liquidating programs) (gross)		BA	**81**	**1**	**1**	**3**	**3**	**3**	**4**
		O	5	4	3	2	2	2	2
Offsetting collections from non-Federal sources			–81	–1	–1	–3	–3	–3	–4
Total Revolving fund (liquidating programs) (net)		BA							
		O	–76	3	2	–1	–1	–1	–2
Credit Accounts:									
Community development loan guarantees program account:									
Appropriation, discretionary	451	BA	**30**	**15**	**7**	**7**	**7**	**7**	**8**
Outlays		O	7	11	15	11	9	7	7
Limitation on loan guarantee commitments			(1,258)	(609)	(275)	(281)	(287)	(294)	(301)
Community development loan guarantees liquidating account:									
Spending authority from offsetting collections, mandatory	451	BA	**19**	**2**	**2**	**2**	**2**	**1**	**1**
Outlays		O	5						
Community development loan guarantees liquidating account (gross)		BA	**19**	**2**	**2**	**2**	**2**	**1**	**1**
		O	5						
Change in uncollected customer payments from Federal sources		BA	**1**						
Offsetting collections from Federal sources			–3						
Offsetting collections from non-Federal sources			–17	–2	–2	–2	–2	–1	–1
Total Community development loan guarantees liquidating account (net)		BA							
		O	–15	–2	–2	–2	–2	–1	–1
Total Federal funds Community Planning and Development		BA	**8,553**	**10,356**	**8,423**	**8,597**	**8,783**	**8,985**	**9,191**
		O	7,545	8,315	9,332	10,438	9,501	9,156	8,924

Housing Programs

Federal funds

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
General and Special Funds:									
Housing for special populations:									
Appropriation, discretionary	604	BA	**994**	**1,024**	**1,024**	**1,045**	**1,069**	**1,094**	**1,119**
Outlays		O	774	847	885	930	907	918	899
Housing counseling assistance:									
Appropriation, discretionary	604	BA			**35**	**36**	**37**	**37**	**38**
Outlays		O			9	32	36	36	38
Other assisted housing programs (Housing assistance):									
(Outlays)	604	O	672	672	672	672	672	672	672
Total Other assisted housing programs		O	672	672	672	672	672	672	672
Homeownership and opportunity for people everywhere grants (HOPE grants):									
Appropriation, discretionary	604	BA	**–3**						
Outlays		O	21	25	1				
Manufactured home inspection and monitoring:									
Appropriation, mandatory	376	BA	**2**						
Outlays		O	8	1					
Public Enterprise Funds:									
Rental housing assistance fund:									
Spending authority from offsetting collections, mandatory	604	BA	**10**	**16**	**16**	**14**	**14**	**13**	**13**

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	13	16	16	14	14	13	13
Rental housing assistance fund (gross)		BA	**10**	**16**	**16**	**14**	**14**	**13**	**13**
		O	13	16	16	14	14	13	13
Offsetting collections from non-Federal sources			–10	–16	–16	–14	–14	–13	–13
Total Rental housing assistance fund (net)		BA							
		O	3						
Flexible subsidy fund:									
Spending authority from offsetting collections, discretionary	604	BA	**15**	**20**	**20**	**20**	**21**	**21**	**22**
Outlays		O	14	12					
Flexible subsidy fund (gross)		BA	**15**	**20**	**20**	**20**	**21**	**21**	**22**
		O	14	12					
Change in uncollected customer payments from Federal sources		BA	**12**						
Offsetting collections from Federal sources			–12	–12	–12	–12	–13	–13	–13
Offsetting collections from interest on Federal securities			–9						
Offsetting collections from non-Federal sources			–6	–8	–8	–8	–8	–9	–9
Total Flexible subsidy fund (net)		BA						**–1**	
		O	–13	–8	–20	–20	–21	–22	–22
Nehemiah housing opportunity fund:									
Outlays	604	O	3	8	5				
Credit Accounts:									
FHA-mutual mortgage insurance program account:									
Appropriation, discretionary	371	BA	**506**	**513**	**449**	**458**	**468**	**479**	**489**
Appropriation, mandatory		BA	**4,026**	**909**					
Outlays		O	4,548	1,452	443	458	467	478	489
Limitation on direct loan activity			(250)	(250)	(50)	(51)	(52)	(53)	(55)
Limitation on loan guarantee commitments			(160,000)	(160,000)	(160,000)	(163,344)	(166,987)	(170,000)	(170,000)
Total FHA-mutual mortgage insurance program account		BA	**4,532**	**1,422**	**449**	**458**	**468**	**479**	**489**
		O	4,548	1,452	443	458	467	478	489
FHA-mutual mortgage and cooperative housing insurance funds liquidating account:									
Spending authority from offsetting collections, mandatory	371	BA	**4,577**	**7,213**	**4,817**	**4,883**	**5,163**	**5,597**	**6,045**
Outlays		O	4,576	1,178	179	149	150	114	83
FHA-mutual mortgage and cooperative housing insurance funds liquidating account (gross)		BA	**4,577**	**7,213**	**4,817**	**4,883**	**5,163**	**5,597**	**6,045**
		O	4,576	1,178	179	149	150	114	83
Change in uncollected customer payments from Federal sources		BA	**150**						
Offsetting collections from Federal sources			–2,922	–5,466	–2,938	–2,785	–2,832	–2,984	–3,163
Offsetting collections from interest on Federal securities			–1,240	–1,363	–1,689	–1,936	–2,190	–2,472	–2,782
Offsetting collections from non-Federal sources			–565	–384	–190	–162	–141	–141	–100
Total FHA-mutual mortgage and cooperative housing insurance funds liquidating account (net)		BA							
		O	–151	–6,035	–4,638	–4,734	–5,013	–5,483	–5,962
FHA-general and special risk program account:									
Appropriation, discretionary	371	BA	**505**	**385**	**342**	**349**	**357**	**364**	**373**
Appropriation, mandatory		BA	**246**	**995**					
Outlays		O	687	1,401	355	348	356	364	372
Limitation on direct loan activity			(50)	(50)	(50)	(51)	(52)	(53)	(55)
Limitation on loan guarantee commitments			(21,000)	(21,000)	(21,000)	(21,439)	(21,917)	(22,430)	(22,957)
Total FHA-general and special risk program account		BA	**751**	**1,380**	**342**	**349**	**357**	**364**	**373**
		O	687	1,401	355	348	356	364	372
FHA-general and special risk insurance funds liquidating account:									
Appropriation, mandatory	371	BA	**2,346**	**879**	**898**	**884**	**660**	**136**	**119**
Authority to borrow, mandatory		BA	**128**	**130**	**125**	**125**	**125**	**125**	**125**
Spending authority from offsetting collections, mandatory		BA	**986**	**720**	**812**	**868**	**934**	**981**	**795**
Outlays		O	1,098	1,998	1,770	1,752	1,594	1,117	914
FHA-general and special risk insurance funds liquidating account (gross)		BA	**3,460**	**1,729**	**1,835**	**1,877**	**1,719**	**1,242**	**1,039**
		O	1,098	1,998	1,770	1,752	1,594	1,117	914

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Change in uncollected customer payments from Federal sources		BA	**39**						
Offsetting collections from Federal sources			–37						
Offsetting collections from non-Federal sources			–988	–720	–812	–868	–934	–981	–795
Total FHA-general and special risk insurance funds liquidating account (net)		BA	**2,474**	**1,009**	**1,023**	**1,009**	**785**	**261**	**244**
		O	73	1,278	958	884	660	136	119
Housing for the elderly or handicapped fund liquidating account:									
Appropriation, mandatory	371	BA	**87**						
Spending authority from offsetting collections, mandatory		BA	**235**	**426**	**296**	**413**	**316**	**201**	**201**
Outlays		O	323	267	222	288	230	201	201
Housing for the elderly or handicapped fund liquidating account (gross)		BA	**322**	**426**	**296**	**413**	**316**	**201**	**201**
		O	323	267	222	288	230	201	201
Offsetting collections from non-Federal sources			–785	–751	–751	–751	–751	–751	–751
Total Housing for the elderly or handicapped fund liquidating account (net)		BA	**–463**	**–325**	**–455**	**–338**	**–435**	**–550**	**–550**
		O	–462	–484	–529	–463	–521	–550	–550
Trust funds									
Manufactured housing fees trust fund:									
Appropriation, discretionary	376	BA		**14**	**13**	**13**	**14**	**14**	**14**
Appropriation, mandatory		BA	**6**						
Outlays		O	4	14	13	14	14	14	14
Total Manufactured housing fees trust fund		BA	**6**	**14**	**13**	**13**	**14**	**14**	**14**
		O	4	14	13	14	14	14	14
Total Federal funds Housing Programs		BA	**8,287**	**4,510**	**2,418**	**2,559**	**2,281**	**1,684**	**1,713**
		O	6,163	–843	–1,859	–1,893	–2,457	–3,451	–3,945
Total Trust funds Housing Programs		BA	**6**	**14**	**13**	**13**	**14**	**14**	**14**
		O	4	14	13	14	14	14	14

Government National Mortgage Association

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
Credit Accounts:									
Guarantees of mortgage-backed securities loan guarantee program account:									
Appropriation, discretionary	371	BA	**9**	**9**	**10**	**10**	**10**	**11**	**11**
Outlays		O	9	9	10	10	10	11	11
Limitation on loan guarantee commitments			(200,000)	(200,000)	(200,000)	(204,180)	(208,733)	(213,618)	(218,638)
Guarantees of mortgage-backed securities liquidating account:									
Appropriation, mandatory	371	BA			**40**	**40**	**40**	**40**	**40**
Spending authority from offsetting collections, mandatory		BA	**402**	**420**	**425**	**427**	**429**	**445**	**464**
Outlays		O	37	42	89	84	81	80	75
Guarantees of mortgage-backed securities liquidating account (gross)		BA	**402**	**420**	**465**	**467**	**469**	**485**	**504**
		O	37	42	89	84	81	80	75
Offsetting collections from interest on Federal securities			–356	–378	–389	–396	–402	–423	–443
Offsetting collections from non-Federal sources			–46	–42	–36	–31	–27	–22	–21
Total Guarantees of mortgage-backed securities liquidating account (net)		BA			**40**	**40**	**40**	**40**	**40**
		O	–365	–378	–336	–343	–348	–365	–389
Total Federal funds Government National Mortgage Association		BA	**9**	**9**	**50**	**50**	**50**	**51**	**51**
		O	–356	–369	–326	–333	–338	–354	–378

Policy Development and Research

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Research and technology:									
Appropriation, discretionary	451	BA	**53**	**48**	**47**	**48**	**49**	**50**	**51**
Outlays		O	64	60	52	47	49	49	51

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Fair Housing and Equal Opportunity *Federal funds*									
General and Special Funds:									
Fair housing activities:									
Appropriation, discretionary	751	BA	**46**	**46**	**46**	**47**	**48**	**49**	**50**
Outlays		O	39	37	46	46	46	47	48
Office of Lead Hazard Control and Healthy Homes *Federal funds*									
General and Special Funds:									
Lead hazard reduction:									
Appropriation, discretionary	451	BA	**100**	**110**	**126**	**129**	**132**	**135**	**138**
Outlays		O	85	95	101	104	110	122	129
Management and Administration *Federal funds*									
General and Special Funds:									
Salaries and expenses									
(Community development):									
(Appropriation, discretionary)	451	BA	**77**	**78**	**71**	**72**	**74**	**76**	**77**
(Spending authority from offsetting collections, discretionary)		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
(Outlays)		O	78	79	73	74	75	76	78
Salaries and expenses (gross)		BA	**78**	**79**	**72**	**73**	**75**	**77**	**78**
		O	78	79	73	74	75	76	78
Offsetting collections from Federal sources			–1	–1	–1	–1	–1	–1	–1
Total (Community development) (net)		BA	**77**	**78**	**71**	**72**	**74**	**76**	**77**
		O	77	78	72	73	74	75	77
(Housing assistance):									
(Appropriation, discretionary)	604	BA	**411**	**421**	**389**	**397**	**405**	**414**	**423**
(Spending authority from offsetting collections, discretionary)		BA	**557**	**565**	**583**	**595**	**607**	**621**	**635**
(Outlays)		O	977	986	977	991	1,011	1,033	1,057
Salaries and expenses (gross)		BA	**1,045**	**1,064**	**1,043**	**1,064**	**1,086**	**1,111**	**1,135**
		O	1,054	1,064	1,049	1,064	1,085	1,108	1,134
Offsetting collections from Federal sources			–557	–565	–583	–595	–607	–621	–635
Total (Housing assistance) (net)		BA	**411**	**421**	**389**	**397**	**405**	**414**	**423**
		O	420	421	394	396	404	412	422
(Federal law enforcement activities):									
(Appropriation, discretionary)	751	BA	**80**	**83**	**77**	**79**	**80**	**82**	**84**
(Outlays)		O	82	83	78	78	80	82	83
Total Salaries and expenses		BA	**568**	**582**	**537**	**548**	**559**	**572**	**584**
		O	579	582	544	547	558	569	582
Office of Inspector General:									
Appropriation, discretionary	451	BA	**56**	**71**	**77**	**79**	**80**	**82**	**84**
Spending authority from offsetting collections, discretionary		BA	**33**	**28**	**24**	**24**	**25**	**26**	**26**
Outlays		O	94	99	99	102	104	108	109
Office of Inspector General (gross)		BA	**89**	**99**	**101**	**103**	**105**	**108**	**110**
		O	94	99	99	102	104	108	109
Offsetting collections from Federal sources			–33	–28	–24	–24	–25	–26	–26
Total Office of Inspector General (net)		BA	**56**	**71**	**77**	**79**	**80**	**82**	**84**
		O	61	71	75	78	79	82	83
Consolidated fee fund:									
Appropriation, discretionary	604	BA	....	**–7**	**–8**	....	....	....	....
Outlays		O	1	1	....	....	....	....	....
Office of Federal Housing Enterprise Oversight:									
Appropriation, discretionary	371	BA	**22**	**27**	**31**	**31**	**32**	**33**	**34**

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	23	26	30	32	32	33	33
Intragovernmental Funds:									
Working capital fund:									
Appropriation, discretionary	451	BA	....	....	**278**	**284**	**290**	**297**	**304**
Spending authority from offsetting collections, mandatory		BA	**336**	**351**	**75**	**75**	**75**	**75**	**75**
Outlays		O	310	351	325	359	364	371	378
Working capital fund (gross)		BA	**336**	**351**	**353**	**359**	**365**	**372**	**379**
		O	310	351	325	359	364	371	378
Change in uncollected customer payments from Federal sources		BA	**62**	....	....	....	....	....	....
Offsetting collections from Federal sources			–398	–351	–75	–75	–75	–75	–75
Total Working capital fund (net)		BA	....	....	**278**	**284**	**290**	**297**	**304**
		O	–88	....	250	284	289	296	303
Total Federal funds Management and Administration		BA	**646**	**673**	**915**	**942**	**961**	**984**	**1,006**
		O	576	680	899	941	958	980	1,001

Summary

Account			2001 actual	2002	2003	2004	2005	2006	2007
Federal funds:									
(As shown in detail above)		BA	**37,455**	**37,790**	**35,685**	**37,996**	**38,669**	**39,054**	**40,060**
		O	39,026	34,412	35,242	36,660	35,464	34,759	33,834
Deductions for offsetting receipts:									
Intrafund transactions	371	BA/O	*–4,026*	*–909*	....	....	....	....	....
Proprietary receipts from the public	371	BA/O	*–982*	*–2,528*	*–611*	*–611*	*–611*	*–611*	*–586*
Offsetting governmental receipts	371	BA/O	*–22*	*–27*	*–31*	*–31*	*–31*	*–31*	*–31*
Total Federal funds		BA	**32,425**	**34,326**	**35,043**	**37,354**	**38,027**	**38,412**	**39,443**
		O	33,996	30,948	34,600	36,018	34,822	34,117	33,217
Trust funds:									
(As shown in detail above)		BA	**6**	**14**	**13**	**13**	**14**	**14**	**14**
		O	4	14	13	14	14	14	14
Deductions for offsetting receipts:									
Offsetting governmental receipts	376	BA/O	*–6*	*–14*	*–13*	*–13*	*–13*	*–13*	*–13*
Total Trust funds		BA	....	....	....	....	**1**	**1**	**1**
		O	–2	....	....	1	1	1	1
Total Department of Housing and Urban Development		BA	**32,425**	**34,326**	**35,043**	**37,354**	**38,028**	**38,413**	**39,444**
		O	33,994	30,948	34,600	36,019	34,823	34,118	33,218

DEPARTMENT OF THE INTERIOR

(In millions of dollars)

Land and Minerals Management

Bureau of Land Management

Federal funds

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
General and Special Funds:									
Management of lands and resources:									
Appropriation, discretionary	302	BA	**797**	**812**	**849**	**866**	**884**	**905**	**925**
Spending authority from offsetting collections, discretionary		BA	**47**	**56**	**57**	**58**	**59**	**60**	**62**
Outlays		O	776	858	868	919	938	960	982
Management of lands and resources (gross)		BA	**844**	**868**	**906**	**924**	**943**	**965**	**987**
		O	776	858	868	919	938	960	982
Change in uncollected customer payments from Federal sources		BA	**4**	....	....	....	....	....	....
Offsetting collections from Federal sources			–19	–24	–24	–24	–25	–25	–26
Offsetting collections from non-Federal sources			–32	–32	–33	–34	–34	–35	–36
Total Management of lands and resources (net)		BA	**797**	**812**	**849**	**866**	**884**	**905**	**925**
		O	725	802	811	861	879	900	920

DEPARTMENT OF THE INTERIOR—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Construction:									
Appropriation, discretionary	302	BA	**19**	**13**	**11**	**11**	**11**	**12**	**12**
Outlays		O	9	12	18	14	11	12	12
Payments in lieu of taxes:									
Appropriation, discretionary	806	BA	**199**	**210**	**165**	**168**	**173**	**176**	**180**
Outlays		O	197	214	165	168	173	176	180
Oregon and California grant lands:									
Appropriation, discretionary	302	BA	**109**	**110**	**111**	**113**	**116**	**118**	**121**
Outlays		O	110	111	115	112	115	118	119
Wildland fire management:									
Appropriation, discretionary	302	BA	**896**	**700**	**676**	**690**	**705**	**721**	**737**
Spending authority from offsetting collections, discretionary		BA	**20**	**21**	**21**	**21**	**22**	**22**	**23**
Outlays		O	691	772	769	706	721	737	755
Wildland fire management (gross)		BA	**916**	**721**	**697**	**711**	**727**	**743**	**760**
		O	691	772	769	706	721	737	755
Change in uncollected customer payments from Federal sources		BA	**1**						
Offsetting collections from Federal sources			–21	–21	–21	–21	–22	–22	–23
Total Wildland fire management (net)		BA	**896**	**700**	**676**	**690**	**705**	**721**	**737**
		O	670	751	748	685	699	715	732
Central hazardous materials fund:									
Appropriation, discretionary	304	BA	**10**	**10**	**10**	**10**	**10**	**11**	**11**
Outlays		O	8	11	12	17	10	10	11
Land acquisition:									
Appropriation, discretionary	302	BA	**62**	**50**	**45**	**46**	**47**	**48**	**49**
Spending authority from offsetting collections, discretionary		BA	**6**						
Outlays		O	48	47	55	47	46	47	48
Land acquisition (gross)		BA	**68**	**50**	**45**	**46**	**47**	**48**	**49**
		O	48	47	55	47	46	47	48
Change in uncollected customer payments from Federal sources		BA	**3**						
Offsetting collections from Federal sources			–9						
Total Land acquisition (net)		BA	**62**	**50**	**45**	**46**	**47**	**48**	**49**
		O	39	47	55	47	46	47	48
Range improvements:									
Appropriation, mandatory	302	BA	**10**	**10**	**10**	**10**	**10**	**10**	**10**
Outlays		O	8	10	10	10	10	10	10
Service charges, deposits, and forfeitures:									
Appropriation, discretionary	302	BA	**17**	**9**	**8**	**8**	**8**	**8**	**9**
Outlays		O	15	11	9	9	9	9	9
Permanent operating funds:									
Appropriation, mandatory	302	BA	**80**	**102**	**113**	**73**	**73** [B] **9**	**72** [B] **9**	**72** [B] **9**
Outlays		O	36	63	102	95	74 [B] 6	73 [B] 8	72 [B] 8
Total Permanent operating funds		BA	**80**	**102**	**113**	**73**	**82**	**81**	**81**
		O	36	63	102	95	80	81	80
Miscellaneous permanent payment accounts									
(Conservation and land management):									
(Appropriation, mandatory)	302	BA	**7**	**15**	**27**	**12**	**12**	**12**	**12**
(Outlays)		O	7	14	26	14	12	12	12
(General purpose fiscal assistance):									
(Appropriation, mandatory)	806	BA	**13**	**114**	**115**	**120**	**129**	**124**	**50**
(Outlays)		O	9	108	115	120	129	124	54
Total Miscellaneous permanent payment accounts		BA	**20**	**129**	**142**	**132**	**141**	**136**	**62**
		O	16	122	141	134	141	136	66
Payment to Alaska, Arctic National Wildlife Refuge:									
Appropriation, mandatory	806	BA				[B] **1,201**	[B] **1**	[B] **101**	[B] **1**
Outlays		O				[B] 1,201	[B] 1	[B] 101	[B] 1
Public Enterprise Funds:									
Helium fund:									
Spending authority from offsetting collections, mandatory	306	BA	**4**	**15**	**15**	**15**	**15**	**15**	**15**

DEPARTMENT OF THE INTERIOR—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	3	10	12	13	15	15	15
Helium fund (gross)		BA	**4**	**15**	**15**	**15**	**15**	**15**	**15**
		O	3	10	12	13	15	15	15
Change in uncollected customer payments from Federal sources		BA	**10**	....	....	....	....	....	....
Offsetting collections from non-Federal sources			–12	–10	–10	–9	–9	–9	–9
Offsetting governmental collections (from non-Federal sources)			–2	–5	–5	–4	–4	–4	–4
Total Helium fund (net)		BA	....	....	....	**2**	**2**	**2**	**2**
		O	–11	–5	–3	....	2	2	2
Intragovernmental Funds:									
Working capital fund:									
Spending authority from offsetting collections, discretionary	302	BA	**47**	**27**	**27**	**28**	**28**	**29**	**30**
Outlays		O	35	13	31	32	32	34	34
Working capital fund (gross)		BA	**47**	**27**	**27**	**28**	**28**	**29**	**30**
		O	35	13	31	32	32	34	34
Offsetting collections from Federal sources			–47	–27	–27	–28	–28	–29	–30
Total Working capital fund (net)		BA	....	....	....	....	....	....	....
		O	–12	–14	4	4	4	5	4
Trust funds									
Miscellaneous trust funds:									
Appropriation, mandatory	302	BA	**13**	**15**	**14**	**15**	**15**	**15**	**15**
Outlays		O	14	15	15	15	15	15	15
Total Federal funds Bureau of Land Management		BA	**2,219**	**2,155**	**2,140**	**3,330**	**2,190**	**2,329**	**2,200**
		O	1,810	2,135	2,187	3,357	2,180	2,322	2,194
Total Trust funds Bureau of Land Management		BA	**13**	**15**	**14**	**15**	**15**	**15**	**15**
		O	14	15	15	15	15	15	15

Minerals Management Service

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Royalty and offshore minerals management:									
Appropriation, discretionary	302	BA	**143**	**161**	**174**	**177**	**181**	**185**	**189**
Spending authority from offsetting collections, discretionary		BA	**109**	**105**	**102**	**104**	**106**	**109**	**111**
Spending authority from offsetting collections, mandatory		BA	**295**	**200**	**201**	**201**	**201**	**201**	**201**
Outlays		O	480	463	475	476	487	492	500
Royalty and offshore minerals management (gross)		BA	**547**	**466**	**477**	**482**	**488**	**495**	**501**
		O	480	463	475	476	487	492	500
Change in uncollected customer payments from Federal sources		BA	**–66**	....	....	....	....	....	....
Offsetting collections from Federal sources			–229	–200	–201	–201	–201	–201	–201
Offsetting collections from non-Federal sources			–109	–105	–102	–104	–106	–109	–111
Total Royalty and offshore minerals management (net)		BA	**143**	**161**	**174**	**177**	**181**	**185**	**189**
		O	142	158	172	171	180	182	188
Mineral leasing and associated payments (General purpose fiscal assistance):									
(Appropriation, mandatory)	806	BA	**1,045**	**666**	**670**	**693**	**695**	**728**	**748**
(Outlays)		O	1,045	666	670	693	695	728	748
Total Mineral leasing and associated payments		BA	**1,045**	**666**	**670**	**693**	**695**	**728**	**748**
		O	1,045	666	670	693	695	728	748
National forests fund, Payment to States:									
Appropriation, mandatory	302	BA	**4**	**3**	**3**	**4**	**4**	**4**	**4**
Outlays		O	4	3	3	4	4	4	4
Leases of lands acquired for flood control, navigation, and allied purposes:									
Appropriation, mandatory	302	BA	**2**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	2	1	1	1	1	1	1

DEPARTMENT OF THE INTERIOR—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Trust funds									
Oil spill research:									
Appropriation, discretionary	302	BA	**6**	**6**	**6**	**6**	**6**	**6**	**7**
Outlays		O	6	6	7	7	8	8	8
Total Federal funds Minerals Management Service		BA	**1,194**	**831**	**848**	**875**	**881**	**918**	**942**
		O	1,193	828	846	869	880	915	941
Total Trust funds Minerals Management Service		BA	**6**	**6**	**6**	**6**	**6**	**6**	**7**
		O	6	6	7	7	8	8	8
Office of Surface Mining Reclamation and Enforcement									
Federal funds									
General and Special Funds:									
Regulation and technology:									
Appropriation, discretionary	302	BA	**104**	**106**	**108**	**110**	**113**	**115**	**118**
Spending authority from offsetting collections, discretionary		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	96	113	111	111	113	115	118
Regulation and technology (gross)		BA	**105**	**107**	**109**	**111**	**114**	**116**	**119**
		O	96	113	111	111	113	115	118
Offsetting collections from Federal sources			–1	–1	–1	–1	–1	–1	–1
Total Regulation and technology (net)		BA	**104**	**106**	**108**	**110**	**113**	**115**	**118**
		O	95	112	110	110	112	114	117
Abandoned mine reclamation fund									
(Conservation and land management):									
(Appropriation, discretionary)	302	BA	**216**	**204**	**175**	**179**	**183**	**187**	**191**
(Outlays)		O	162	138	138	162	188	184	184
(Health care services):									
(Appropriation, mandatory)	551	BA	**182**	**90**	**70**	**70**	**70**	**70**	**70**
(Outlays)		O	182	90	70	70	70	70	70
Total Abandoned mine reclamation fund		BA	**398**	**294**	**245**	**249**	**253**	**257**	**261**
		O	344	228	208	232	258	254	254
Total Federal funds Office of Surface Mining Reclamation and Enforcement		BA	**502**	**400**	**353**	**359**	**366**	**372**	**379**
		O	439	340	318	342	370	368	371
Total Federal funds Land and Minerals Management		BA	**3,915**	**3,386**	**3,341**	**4,564**	**3,437**	**3,619**	**3,521**
		O	3,442	3,303	3,351	4,568	3,430	3,605	3,506
Total Trust funds Land and Minerals Management		BA	**19**	**21**	**20**	**21**	**21**	**21**	**22**
		O	20	21	22	22	23	23	23
Water and Science									
Bureau of Reclamation									
Federal funds									
General and Special Funds:									
Water and related resources:									
Appropriation, discretionary	301	BA	**651**	**748**	**675**	**689**	**704**	**720**	**737**
Spending authority from offsetting collections, discretionary		BA	**158**	**197**	**186**	**190**	**194**	**198**	**203**
Outlays		O	809	923	896	871	891	910	931
Water and related resources (gross)		BA	**809**	**945**	**861**	**879**	**898**	**918**	**940**
		O	809	923	896	871	891	910	931
Change in uncollected customer payments from Federal sources		BA	**5**	....	....	....	....	....	....
Offsetting collections from Federal sources			–115	–152	–138	–141	–144	–147	–151
Offsetting collections from non-Federal sources			–48	–45	–48	–49	–50	–52	–52
Total Water and related resources (net)		BA	**651**	**748**	**675**	**689**	**704**	**719**	**737**
		O	646	726	710	681	697	711	728
California Bay-Delta restoration:									
Appropriation, discretionary	301	BA	....	....	**15**	**15**	**16**	**16**	**16**
Outlays		O	44	110	5	15	15	16	16

DEPARTMENT OF THE INTERIOR—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Policy and administration:									
Appropriation, discretionary	301	BA	**61**	**64**	**67**	**68**	**69**	**71**	**72**
Outlays		O	59	69	67	69	70	71	72
Central Valley project restoration fund:									
Appropriation, discretionary	301	BA	**38**	**55**	**49**	**50**	**51**	**52**	**54**
Outlays		O	37	85	50	50	51	52	53
Colorado River dam fund, Boulder Canyon project:									
Appropriation, mandatory	301	BA	**66**	**80**	**80**	**80**	**80**	**80**	**80**
Outlays		O	66	57	79	79	79	78	78
San Gabriel Basin restoration fund:									
Appropriation, discretionary	301	BA	**23**	**21**	**5**	**5**	**5**	**5**	**5**
Outlays		O	...	25	14	5	5	5	5
Public Enterprise Funds:									
Lower Colorado River Basin development fund:									
Appropriation, discretionary	301	BA	**38**	**31**	**34**	**35**	**35**	**36**	**37**
Spending authority from offsetting collections, mandatory		BA	**126**	**138**	**99**	**99**	**382**	**155**	**154**
Outlays		O	121	175	146	133	199	259	169
Lower Colorado River Basin development fund (gross)		BA	**164**	**169**	**133**	**134**	**417**	**191**	**191**
		O	121	175	146	133	199	259	169
Change in uncollected customer payments from Federal sources		BA	**–8**	...	...	...	...	...	...
Offsetting collections from non-Federal sources			–118	–138	–99	–99	–382	–155	–154
Total Lower Colorado River Basin development fund (net)		BA	**38**	**31**	**34**	**35**	**35**	**36**	**37**
		O	3	37	47	34	–183	104	15
Upper Colorado River Basin fund:									
Appropriation, discretionary	301	BA	**2**	**15**	**31**	**32**	**32**	**33**	**34**
Spending authority from offsetting collections, mandatory		BA	**54**	**136**	**66**	**66**	**66**	**66**	**66**
Outlays		O	56	51	119	97	98	99	99
Upper Colorado River Basin fund (gross)		BA	**56**	**151**	**97**	**98**	**98**	**99**	**100**
		O	56	51	119	97	98	99	99
Offsetting collections from non-Federal sources			–54	–136	–66	–66	–66	–66	–66
Total Upper Colorado River Basin fund (net)		BA	**2**	**15**	**31**	**32**	**32**	**33**	**34**
		O	2	–85	53	31	32	33	33
Intragovernmental Funds:									
Working capital fund:									
Spending authority from offsetting collections, discretionary	301	BA	**292**	**294**	**303**	**309**	**316**	**324**	**331**
Outlays		O	298	261	301	308	315	322	330
Working capital fund (gross)		BA	**292**	**294**	**303**	**309**	**316**	**324**	**331**
		O	298	261	301	308	315	322	330
Change in uncollected customer payments from Federal sources		BA	**1**	...	...	...	...	...	...
Offsetting collections from Federal sources			–293	–294	–303	–309	–316	–324	–331
Total Working capital fund (net)		BA	...	...	...	...	...	...	...
		O	5	–33	–2	–1	–1	–2	–1
Credit Accounts:									
Bureau of Reclamation loan program account:									
Appropriation, discretionary	301	BA	**9**	**7**	...	...	...	...	...
Appropriation, mandatory		BA	**3**	...	...	...	...	...	...
Outlays		O	13	12	3	...	...	...	...
Limitations on direct loan activity			(27)	(26)	...	...	...	...	...
Total Bureau of Reclamation loan program account		BA	**12**	**7**	...	...	...	...	...
		O	13	12	3	...	...	...	...
Bureau of Reclamation loan liquidating account:									
Offsetting collections from non-Federal sources	301		...	–4	–3	–4	–3	–2	–2
Total Bureau of Reclamation loan liquidating account (net)		BA	...	**–4**	**–3**	**–4**	**–3**	**–2**	**–2**
		O	...	–4	–3	–4	–3	–2	–2

DEPARTMENT OF THE INTERIOR—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Trust funds									
Reclamation trust funds:									
Appropriation, mandatory	301	BA	**28**	**24**					
Spending authority from offsetting collections, mandatory		BA	**18**						
Outlays		O	33	71	5				
Reclamation trust funds (gross)		BA	**46**	**24**					
		O	33	71	5				
Offsetting collections from Federal sources			–18						
Total Reclamation trust funds (net)		BA	**28**	**24**					
		O	15	71	5				
Total Federal funds Bureau of Reclamation		BA	**891**	**1,017**	**953**	**970**	**989**	**1,010**	**1,033**
		O	875	999	1,023	959	762	1,066	997
Total Trust funds Bureau of Reclamation		BA	**28**	**24**					
		O	15	71	5				
Central Utah Project									
Federal funds									
General and Special Funds:									
Central Utah Project completion account:									
Appropriation, discretionary	301	BA	**26**	**25**	**25**	**26**	**26**	**27**	**27**
Outlays		O	31	25	25	25	26	26	27
Utah reclamation mitigation and conservation account:									
Appropriation, discretionary	301	BA	**21**	**14**	**11**	**11**	**11**	**12**	**12**
Outlays		O	15	20	13	11	11	12	12
Total Federal funds Central Utah Project		BA	**47**	**39**	**36**	**37**	**37**	**39**	**39**
		O	46	45	38	36	37	38	39
United States Geological Survey									
Federal funds									
General and Special Funds:									
Surveys, investigations, and research:									
Appropriation, discretionary	306	BA	**920**	**950**	**904**	**922**	**942**	**963**	**984**
Spending authority from offsetting collections, discretionary		BA	**371**	**365**	**345**	**352**	**360**	**368**	**377**
Outlays		O	1,254	1,279	1,258	1,273	1,298	1,327	1,358
Surveys, investigations, and research (gross)		BA	**1,291**	**1,315**	**1,249**	**1,274**	**1,302**	**1,331**	**1,361**
		O	1,254	1,279	1,258	1,273	1,298	1,327	1,358
Change in uncollected customer payments from Federal sources		BA	**–141**						
Adjustment to uncollected customer payments from Federal sources		BA	**124**						
Offsetting collections from Federal sources			–318	–327	–311	–317	–325	–332	–340
Offsetting collections from non-Federal sources			–36	–38	–34	–34	–35	–36	–37
Total Surveys, investigations, and research (net)		BA	**920**	**950**	**904**	**923**	**942**	**963**	**984**
		O	900	914	913	922	938	959	981
Intragovernmental Funds:									
Working capital fund:									
Spending authority from offsetting collections, mandatory	306	BA	**67**	**40**	**38**	**49**	**45**	**43**	**44**
Outlays		O	40	49	45	50	48	43	44
Working capital fund (gross)		BA	**67**	**40**	**38**	**49**	**45**	**43**	**44**
		O	40	49	45	50	48	43	44
Change in uncollected customer payments from Federal sources		BA	**–17**						
Offsetting collections from Federal sources			–50	–40	–38	–49	–45	–43	–44
Total Working capital fund (net)		BA							
		O	–10	9	7	1	3		
Trust funds									
Contributed funds:									
Appropriation, mandatory	306	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**

DEPARTMENT OF THE INTERIOR—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	1	1	1	1	1	1	1
Total Federal funds United States Geological Survey		BA	**920**	**950**	**904**	**923**	**942**	**963**	**984**
		O	890	923	920	923	941	959	981
Total Trust funds United States Geological Survey		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
		O	1	1	1	1	1	1	1
Bureau of Mines									
Federal funds									
General and Special Funds:									
Mines and minerals:									
Outlays	306	O	....	3	....	....	....	....	....
Total Federal funds Water and Science		BA	**1,858**	**2,006**	**1,893**	**1,930**	**1,968**	**2,012**	**2,056**
		O	1,811	1,970	1,981	1,918	1,740	2,063	2,017
Total Trust funds Water and Science		BA	**29**	**25**	**1**	**1**	**1**	**1**	**1**
		O	16	72	6	1	1	1	1
Fish and Wildlife and Parks									
United States Fish and Wildlife Service									
Federal funds									
General and Special Funds:									
Resource management:									
Appropriation, discretionary	302	BA	**835**	**881**	**935**	**953**	**975**	**996**	**1,019**
Spending authority from offsetting collections, discretionary		BA	**113**	**98**	**98**	**100**	**102**	**105**	**107**
Outlays		O	899	920	1,082	1,093	1,116	1,110	1,134
Resource management (gross)		BA	**948**	**979**	**1,033**	**1,053**	**1,077**	**1,101**	**1,126**
		O	899	920	1,082	1,093	1,116	1,110	1,134
Change in uncollected customer payments from Federal sources		BA	**–16**	....	....	....	....	....	....
Adjustment to uncollected customer payments from Federal sources		BA	**11**	....	....	....	....	....	....
Offsetting collections from Federal sources			–87	–76	–76	–78	–79	–81	–83
Offsetting collections from non-Federal sources			–12	–12	–12	–12	–13	–13	–13
Offsetting governmental collections (from non-Federal sources)			–9	–10	–10	–10	–10	–11	–11
Total Resource management (net)		BA	**835**	**881**	**935**	**953**	**975**	**996**	**1,019**
		O	791	822	984	993	1,014	1,005	1,027
Construction:									
Appropriation, discretionary	302	BA	**109**	**57**	**36**	**37**	**38**	**38**	**39**
Spending authority from offsetting collections, discretionary		BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	83	87	68	66	50	49	41
Construction (gross)		BA	**111**	**59**	**38**	**39**	**40**	**40**	**41**
		O	83	87	68	66	50	49	41
Offsetting collections from Federal sources			–2	–2	–2	–2	–2	–2	–2
Total Construction (net)		BA	**109**	**57**	**36**	**37**	**38**	**38**	**39**
		O	81	85	66	64	48	47	39
Multinational species conservation fund:									
Appropriation, discretionary	302	BA	**3**	**7**	**5**	**5**	**5**	**5**	**5**
Outlays		O	3	6	6	6	6	6	6
Commercial salmon fishery capacity reduction:									
Outlays	302	O	....	5	....	....	....	....	....
State and tribal wildlife grants:									
Appropriation, discretionary	302	BA	**50**	**60**	**60**	**61**	**62**	**64**	**65**
Outlays		O	....	19	39	57	60	62	63
Land acquisition:									
Appropriation, discretionary	302	BA	**139**	**100**	**71**	**72**	**74**	**76**	**78**
Spending authority from offsetting collections, discretionary		BA	**9**	**10**	....	....	....	....	....

DEPARTMENT OF THE INTERIOR—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	99	115	95	86	73	75	76
Land acquisition (gross)		BA	**148**	**110**	**71**	**72**	**74**	**76**	**78**
		O	99	115	95	86	73	75	76
Change in uncollected customer payments from Federal sources		BA	**–1**						
Offsetting collections from Federal sources			–8	–10					
Total Land acquisition (net)		BA	**139**	**100**	**71**	**72**	**74**	**76**	**78**
		O	91	105	95	86	73	75	76
Landowner incentive program:									
Appropriation, discretionary	302	BA		**40**	**50**	**51**	**52**	**53**	**55**
Outlays		O		6	16	32	48	51	52
Stewardship grants:									
Appropriation, discretionary	302	BA		**10**	**10**	**10**	**10**	**11**	**11**
Outlays		O		2	4	8	11	11	11
Wildlife conservation and appreciation fund:									
Appropriation, discretionary	302	BA	**1**						
Outlays		O	1						
Migratory bird conservation account:									
Appropriation, mandatory	303	BA	**42**	**42**	**42**	**42**	**42**	**42**	**42**
Outlays		O	45	42	42	42	42	42	42
North American wetlands conservation fund:									
Appropriation, discretionary	302	BA	**40**	**44**	**44**	**45**	**46**	**47**	**48**
Appropriation, mandatory		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	16	43	45	45	46	48	49
Total North American wetlands conservation fund		BA	**41**	**45**	**45**	**46**	**47**	**48**	**49**
		O	16	43	45	45	46	48	49
Cooperative endangered species conservation fund:									
Appropriation, discretionary	302	BA	**105**	**96**	**91**	**93**	**95**	**97**	**99**
Appropriation, mandatory		BA	**33**	**36**	**34**	**38**	**40**	**41**	**42**
Outlays		O	53	104	133	131	132	136	138
Total Cooperative endangered species conservation fund		BA	**138**	**132**	**125**	**131**	**135**	**138**	**141**
		O	53	104	133	131	132	136	138
National wildlife refuge fund:									
Appropriation, discretionary	806	BA	**11**	**14**	**14**	**14**	**15**	**15**	**15**
Appropriation, mandatory		BA	**6**	**7**	**7**	**8**	**8**	**8**	**8**
Outlays		O	18	21	21	21	23	23	23
Total National wildlife refuge fund		BA	**17**	**21**	**21**	**22**	**23**	**23**	**23**
		O	18	21	21	21	23	23	23
Recreational fee demonstration program:									
Appropriation, mandatory	303	BA	**4**	**5**	**5**	**5**	**5**	**5**	**5**
							[B] **5**	[B] **5**	[B] **5**
Outlays		O	4	5	6	6	5	5	5
							[B] 3	[B] 3	[B] 3
Total Recreational fee demonstration program		BA	**4**	**5**	**5**	**5**	**10**	**10**	**10**
		O	4	5	6	6	8	8	8
Federal aid in wildlife restoration:									
Appropriation, discretionary	303	BA	**50**						
Appropriation, mandatory		BA	**289**	**213**	**226**	**236**	**257**	**265**	**281**
Outlays		O	273	232	276	229	229	242	256
Total Federal aid in wildlife restoration		BA	**339**	**213**	**226**	**236**	**257**	**265**	**281**
		O	273	232	276	229	229	242	256
Miscellaneous permanent appropriations:									
Appropriation, mandatory	302	BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	3	3	3	3	3	3	3
Trust funds									
Sport fish restoration:									
Appropriation, mandatory	303	BA	**301**	**357**	**338**	**387**	**407**	**418**	**433**
Outlays		O	291	312	331	391	379	396	416

DEPARTMENT OF THE INTERIOR—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Contributed funds:									
Appropriation, mandatory	302	BA	**5**	**4**	**4**	**4**	**4**	**4**	**4**
Outlays		O	2	2	4	4	4	4	4
Total Federal funds United States Fish and Wildlife Service		BA	**1,721**	**1,616**	**1,634**	**1,674**	**1,733**	**1,772**	**1,821**
		O	1,379	1,500	1,736	1,723	1,743	1,759	1,793
Total Trust funds United States Fish and Wildlife Service		BA	**306**	**361**	**342**	**391**	**411**	**422**	**437**
		O	293	314	335	395	383	400	420
National Park Service									
Federal funds									
General and Special Funds:									
Operation of the national park system:									
Appropriation, discretionary	303	BA	**1,445**	**1,545**	**1,645**	**1,678**	**1,714**	**1,752**	**1,792**
Spending authority from offsetting collections, discretionary		BA	**17**	**17**	**17**	**17**	**18**	**18**	**18**
Outlays		O	1,433	1,527	1,639	1,687	1,723	1,761	1,802
Operation of the national park system (gross)		BA	**1,462**	**1,562**	**1,662**	**1,695**	**1,732**	**1,770**	**1,810**
		O	1,433	1,527	1,639	1,687	1,723	1,761	1,802
Offsetting collections from non-Federal sources			–17	–17	–17	–17	–18	–18	–18
Total Operation of the national park system (net)		BA	**1,445**	**1,545**	**1,645**	**1,678**	**1,714**	**1,752**	**1,792**
		O	1,416	1,510	1,622	1,670	1,705	1,743	1,784
United States park police:									
Appropriation, discretionary	303	BA	**83**	**93**	**81**	**83**	**84**	**86**	**88**
Outlays		O	72	82	84	83	84	85	88
Contribution for annuity benefits:									
Appropriation, mandatory	303	BA	....	**23**	**25**	**27**	**30**	**32**	**33**
Outlays		O	....	23	25	27	30	32	33
National recreation and preservation:									
Appropriation, discretionary	303	BA	**61**	**67**	**48**	**49**	**50**	**51**	**52**
Spending authority from offsetting collections, discretionary		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	56	67	57	51	51	52	52
National recreation and preservation (gross)		BA	**62**	**68**	**49**	**50**	**51**	**52**	**53**
		O	56	67	57	51	51	52	52
Offsetting governmental collections (from non-Federal sources)			–1	–1	–1	–1	–1	–1	–1
Total National recreation and preservation (net)		BA	**61**	**67**	**48**	**49**	**50**	**51**	**52**
		O	55	66	56	50	50	51	51
Urban park and recreation fund:									
Appropriation, discretionary	303	BA	**30**	**30**	....	....	....	....	....
Outlays		O	1	8	21	23	8	....	....
Construction and major maintenance:									
Appropriation, discretionary	303	BA	**399**	**390**	**324**	**331**	**338**	**346**	**354**
Spending authority from offsetting collections, discretionary		BA	**81**	**76**	**77**	**79**	**80**	**82**	**84**
Outlays		O	299	437	453	452	439	419	424
Construction and major maintenance (gross)		BA	**480**	**466**	**401**	**410**	**418**	**428**	**438**
		O	299	437	453	452	439	419	424
Change in uncollected customer payments from Federal sources		BA	**5**	....	....	....	....	....	....
Offsetting collections from Federal sources			–51	–41	–42	–43	–44	–45	–46
Offsetting collections from non-Federal sources			–35	–35	–35	–36	–37	–37	–38
Total Construction and major maintenance (net)		BA	**399**	**390**	**324**	**331**	**337**	**346**	**354**
		O	213	361	376	373	358	337	340
Land acquisition and State assistance:									
Appropriation, discretionary	303	BA	**267**	**275**	**287**	**293**	**300**	**307**	**314**
Contract authority, discretionary		BA	**–30**	**–30**	**–30**	**–31**	**–31**	**–32**	**–33**
Contract authority, mandatory		BA	**30**	**30**	**30**	**30**	**30**	**30**	**30**
Spending authority from offsetting collections, discretionary		BA	**–34**	....	....	....	....	....	....

DEPARTMENT OF THE INTERIOR—Continued

(In millions of dollars)

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
Outlays		O	107	166	194	190	239	283	298
Land acquisition and State assistance (gross)		BA	**233**	**275**	**287**	**292**	**299**	**305**	**311**
		O	107	166	194	190	239	283	298
Change in uncollected customer payments from Federal sources		BA	**41**						
Offsetting collections from Federal sources			–7						
Total Land acquisition and State assistance (net)		BA	**267**	**275**	**287**	**292**	**299**	**305**	**311**
		O	100	166	194	190	239	283	298
Recreation fee permanent appropriations:									
Appropriation, mandatory	303	BA	**156**	**159**	**157**	**163**	**43**	**43**	**43**
							B **135**	*B* **136**	*B* **137**
Contract authority, mandatory		BA	**1**						
Outlays		O	115	184	180	173	159	117	83
							B 17	*B* 40	*B* 81
Total Recreation fee permanent appropriations		BA	**157**	**159**	**157**	**163**	**178**	**179**	**180**
		O	115	184	180	173	176	157	164
Historic preservation fund:									
Appropriation, discretionary	303	BA	**94**	**74**	**67**	**69**	**70**	**72**	**73**
Outlays		O	55	127	89	93	78	77	72
Other permanent appropriations:									
Appropriation, mandatory	303	BA	**67**	**66**	**72**	**76**	**77**	**79**	**80**
Outlays		O	49	71	83	87	94	90	75
Trust funds									
Construction (trust fund):									
Outlays	401	O	1	2	4	1			
Miscellaneous trust funds:									
Appropriation, mandatory	303	BA	**28**	**20**	**27**	**27**	**27**	**27**	**27**
Outlays		O	17	20	27	27	27	27	27
Total Federal funds National Park Service		BA	**2,603**	**2,722**	**2,706**	**2,768**	**2,839**	**2,902**	**2,963**
		O	2,076	2,598	2,730	2,769	2,822	2,855	2,905
Total Trust funds National Park Service		BA	**28**	**20**	**27**	**27**	**27**	**27**	**27**
		O	18	22	31	28	27	27	27
Total Federal funds Fish and Wildlife and Parks		BA	**4,324**	**4,338**	**4,340**	**4,442**	**4,572**	**4,674**	**4,784**
		O	3,455	4,098	4,466	4,492	4,565	4,614	4,698
Total Trust funds Fish and Wildlife and Parks		BA	**334**	**381**	**369**	**418**	**438**	**449**	**464**
		O	311	336	366	423	410	427	447

Indian Affairs

Bureau of Indian Affairs

Federal funds

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
General and Special Funds:									
Operation of Indian programs									
(Conservation and land management):									
(Appropriation, discretionary)	302	BA	**147**	**143**	**138**	**141**	**144**	**147**	**151**
(Spending authority from offsetting collections, discretionary)		BA	**3**	**2**	**3**	**3**	**3**	**3**	**3**
(Outlays)		O	177	143	188	143	146	149	152
Operation of Indian programs (gross)		BA	**150**	**145**	**141**	**144**	**147**	**150**	**154**
		O	177	143	188	143	146	149	152
Offsetting collections from Federal sources			–1	–1	–2	–2	–2	–2	–2
Offsetting collections from non-Federal sources			–1	–1	–1	–1	–1	–1	–1
Total (Conservation and land management) (net)		BA	**148**	**143**	**138**	**141**	**144**	**147**	**151**
		O	175	141	185	140	143	146	149
(Area and regional development):									
(Appropriation, discretionary)	452	BA	**1,018**	**1,057**	**1,081**	**1,103**	**1,127**	**1,154**	**1,181**
(Spending authority from offsetting collections, discretionary)		BA	**6**	**5**	**5**	**5**	**5**	**5**	**5**

DEPARTMENT OF THE INTERIOR—Continued

(In millions of dollars)

Account			2001 actual	2002 estimate	2003	2004	2005	2006	2007
(Outlays)		O	1,044	1,046	1,047	1,105	1,123	1,149	1,175
Operation of Indian programs (gross)		BA	**1,172**	**1,205**	**1,224**	**1,249**	**1,276**	**1,306**	**1,337**
		O	1,219	1,187	1,232	1,245	1,266	1,295	1,324
Offsetting collections from Federal sources			–4	–4	–4	–4	–4	–4	–4
Offsetting collections from non-Federal sources			–1	–1	–1	–1	–1	–1	–1
Total (Area and regional development) (net)		BA	**1,019**	**1,057**	**1,081**	**1,103**	**1,127**	**1,154**	**1,181**
		O	1,039	1,041	1,042	1,100	1,118	1,144	1,170
(Elementary, secondary, and vocational education):									
(Appropriation, discretionary)	501	BA	**603**	**622**	**640**	**653**	**667**	**683**	**699**
(Spending authority from offsetting collections, discretionary)		BA	**144**	**169**	**149**	**152**	**156**	**159**	**163**
(Outlays)		O	671	784	764	812	823	836	856
Operation of Indian programs (gross)		BA	**1,914**	**1,991**	**2,008**	**2,049**	**2,094**	**2,143**	**2,194**
		O	1,885	1,966	1,991	2,052	2,084	2,126	2,175
(Change in uncollected customer payments from Federal sources)		BA	**–11**						
(Adjustment to uncollected customer payments from Federal sourc)		BA	**8**						
Offsetting collections from Federal sources			–134	–160	–140	–143	–146	–150	–153
Offsetting collections from non-Federal sources			–9	–9	–9	–9	–9	–10	–10
Total (Elementary, secondary, and vocational education) (net)		BA	**601**	**622**	**640**	**653**	**668**	**682**	**699**
		O	528	615	615	660	668	676	693
Total Operation of Indian programs		BA	**1,768**	**1,822**	**1,859**	**1,897**	**1,939**	**1,983**	**2,031**
		O	1,742	1,797	1,842	1,900	1,929	1,966	2,012
Construction:									
Appropriation, discretionary	452	BA	**358**	**358**	**346**	**353**	**361**	**369**	**378**
Spending authority from offsetting collections, discretionary		BA	**1**	**17**	**18**	**18**	**19**	**19**	**20**
Outlays		O	247	287	343	293	373	377	386
Construction (gross)		BA	**359**	**375**	**364**	**371**	**380**	**388**	**398**
		O	247	287	343	293	373	377	386
Change in uncollected customer payments from Federal sources		BA	**7**						
Offsetting collections from Federal sources			–3	–6	–7	–7	–7	–7	–8
Offsetting collections from non-Federal sources			–5	–10	–11	–11	–11	–12	–12
Offsetting governmental collections (from non-Federal sources)				–1					
Total Construction (net)		BA	**358**	**358**	**346**	**353**	**362**	**369**	**378**
		O	239	270	325	275	355	358	366
White Earth settlement fund:									
Appropriation, mandatory	452	BA	**2**	**2**	**2**	**2**	**2**	**1**	**1**
Outlays		O	2	2	2	2	2	1	1
Indian land and water claim settlements and miscellaneous payments to Indians:									
Appropriation, discretionary	452	BA	**37**	**61**	**58**	**59**	**61**	**62**	**63**
Outlays		O	37	61	58	59	60	62	63
Operation and maintenance of quarters:									
Appropriation, mandatory	452	BA	**5**	**5**	**5**	**5**	**5**	**5**	**5**
Outlays		O	5	5	5	5	5	5	5
Miscellaneous permanent appropriations:									
Appropriation, mandatory	452	BA	**82**	**82**	**83**	**85**	**85**	**86**	**87**
Outlays		O	84	75	82	84	85	85	86
Credit Accounts:									
Indian direct loan program account:									
Appropriation, mandatory	452	BA		**4**					
Outlays		O		4					
Revolving fund for loans liquidating account:									
Spending authority from offsetting collections, mandatory	452	BA	**4**	**1**		**1**	**1**	**1**	**1**
Revolving fund for loans liquidating account (gross)		BA	**4**	**1**		**1**	**1**	**1**	**1**
Offsetting collections from non-Federal sources			–4	–4	–4	–1	–1	–1	–1
Total Revolving fund for loans liquidating account (net)		BA		**–3**	**–4**				
		O	–4	–4	–4	–1	–1	–1	–1
Indian guaranteed loan program account:									
Appropriation, discretionary	452	BA	**5**	**5**	**5**	**5**	**5**	**5**	**5**

DEPARTMENT OF THE INTERIOR—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Appropriation, mandatory		BA		**1**					
Outlays		O	3	6	5	5	5	5	5
Limitation on loan guarantee commitments			(60)	(75)	(72)	(74)	(75)	(77)	(79)
Total Indian guaranteed loan program account		BA	**5**	**6**	**5**	**5**	**5**	**5**	**5**
		O	3	6	5	5	5	5	5
Indian loan guaranty and insurance fund liquidating account:									
Appropriation, mandatory	452	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Spending authority from offsetting collections, mandatory		BA	**1**	**1**	**1**	**2**	**2**	**2**	**2**
Outlays		O	2	2	2	3	3	3	3
Indian loan guaranty and insurance fund liquidating account (gross)		BA	**2**	**2**	**2**	**3**	**3**	**3**	**3**
		O	2	2	2	3	3	3	3
Offsetting collections from non-Federal sources			–1	–1	–1	–2	–2	–2	–2
Total Indian loan guaranty and insurance fund liquidating account (net)		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
		O	1	1	1	1	1	1	1
Total Federal funds Bureau of Indian Affairs		BA	**2,258**	**2,338**	**2,355**	**2,407**	**2,460**	**2,512**	**2,571**
		O	2,109	2,217	2,316	2,330	2,441	2,482	2,538
Departmental Offices									
Departmental Management									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	306	BA	**67**	**74**	**83**	**85**	**86**	**88**	**90**
Spending authority from offsetting collections, discretionary		BA	**21**	**25**	**25**	**26**	**26**	**27**	**27**
Outlays		O	88	95	108	111	112	115	117
Salaries and expenses (gross)		BA	**88**	**99**	**108**	**111**	**112**	**115**	**117**
		O	88	95	108	111	112	115	117
Change in uncollected customer payments from Federal sources		BA	**–7**						
Adjustment to uncollected customer payments from Federal sources		BA	**3**						
Offsetting collections from Federal sources			–17	–25	–25	–26	–26	–27	–27
Total Salaries and expenses (net)		BA	**67**	**74**	**83**	**85**	**86**	**88**	**90**
		O	71	70	83	85	86	88	90
Management of Federal lands for subsistence uses:									
Outlays	302	O	5	3					
Everglades watershed protection:									
Outlays	303	O	6	6	6				
Everglades restoration account:									
Appropriation, mandatory	303	BA	**2**						
Outlays		O	1	3	1				
Priority Federal land acquisitions and exchanges:									
Appropriation, discretionary	303	BA			**3**	**3**	**3**	**3**	**3**
Outlays		O	6	18	20	3	3	3	3
Intragovernmental Funds:									
Working capital fund:									
Spending authority from offsetting collections, mandatory	306	BA	**380**	**439**	**478**	**478**	**478**	**478**	**478**
Outlays		O	343	452	476	478	478	478	478
Working capital fund (gross)		BA	**380**	**439**	**478**	**478**	**478**	**478**	**478**
		O	343	452	476	478	478	478	478
Change in uncollected customer payments from Federal sources		BA	**–3**						
Offsetting collections from Federal sources			–377	–439	–478	–478	–478	–478	–478
Total Working capital fund (net)		BA							
		O	–34	13	–2				
Interior Franchise Fund:									
Spending authority from offsetting collections, mandatory	306	BA	**370**	**395**	**430**	**430**	**430**	**430**	**430**

DEPARTMENT OF THE INTERIOR—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	222	366	434	465	430	430	430
Interior Franchise Fund (gross)		BA	**370**	**395**	**430**	**430**	**430**	**430**	**430**
		O	222	366	434	465	430	430	430
Change in uncollected customer payments from Federal sources		BA	**–7**						
Offsetting collections from Federal sources			–363	–395	–430	–430	–430	–430	–430
Total Interior Franchise Fund (net)		BA							
		O	–141	–29	4	35			
Total Federal funds Departmental Management		BA	**69**	**74**	**86**	**88**	**89**	**91**	**93**
		O	–86	84	112	123	89	91	93
Insular Affairs									
Federal funds									
General and Special Funds:									
Assistance to territories:									
Appropriation, discretionary	808	BA	**51**	**49**	**42**	**43**	**44**	**45**	**46**
Appropriation, mandatory		BA	**28**	**28**	**28**	**28**	**28**	**28**	**28**
Outlays		O	92	70	77	81	81	82	84
Limitation on direct loan activity			(19)						
Assistance to territories (gross)		BA	**79**	**77**	**70**	**71**	**72**	**73**	**74**
		O	92	70	77	81	81	82	84
Change in uncollected customer payments from Federal sources		BA	**5**						
Offsetting collections from Federal sources			–5						
Total Assistance to territories (net)		BA	**79**	**77**	**70**	**71**	**72**	**73**	**74**
		O	87	70	77	81	81	82	84
Trust Territory of the Pacific Islands:									
Outlays	808	O	1	2	2	2	2	2	2
Compact of free association:									
Appropriation, discretionary	808	BA	**9**	**9**	**9**	**9**	**9**	**10**	**10**
Appropriation, mandatory		BA	**134**	**159**	**158**	**159**	**157**	**157**	**157**
Outlays		O	158	203	191	192	190	166	166
Total Compact of free association		BA	**143**	**168**	**167**	**168**	**166**	**167**	**167**
		O	158	203	191	192	190	166	166
Payments to the United States territories, fiscal assistance:									
Appropriation, mandatory	806	BA	**106**	**106**	**106**	**106**	**106**	**106**	**106**
Spending authority from offsetting collections, mandatory		BA	**–1**						
Outlays		O	105	106	106	106	106	106	106
Payments to the United States territories, fiscal assistance (gross)		BA	**105**	**106**	**106**	**106**	**106**	**106**	**106**
		O	105	106	106	106	106	106	106
Offsetting collections from non-Federal sources			1						
Total Payments to the United States territories, fiscal assistance (net)		BA	**106**	**106**	**106**	**106**	**106**	**106**	**106**
		O	106	106	106	106	106	106	106
Total Federal funds Insular Affairs		BA	**328**	**351**	**343**	**345**	**344**	**346**	**347**
		O	352	381	376	381	379	356	358
Office of the Solicitor									
Federal funds									
General and Special Funds:									
Office of the Solicitor:									
Appropriation, discretionary	306	BA	**42**	**47**	**50**	**51**	**52**	**53**	**54**
Spending authority from offsetting collections, discretionary		BA	**5**	**6**	**6**	**6**	**6**	**6**	**7**
Outlays		O	45	52	58	58	59	61	62
Office of the Solicitor (gross)		BA	**47**	**53**	**56**	**57**	**58**	**59**	**61**
		O	45	52	58	58	59	61	62

DEPARTMENT OF THE INTERIOR—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Offsetting collections from Federal sources			–5	–6	–6	–6	–6	–6	–7
Total Office of the Solicitor (net)		BA	**42**	**47**	**50**	**51**	**52**	**53**	**54**
		O	40	46	52	52	53	55	55
Office of Inspector General									
Federal funds									
General and Special Funds:									
Office of Inspector General:									
Appropriation, discretionary	306	BA	**29**	**36**	**39**	**40**	**41**	**42**	**42**
Spending authority from offsetting collections, discretionary		BA	**2**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	31	39	41	43	44	45	45
Office of Inspector General (gross)		BA	**31**	**39**	**42**	**43**	**44**	**45**	**45**
		O	31	39	41	43	44	45	45
Offsetting collections from Federal sources			–2	–3	–3	–3	–3	–3	–3
Total Office of Inspector General (net)		BA	**29**	**36**	**39**	**40**	**41**	**42**	**42**
		O	29	36	38	40	41	42	42
Natural Resources Damage Assessment and Restoration									
Federal funds									
General and Special Funds:									
Natural resource damage assessment fund:									
Appropriation, discretionary	303	BA	**5**	**5**	**6**	**6**	**6**	**6**	**7**
Appropriation, mandatory		BA	**93**	**54**	**44**	**40**	**40**	**35**	**35**
Outlays		O	24	28	30	32	32	33	32
Total Natural resource damage assessment fund		BA	**98**	**59**	**50**	**46**	**46**	**41**	**42**
		O	24	28	30	32	32	33	32
Office of Special Trustee for American Indians									
Federal funds									
General and Special Funds:									
Office of the Special Trustee for American Indians:									
Appropriation, discretionary	808	BA	**111**	**101**	**153**	**156**	**160**	**163**	**167**
Outlays		O	94	138	149	155	166	167	168
Payments for trust accounting deficiencies:									
Appropriation, mandatory	808	BA			[J] **7**				
Outlays		O			[J] 7				
Indian land consolidation:									
Appropriation, discretionary	452	BA	**9**	**11**	**8**	**8**	**8**	**9**	**9**
Outlays		O	3	11	15	8	8	8	9
Tribal special fund:									
Appropriation, mandatory	452	BA	**71**	**74**	**77**	**81**	**73**	**77**	**81**
Outlays		O	153	74	77	81	73	77	81
Trust funds									
Tribal trust fund:									
Appropriation, mandatory	452	BA	**31**	**32**	**34**	**35**	**31**	**33**	**35**
Outlays		O	34	32	34	35	31	33	35
Total Federal funds Office of Special Trustee for American Indians		BA	**191**	**186**	**245**	**245**	**241**	**249**	**257**
		O	250	223	248	244	247	252	258
Total Trust funds Office of Special Trustee for American Indians		BA	**31**	**32**	**34**	**35**	**31**	**33**	**35**
		O	34	32	34	35	31	33	35
National Indian Gaming Commission									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	806	BA	....	....	**2**	**2**	**2**	**2**	**2**
Spending authority from offsetting collections, discretionary		BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**

DEPARTMENT OF THE INTERIOR—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	2	2	4	4	4	4	5
Salaries and expenses (gross)		BA	**2**	**2**	**4**	**4**	**4**	**4**	**4**
		O	2	2	4	4	4	4	5
Offsetting collections from non-Federal sources			–2	–2	–2	–2	–2	–2	–2
Total Salaries and expenses (net)		BA	....	....	**2**	**2**	**2**	**2**	**2**
		O	....	....	2	2	2	2	3
National Indian Gaming Commission, Gaming activity fees:									
Appropriation, mandatory	806	BA	**8**	**8**	**8**	**8**	**8**	**8**	**8**
Outlays		O	10	10	9	8	8	8	8
Total Federal funds National Indian Gaming Commission		BA	**8**	**8**	**10**	**10**	**10**	**10**	**10**
		O	10	10	11	10	10	10	11
Total Federal funds Departmental Offices		BA	**765**	**761**	**823**	**825**	**823**	**832**	**845**
		O	619	808	867	882	851	839	849
Total Trust funds Departmental Offices		BA	**31**	**32**	**34**	**35**	**31**	**33**	**35**
		O	34	32	34	35	31	33	35
Summary									
Federal funds:									
(As shown in detail above)		BA	**13,120**	**12,829**	**12,752**	**14,168**	**13,260**	**13,649**	**13,777**
		O	11,436	12,396	12,981	14,190	13,027	13,603	13,608
Deductions for offsetting receipts:									
Intrafund transactions	301	BA/O	*–34*	*–6*	....				
	302	BA/O	*–33*	*–130*	*–127*	*–100*	*–92*	*–102*	*–113*
	303	BA/O	*–50*	....					
	908	BA/O	*–191*	*–114*	*–139*	*–165*	*–179*	*–172*	*–170*
Proprietary receipts from the public	301	BA/O	*–410*	*–284*	*–269*	*–269*	*–270*	*–280*	*–281*
	302	BA/O	*–2,254*	*–1,501*	*–1,540*	*–1,638*	*–1,634*	*–1,706*	*–1,723*
							[B] *8*	[B] *8*	[B] *8*
	303	BA/O	*–335*	*–296*	*–290*	*–290*	*–243*	*–239*	*–242*
							[B] *–51*	[B] *–52*	[B] *–52*
	306	BA/O	*–7*	*–2*	*–9*	*–14*	*–10*	*–10*	*–10*
	452	BA/O	*–167*	*–153*	*–154*	*–157*	*–162*	*–165*	*–170*
	908	BA/O	*–11*	*–7*	*–7*	*–7*	*–7*	*–7*	*–7*
Total Federal funds		BA	**9,628**	**10,336**	**10,217**	**11,528**	**10,620**	**10,924**	**11,017**
		O	7,944	9,903	10,446	11,550	10,387	10,878	10,848
Trust funds:									
(As shown in detail above)		BA	**413**	**459**	**424**	**475**	**491**	**504**	**522**
		O	381	461	428	481	465	484	506
Deductions for offsetting receipts:									
Proprietary receipts from the public	301	BA/O	*–28*	*–24*	....	....	....	....	....
	302	BA/O	*–17*	*–18*	*–18*	*–18*	*–18*	*–18*	*–18*
	306	BA/O	*–1*	*–1*	*–1*	*–1*	*–1*	*–1*	*–1*
	452	BA/O	*–17*	*–18*	*–19*	*–20*	*–21*	*–22*	*–23*
	908	BA/O	*–5*	*–5*	*–5*	*–6*	*–6*	*–6*	*–6*
Total Trust funds		BA	**345**	**393**	**381**	**430**	**445**	**457**	**474**
		O	313	395	385	436	419	437	458
Interfund transactions	452	BA/O	*–8*	*–8*	*–9*	*–9*	*–10*	*–10*	*–11*
Total Department of the Interior		BA	**9,965**	**10,721**	**10,589**	**11,949**	**11,055**	**11,371**	**11,480**
		O	8,249	10,290	10,822	11,977	10,796	11,305	11,295

DEPARTMENT OF JUSTICE
(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
General Administration *Federal funds*									
General and Special Funds:									
Salaries and expenses									
(Defense-related activities):									
(Appropriation, discretionary)	054	BA	**34**	**43**	**34**	**35**	**35**	**36**	**37**
(Outlays)		O	24	42	35	35	36	36	37
(Federal law enforcement activities):									
(Appropriation, discretionary)	751	BA	**111**	**106**	**146**	**149**	**152**	**155**	**159**
(Spending authority from offsetting collections, discretionary)		BA	**33**	**46**	**31**	**32**	**32**	**33**	**34**
(Outlays)		O	148	157	173	180	184	188	192
Salaries and expenses (gross)		BA	**178**	**195**	**211**	**216**	**219**	**224**	**230**
		O	172	199	208	215	220	224	229
(Change in uncollected customer payments from Federal sources)		BA	**–10**						
(Adjustment to uncollected customer payments from Federal sourc)		BA	**44**						
Offsetting collections from Federal sources			–67	–46	–31	–32	–32	–33	–34
Total (Federal law enforcement activities) (net)		BA	**111**	**106**	**146**	**149**	**152**	**155**	**159**
		O	81	111	142	148	152	155	158
Total Salaries and expenses		BA	**145**	**149**	**180**	**184**	**187**	**191**	**196**
		O	105	153	177	183	188	191	195
Narrowband communications:									
Appropriation, discretionary	751	BA	**205**	**95**	**149**	**152**	**156**	**159**	**163**
Spending authority from offsetting collections, discretionary		BA		**10**					
Outlays		O	91	158	136	151	155	158	162
Narrowband communications (gross)		BA	**205**	**105**	**149**	**152**	**156**	**159**	**163**
		O	91	158	136	151	155	158	162
Offsetting collections from Federal sources				–10					
Total Narrowband communications (net)		BA	**205**	**95**	**149**	**152**	**156**	**159**	**163**
		O	91	148	136	151	155	158	162
Counterterrorism fund:									
Appropriation, discretionary	751	BA	**46**	**5**	**35**	**36**	**37**	**37**	**38**
Outlays		O	9	14	34	43	43	37	38
Telecommunications carrier compliance fund									
(Defense-related activities):									
(Appropriation, discretionary)	054	BA	**101**						
(Outlays)		O	101						
(Federal law enforcement activities):									
(Appropriation, discretionary)	751	BA	**100**						
(Spending authority from offsetting collections, discretionary)		BA	**40**						
(Outlays)		O	151	103	94				
Telecommunications carrier compliance fund (gross)		BA	**241**						
		O	252	103	94				
Offsetting collections from Federal sources			–40						
Total (Federal law enforcement activities) (net)		BA	**100**						
		O	111	103	94				
Total Telecommunications carrier compliance fund		BA	**201**						
		O	212	103	94				
Administrative review and appeals:									
Appropriation, discretionary	751	BA	**166**	**183**	**199**	**203**	**207**	**212**	**217**
Spending authority from offsetting collections, discretionary		BA	**1**						
Outlays		O	163	195	201	202	207	211	217
Administrative review and appeals (gross)		BA	**167**	**183**	**199**	**203**	**207**	**212**	**217**
		O	163	195	201	202	207	211	217
Offsetting collections from Federal sources			–1						
Total Administrative review and appeals (net)		BA	**166**	**183**	**199**	**203**	**207**	**212**	**217**
		O	162	195	201	202	207	211	217

DEPARTMENT OF JUSTICE—Continued

(In millions of dollars)

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
Detention trustee:									
Appropriation, discretionary	753	BA	**1**	**1**	**1,389**	**1,418**	**1,450**	**1,484**	**1,518**
Outlays		O	....	1	1,389	1,418	1,450	1,484	1,518
Office of Inspector General:									
Appropriation, discretionary	751	BA	**44**	**53**	**66**	**67**	**69**	**70**	**72**
Spending authority from offsetting collections, discretionary		BA	**16**	**19**	**20**	**20**	**21**	**21**	**22**
Outlays		O	58	71	90	89	90	91	94
Office of Inspector General (gross)		BA	**60**	**72**	**86**	**87**	**90**	**91**	**94**
		O	58	71	90	89	90	91	94
Offsetting collections from Federal sources			–16	–19	–20	–20	–21	–21	–22
Total Office of Inspector General (net)		BA	**44**	**53**	**66**	**67**	**69**	**70**	**72**
		O	42	52	70	69	69	70	72
Intragovernmental Funds:									
Working capital fund:									
Appropriation, discretionary	751	BA	**87**	....	....	....	....	....	....
Spending authority from offsetting collections, mandatory		BA	**754**	**741**	**752**	**752**	**752**	**752**	**752**
Outlays		O	814	741	752	752	752	752	752
Working capital fund (gross)		BA	**841**	**741**	**752**	**752**	**752**	**752**	**752**
		O	814	741	752	752	752	752	752
Change in uncollected customer payments from Federal sources		BA	**–11**	....	....	....	....	....	....
Offsetting collections from Federal sources			–743	–741	–752	–752	–752	–752	–752
Total Working capital fund (net)		BA	**87**	....	....	....	....	....	....
		O	71	....	....	....	....	....	....
Total Federal funds General Administration		BA	**895**	**486**	**2,018**	**2,060**	**2,106**	**2,153**	**2,204**
		O	692	666	2,101	2,066	2,112	2,151	2,202

United States Parole Commission

Federal funds

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	751	BA	**9**	**10**	**11**	**11**	**11**	**12**	**12**
Outlays		O	9	10	10	12	12	12	12

Legal Activities and U.S. Marshals

Federal funds

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
General and Special Funds:									
Salaries and expenses, General Legal Activities:									
Appropriation, discretionary	752	BA	**552**	**574**	**659**	**672**	**687**	**703**	**719**
Spending authority from offsetting collections, discretionary		BA	**260**	**340**	**286**	**292**	**298**	**305**	**312**
Outlays		O	774	910	933	961	983	1,005	1,028
Salaries and expenses, General Legal Activities (gross)		BA	**812**	**914**	**945**	**964**	**985**	**1,008**	**1,031**
		O	774	910	933	961	983	1,005	1,028
Offsetting collections from Federal sources			–260	–340	–286	–292	–298	–305	–312
Total Salaries and expenses, General Legal Activities (net)		BA	**552**	**574**	**659**	**672**	**687**	**703**	**719**
		O	514	570	647	669	685	700	716
Legal activities office automation:									
Appropriation, discretionary	752	BA	....	**16**	**16**	**16**	**17**	**17**	**17**
Spending authority from offsetting collections, discretionary		BA	....	....	**61**	**62**	**64**	**65**	**67**
Outlays		O	....	14	79	84	83	82	84
Legal activities office automation (gross)		BA	....	**16**	**77**	**78**	**81**	**82**	**84**
		O	....	14	79	84	83	82	84
Offsetting collections from Federal sources			....	....	–61	–62	–64	–65	–67
Total Legal activities office automation (net)		BA	....	**16**	**16**	**16**	**17**	**17**	**17**
		O	....	14	18	22	19	17	17

DEPARTMENT OF JUSTICE—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Salaries and expenses, Antitrust Division:									
Appropriation, discretionary	752	BA	**9**						
Spending authority from offsetting collections, discretionary		BA	**109**	**131**	**142**	**145**	**148**	**151**	**155**
Outlays		O	112	125	132	144	147	151	154
Salaries and expenses, Antitrust Division (gross)		BA	**118**	**131**	**142**	**145**	**148**	**151**	**155**
		O	112	125	132	144	147	151	154
Change in uncollected customer payments from Federal sources		BA	**–5**						
Offsetting collections from non-Federal sources			–86	–162	–175	–179	–183	–187	–191
Total Salaries and expenses, Antitrust Division (net)		BA	**27**	**–31**	**–33**	**–34**	**–35**	**–36**	**–36**
		O	26	–37	–43	–35	–36	–36	–37
Salaries and expenses, United States Attorneys:									
Appropriation, discretionary	752	BA	**1,303**	**1,453**	**1,551**	**1,582**	**1,617**	**1,654**	**1,691**
Spending authority from offsetting collections, discretionary		BA	**151**	**151**	**145**	**148**	**151**	**154**	**158**
Outlays		O	1,415	1,565	1,687	1,724	1,763	1,803	1,844
Salaries and expenses, United States Attorneys (gross)		BA	**1,454**	**1,604**	**1,696**	**1,730**	**1,768**	**1,808**	**1,849**
		O	1,415	1,565	1,687	1,724	1,763	1,803	1,844
Offsetting collections from Federal sources			–151	–151	–145	–148	–151	–154	–158
Total Salaries and expenses, United States Attorneys (net)		BA	**1,303**	**1,453**	**1,551**	**1,582**	**1,617**	**1,654**	**1,691**
		O	1,264	1,414	1,542	1,576	1,612	1,649	1,686
Salaries and expenses, Foreign Claims Settlement Commission:									
Appropriation, discretionary	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, discretionary	752	BA	**587**	**665**	**722**	**737**	**753**	**770**	**787**
Reappropriation, discretionary		BA	**7**						
Spending authority from offsetting collections, discretionary		BA	**36**	**33**	**33**	**34**	**34**	**35**	**36**
Outlays		O	627	705	749	769	785	803	822
Salaries and expenses, United States Marshals Service (gross)		BA	**630**	**698**	**755**	**771**	**787**	**805**	**823**
		O	627	705	749	769	785	803	822
Offsetting collections from Federal sources			–33	–30	–30	–31	–31	–32	–33
Offsetting collections from non-Federal sources			–3	–3	–3	–3	–3	–3	–3
Total Salaries and expenses, United States Marshals Service (net)		BA	**594**	**665**	**722**	**737**	**753**	**770**	**787**
		O	591	672	716	735	751	768	786
Construction:									
Appropriation, discretionary	751	BA	**18**	**24**	**15**	**15**	**16**	**16**	**16**
Outlays		O	4	15	25	20	16	16	16
Federal prisoner detention:									
Appropriation, discretionary	752	BA	**601**	**706**					
Spending authority from offsetting collections, discretionary		BA	**24**	**50**					
Outlays		O	612	700	212	49	21		
Federal prisoner detention (gross)		BA	**625**	**756**					
		O	612	700	212	49	21		
Offsetting collections from Federal sources			–24	–50					
Total Federal prisoner detention (net)		BA	**601**	**706**					
		O	588	650	212	49	21		
Fees and expenses of witnesses:									
Appropriation, mandatory	752	BA	**126**	**156**	**156**	**162**	**165**	**168**	**171**
Outlays		O	110	178	165	160	165	168	170
Salaries and expenses, Community Relations Service:									
Appropriation, discretionary	752	BA	**8**	**9**	**10**	**10**	**10**	**11**	**11**
Spending authority from offsetting collections, discretionary		BA	**1**	**1**					
Outlays		O	10	10	10	10	10	10	10
Salaries and expenses, Community Relations Service (gross)		BA	**9**	**10**	**10**	**10**	**10**	**11**	**11**
		O	10	10	10	10	10	10	10

DEPARTMENT OF JUSTICE—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Offsetting collections from Federal sources			–1	–1					
Total Salaries and expenses, Community Relations Service (net)		BA	**8**	**9**	**10**	**10**	**10**	**11**	**11**
		O	9	9	10	10	10	10	10
Independent counsel:									
Appropriation, mandatory	752	BA	**18**	**10**	**10**	**10**	**10**	**10**	**10**
Outlays		O	15	10	10	10	10	10	10
September 11th victim compensation (general fund):									
Appropriation, mandatory	752	BA		**1,080**	**2,700**	**1,620**			
Outlays		O		1,080	2,700	1,620			
United States trustee system fund:									
Appropriation, discretionary	752	BA	**130**	**151**	**173**	**177**	**180**	**184**	**189**
Outlays		O	113	138	165	175	180	184	188
Assets forfeiture fund:									
Appropriation, discretionary	752	BA	**23**	**23**	**23**	**23**	**24**	**25**	**25**
Appropriation, mandatory		BA	**417**	**337**	**407**	**373**	**380**	**387**	**395**
Spending authority from offsetting collections, discretionary		BA	**6**	**5**	**3**	**3**	**3**	**3**	**3**
Outlays		O	450	576	456	399	411	410	418
Assets forfeiture fund (gross)		BA	**446**	**365**	**433**	**399**	**407**	**415**	**423**
		O	450	576	456	399	411	410	418
Change in uncollected customer payments from Federal sources		BA	**–1**	**–2**	**–1**				
Offsetting collections from Federal sources			–5	–3	–2	–2	–2	–2	–2
Total Assets forfeiture fund (net)		BA	**440**	**360**	**430**	**397**	**405**	**413**	**421**
		O	445	573	454	397	409	408	416
Intragovernmental Funds:									
Justice prisoner and alien transportation system, U.S. Marshals Service:									
Appropriation, discretionary	752	BA	**14**						
Spending authority from offsetting collections, discretionary		BA	**84**	**81**	**79**	**81**	**82**	**84**	**86**
Outlays		O	88	73	79	81	82	84	86
Justice prisoner and alien transportation system, U.S. Marshals Service (gross)		BA	**98**	**81**	**79**	**81**	**82**	**84**	**86**
		O	88	73	79	81	82	84	86
Offsetting collections from Federal sources			–84	–81	–79	–81	–82	–84	–86
Total Justice prisoner and alien transportation system, U.S. Marshals Service (net)		BA	**14**						
		O	4	–8					
Total Federal funds Legal Activities and U.S. Marshals		BA	**3,832**	**5,174**	**6,410**	**5,365**	**3,826**	**3,911**	**3,997**
		O	3,684	5,279	6,622	5,409	3,843	3,895	3,979

Radiation Exposure Compensation

Federal funds

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
General and Special Funds:									
Administrative expenses:									
Appropriation, discretionary	054	BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	2	2	2	2	2	2	2
Payment to radiation exposure compensation trust fund:									
Appropriation, discretionary	054	BA	**127**						
Appropriation, mandatory		BA		**172**	**143**	**107**	**65**	**47**	**29**
Outlays		O	127	172	143	107	65	47	29
Total Payment to radiation exposure compensation trust fund		BA	**127**	**172**	**143**	**107**	**65**	**47**	**29**
		O	127	172	143	107	65	47	29

Trust funds

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Radiation exposure compensation trust fund:									
Appropriation, discretionary	054	BA	**127**						
Appropriation, mandatory		BA		**172**	**143**	**107**	**65**	**47**	**29**

DEPARTMENT OF JUSTICE—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	45	152	172	121	82	54	36
Total Radiation exposure compensation trust fund		BA	**127**	**172**	**143**	**107**	**65**	**47**	**29**
		O	45	152	172	121	82	54	36
Total Federal funds Radiation Exposure Compensation		BA	**129**	**174**	**145**	**109**	**67**	**49**	**31**
		O	129	174	145	109	67	49	31
Total Trust funds Radiation Exposure Compensation		BA	**127**	**172**	**143**	**107**	**65**	**47**	**29**
		O	45	152	172	121	82	54	36
Interagency Law Enforcement									
Federal funds									
General and Special Funds:									
Interagency crime and drug enforcement:									
Appropriation, discretionary	751	BA	**325**	**339**	**362**	**370**	**378**	**387**	**396**
Outlays		O	356	335	357	368	375	384	394
Federal Bureau of Investigation									
Federal funds									
General and Special Funds:									
Salaries and expenses									
(Defense-related activities):									
(Appropriation, discretionary)	054	BA	**455**	**476**	**490**	**500**	**511**	**522**	**534**
(Outlays)		O	417	371	441	487	506	518	530
(Federal law enforcement activities):									
(Appropriation, discretionary)	751	BA	**2,854**	**3,876**	**3,833**	**3,911**	**3,996**	**4,087**	**4,181**
(Reappropriation, discretionary)		BA	**37**						
(Spending authority from offsetting collections, discretionary)		BA	**642**	**579**	**560**	**571**	**584**	**597**	**611**
(Outlays)		O	3,490	4,027	4,124	4,444	4,565	4,651	4,757
Salaries and expenses (gross)		BA	**3,988**	**4,931**	**4,883**	**4,982**	**5,091**	**5,206**	**5,326**
		O	3,907	4,398	4,565	4,931	5,071	5,169	5,287
Offsetting collections from Federal sources			–571	–499	–479	–489	–499	–511	–522
Offsetting collections from non-Federal sources			–71	–80	–81	–83	–84	–86	–88
Total (Federal law enforcement activities) (net)		BA	**2,891**	**3,876**	**3,833**	**3,910**	**3,997**	**4,087**	**4,182**
		O	2,848	3,448	3,564	3,872	3,982	4,054	4,147
Total Salaries and expenses		BA	**3,346**	**4,352**	**4,323**	**4,410**	**4,508**	**4,609**	**4,716**
		O	3,265	3,819	4,005	4,359	4,488	4,572	4,677
Construction:									
Appropriation, discretionary	751	BA	**17**	**34**	**1**	**1**	**1**	**1**	**1**
Outlays		O	57	11	34	22	3	1	1
Total Federal funds Federal Bureau of Investigation		BA	**3,363**	**4,386**	**4,324**	**4,411**	**4,509**	**4,610**	**4,717**
		O	3,322	3,830	4,039	4,381	4,491	4,573	4,678
Drug Enforcement Administration									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	751	BA	**1,410**	**1,517**	**1,582**	**1,614**	**1,650**	**1,687**	**1,726**
Reappropriation, discretionary		BA	**15**						
Spending authority from offsetting collections, discretionary		BA	**217**	**236**	**242**	**247**	**252**	**258**	**264**
Outlays		O	1,574	1,689	1,762	1,847	1,889	1,932	1,977
Salaries and expenses (gross)		BA	**1,642**	**1,753**	**1,824**	**1,861**	**1,902**	**1,945**	**1,990**
		O	1,574	1,689	1,762	1,847	1,889	1,932	1,977
Change in uncollected customer payments from Federal sources		BA	**–43**						
Adjustment to uncollected customer payments from Federal sources		BA	**43**						
Offsetting collections from Federal sources			–217	–236	–242	–247	–252	–258	–264
Total Salaries and expenses (net)		BA	**1,425**	**1,517**	**1,582**	**1,614**	**1,650**	**1,687**	**1,726**
		O	1,357	1,453	1,520	1,600	1,637	1,674	1,713

DEPARTMENT OF JUSTICE—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Construction:									
Outlays	751	O	6	15	3				
Diversion control fee account:									
Appropriation, discretionary	751	BA	**–8**						
Appropriation, mandatory		BA	**71**	**85**	**117**	**98**	**102**	**105**	**105**
Outlays		O	75	69	110	99	103	104	105
Total Diversion control fee account		BA	**63**	**85**	**117**	**98**	**102**	**105**	**105**
		O	75	69	110	99	103	104	105
Total Federal funds Drug Enforcement Administration		BA	**1,488**	**1,602**	**1,699**	**1,712**	**1,752**	**1,792**	**1,831**
		O	1,438	1,537	1,633	1,699	1,740	1,778	1,818

Immigration and Naturalization Service

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Immigration enforcement:									
Appropriation, discretionary	751	BA	**2,718**	**3,387**	**3,241**	**3,307**	**3,379**	**3,456**	**3,535**
Appropriation, mandatory		BA	**597**	**741**	**860**	**860**	**860**	**860**	**860**
Reappropriation, discretionary		BA	**13**						
Spending authority from offsetting collections, discretionary		BA	**30**	**26**	**645**	**658**	**673**	**689**	**705**
Outlays		O	3,194	3,894	4,615	4,809	4,892	4,981	5,075
Immigration enforcement (gross)		BA	**3,358**	**4,154**	**4,746**	**4,825**	**4,912**	**5,005**	**5,100**
		O	3,194	3,894	4,615	4,809	4,892	4,981	5,075
Change in uncollected customer payments from Federal sources		BA	**–5**						
Offsetting collections from Federal sources			–25	–26	–645	–658	–673	–689	–705
Total Immigration enforcement (net)		BA	**3,328**	**4,128**	**4,101**	**4,167**	**4,239**	**4,316**	**4,395**
		O	3,169	3,868	3,970	4,151	4,219	4,292	4,370
Immigration services:									
Appropriation, discretionary	751	BA	**42**	**123**	**89**	**91**	**93**	**95**	**97**
Appropriation, mandatory		BA	**997**	**1,338**	**1,325**	**1,388**	**1,388**	**1,388**	**1,388**
Outlays		O	905	1,017	1,311	1,458	1,473	1,482	1,484
Total Immigration services		BA	**1,039**	**1,461**	**1,414**	**1,479**	**1,481**	**1,483**	**1,485**
		O	905	1,017	1,311	1,458	1,473	1,482	1,484
Support and administration:									
Appropriation, discretionary	751	BA	**577**	**635**	**802**	**818**	**836**	**856**	**875**
Appropriation, mandatory		BA	**79**	**110**	**99**	**99**	**99**	**99**	**99**
Spending authority from offsetting collections, discretionary		BA	**50**	**50**	**50**	**51**	**52**	**53**	**55**
Outlays		O	664	638	844	949	981	1,001	1,022
Support and administration (gross)		BA	**706**	**795**	**951**	**968**	**987**	**1,008**	**1,029**
		O	664	638	844	949	981	1,001	1,022
Offsetting collections from Federal sources			–50	–50	–50	–51	–52	–53	–55
Total Support and administration (net)		BA	**656**	**745**	**901**	**917**	**935**	**955**	**974**
		O	614	588	794	898	929	948	967
Total Federal funds Immigration and Naturalization Service		BA	**5,023**	**6,334**	**6,416**	**6,563**	**6,655**	**6,754**	**6,854**
		O	4,688	5,473	6,075	6,507	6,621	6,722	6,821

Federal Prison System

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	753	BA	**3,566**	**3,929**	**4,209**	**4,294**	**4,387**	**4,487**	**4,589**
Reappropriation, discretionary		BA	**14**						
Spending authority from offsetting collections, discretionary		BA	**34**	**31**	**32**	**33**	**33**	**34**	**35**
Outlays		O	3,730	3,786	4,056	4,301	4,402	4,501	4,604
Salaries and expenses (gross)		BA	**3,614**	**3,960**	**4,241**	**4,327**	**4,420**	**4,521**	**4,624**
		O	3,730	3,786	4,056	4,301	4,402	4,501	4,604
Change in uncollected customer payments from Federal sources		BA	**–10**						

DEPARTMENT OF JUSTICE—Continued

(In millions of dollars)

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
Offsetting collections from Federal sources			–24	–31	–32	–33	–33	–34	–35
Total Salaries and expenses (net)		BA	**3,580**	**3,929**	**4,209**	**4,294**	**4,387**	**4,487**	**4,589**
		O	3,706	3,755	4,024	4,268	4,369	4,467	4,569
Buildings and facilities:									
Appropriation, discretionary	753	BA	**835**	**815**	**396**	**404**	**413**	**423**	**433**
Spending authority from offsetting collections, discretionary		BA	**21**						
Outlays		O	628	545	777	565	422	409	418
Buildings and facilities (gross)		BA	**856**	**815**	**396**	**404**	**413**	**423**	**433**
		O	628	545	777	565	422	409	418
Change in uncollected customer payments from Federal sources		BA	**8**						
Offsetting collections from Federal sources			–29						
Total Buildings and facilities (net)		BA	**835**	**815**	**396**	**404**	**413**	**423**	**433**
		O	599	545	777	565	422	409	418
Intragovernmental Funds:									
Federal Prison Industries, Incorporated:									
Spending authority from offsetting collections, discretionary	753	BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Spending authority from offsetting collections, mandatory		BA	**575**	**647**	**684**	**769**	**806**	**846**	**887**
Outlays		O	581	650	687	772	809	849	890
Federal Prison Industries, Incorporated (gross)		BA	**578**	**650**	**687**	**772**	**809**	**849**	**890**
		O	581	650	687	772	809	849	890
Offsetting collections from Federal sources			–578	–650	–687	–773	–810	–850	–891
Total Federal Prison Industries, Incorporated (net)		BA				**–1**	**–1**	**–1**	**–1**
		O	3			–1	–1	–1	–1
Trust funds									
Commissary funds, Federal prisons (trust revolving fund):									
Spending authority from offsetting collections, mandatory	753	BA	**217**	**222**	**227**	**232**	**237**	**242**	**248**
Outlays		O	227	241	248	232	237	242	253
Commissary funds, Federal prisons (trust revolving fund) (gross)		BA	**217**	**222**	**227**	**232**	**237**	**242**	**248**
		O	227	241	248	232	237	242	253
Offsetting collections from non-Federal sources			–217	–222	–227	–232	–237	–242	–248
Total Commissary funds, Federal prisons (trust revolving fund) (net)		BA							
		O	10	19	21				5
Total Federal funds Federal Prison System		BA	**4,415**	**4,744**	**4,605**	**4,697**	**4,799**	**4,909**	**5,021**
		O	4,308	4,300	4,801	4,832	4,790	4,875	4,986
Total Trust funds Federal Prison System		BA							
		O	10	19	21				5

Office of Justice Programs

Federal funds

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
General and Special Funds:									
Justice assistance:									
Appropriation, discretionary	754	BA	**427**	**846**	**223**	**228**	**233**	**238**	**244**
Spending authority from offsetting collections, discretionary		BA	**388**	**429**	**444**	**453**	**463**	**474**	**485**
Outlays		O	450	841	1,203	939	721	706	722
Justice assistance (gross)		BA	**815**	**1,275**	**667**	**681**	**696**	**712**	**729**
		O	450	841	1,203	939	721	706	722
Offsetting collections from Federal sources			–388	–429	–444	–453	–463	–474	–485
Total Justice assistance (net)		BA	**427**	**846**	**223**	**228**	**233**	**238**	**244**
		O	62	412	759	486	258	232	237
State and local law enforcement assistance:									
Appropriation, discretionary	754	BA	**2,847**	**2,654**	**752**	**768**	**785**	**803**	**822**
Spending authority from offsetting collections, discretionary		BA	**189**	**100**	**875**	**893**	**913**	**935**	**957**

DEPARTMENT OF JUSTICE—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	–161	1,822	4,015	4,088	2,033	1,717	1,756
State and local law enforcement assistance (gross)		BA	**3,036**	**2,754**	**1,627**	**1,661**	**1,698**	**1,738**	**1,779**
		O	–161	1,822	4,015	4,088	2,033	1,717	1,756
Change in uncollected customer payments from Federal sources		BA	**–1**						
Offsetting collections from Federal sources			–188	–100	–875	–893	–913	–935	–957
Total State and local law enforcement assistance (net)		BA	**2,847**	**2,654**	**752**	**768**	**785**	**803**	**822**
		O	–349	1,722	3,140	3,195	1,120	782	799
Violent crime reduction programs, State and local law enforcement assistance:									
Outlays	754	O	3,092						
Weed and seed program fund:									
Appropriation, discretionary	751	BA	**34**	**59**	**59**	**60**	**62**	**63**	**64**
Spending authority from offsetting collections, discretionary		BA	**16**						
Outlays		O	45	57	56	61	60	61	63
Weed and seed program fund (gross)		BA	**50**	**59**	**59**	**60**	**62**	**63**	**64**
		O	45	57	56	61	60	61	63
Change in uncollected customer payments from Federal sources		BA	**–16**	**16**					
Offsetting collections from Federal sources				–16					
Total Weed and seed program fund (net)		BA	**34**	**59**	**59**	**60**	**62**	**63**	**64**
		O	45	41	56	61	60	61	63
Community oriented policing services:									
Appropriation, discretionary	754	BA	**1,038**	**1,051**	**1,382**	**1,411**	**1,442**	**1,476**	**1,511**
Spending authority from offsetting collections, discretionary		BA	**2**						
Outlays		O	1,356	1,057	1,015	1,385	1,241	1,384	1,436
Community oriented policing services (gross)		BA	**1,040**	**1,051**	**1,382**	**1,411**	**1,442**	**1,476**	**1,511**
		O	1,356	1,057	1,015	1,385	1,241	1,384	1,436
Offsetting collections from Federal sources			–2						
Total Community oriented policing services (net)		BA	**1,038**	**1,051**	**1,382**	**1,411**	**1,442**	**1,476**	**1,511**
		O	1,354	1,057	1,015	1,385	1,241	1,384	1,436
Juvenile justice programs:									
Appropriation, discretionary	754	BA	**292**	**299**	**251**	**256**	**262**	**268**	**274**
Spending authority from offsetting collections, discretionary		BA	**48**	**52**	**35**	**36**	**37**	**37**	**38**
Outlays		O	300	260	449	518	327	298	304
Juvenile justice programs (gross)		BA	**340**	**351**	**286**	**292**	**299**	**305**	**312**
		O	300	260	449	518	327	298	304
Offsetting collections from Federal sources			–48	–52	–35	–36	–37	–37	–38
Total Juvenile justice programs (net)		BA	**292**	**299**	**251**	**256**	**262**	**268**	**274**
		O	252	208	414	482	290	261	266
Election reform grant program:									
Appropriation, discretionary	754	BA			**400**	**408**	**417**	**427**	**437**
Outlays		O			88	242	387	416	425
Public safety officers' benefits:									
Appropriation, discretionary	754	BA	**2**	**5**	**4**	**4**	**4**	**4**	**4**
Appropriation, mandatory		BA	**33**	**157**	**49**	**50**	**51**	**52**	**53**
Outlays		O	26	164	54	54	55	56	57
Total Public safety officers' benefits		BA	**35**	**162**	**53**	**54**	**55**	**56**	**57**
		O	26	164	54	54	55	56	57
Crime victims fund:									
Appropriation, discretionary	754	BA		**68**	**–1,261**	**1,261**			
Appropriation, mandatory		BA	**508**	**515**	**1,886**	**430**	**430**	**430**	**430**

DEPARTMENT OF JUSTICE—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	461	475	701	1,333	849	556	430
Total Crime victims fund		BA	**508**	**583**	**625**	**1,691**	**430**	**430**	**430**
		O	461	475	701	1,333	849	556	430
Total Federal funds Office of Justice Programs		BA	**5,181**	**5,654**	**3,745**	**4,876**	**3,686**	**3,761**	**3,839**
		O	4,943	4,079	6,227	7,238	4,260	3,748	3,713
Summary									
Federal funds:									
(As shown in detail above)		BA	**24,660**	**28,903**	**29,735**	**30,174**	**27,789**	**28,338**	**28,902**
		O	23,569	25,683	32,010	32,621	28,311	28,187	28,634
Deductions for offsetting receipts:									
Intrafund transactions	908	BA/O	*–59*	*–36*	*–37*	*–37*	*–37*	*–37*	*–37*
Offsetting governmental receipts	751	BA/O	*–1,998*	*–2,404*	*–2,462*	*–2,168*	*–2,203*	*–2,240*	*–2,278*
	752	BA/O	*–144*	*–169*	*–176*	*–176*	*–176*	*–176*	*–176*
Total Federal funds		BA	**22,459**	**26,294**	**27,060**	**27,793**	**25,373**	**25,885**	**26,411**
		O	21,368	23,074	29,335	30,240	25,895	25,734	26,143
Trust funds:									
(As shown in detail above)		BA	**127**	**172**	**143**	**107**	**65**	**47**	**29**
		O	55	171	193	121	82	54	41
Interfund transactions	054	BA/O	*–127*	*–172*	*–143*	*–107*	*–65*	*–47*	*–29*
Total Department of Justice		BA	**22,459**	**26,294**	**27,060**	**27,793**	**25,373**	**25,885**	**26,411**
		O	21,296	23,073	29,385	30,254	25,912	25,741	26,155

DEPARTMENT OF LABOR

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Employment and Training Administration									
Federal funds									
General and Special Funds:									
Training and employment services:									
Appropriation, discretionary	504	BA	**3,197**	**3,026**	**2,518**	**2,622**	**2,736**	**2,857**	**2,982**
Appropriation, mandatory		BA	**131**	**140**	**138**	....	....	....	....
					B **–138**				
Advance appropriation, discretionary		BA	**2,463**	**2,463**	**2,463**	**2,463**	**2,463**	**2,463**	**2,463**
Spending authority from offsetting collections, discretionary		BA	**10**	**4**	**4**	**4**	**4**	**4**	**4**
Outlays		O	4,540	5,864	5,968	5,554	5,249	5,230	5,335
					B –4	*B* –69	*B* –48	*B* –17	
Training and employment services (gross)		BA	**5,801**	**5,633**	**4,985**	**5,089**	**5,203**	**5,324**	**5,449**
		O	4,540	5,864	5,964	5,485	5,201	5,213	5,335
Offsetting collections from Federal sources			–9	–2	–2	–2	–2	–2	–2
Offsetting collections from non-Federal sources			–1	–2	–2	–2	–2	–2	–2
Total Training and employment services (net)		BA	**5,791**	**5,629**	**4,981**	**5,085**	**5,199**	**5,320**	**5,445**
		O	4,530	5,860	5,960	5,481	5,197	5,209	5,331
Welfare to work jobs:									
Outlays	504	O	659	491	120	190	....	....	....
Community service employment for older Americans:									
Appropriation, discretionary	504	BA	**440**	**445**	**440**	**449**	**459**	**470**	**481**
Outlays		O	443	469	444	442	451	461	471
Federal unemployment benefits and allowances (Training and employment):									
(Appropriation, mandatory)	504	BA	**132**	**132**	....	....	....	....	....
					J **132**	*J* **132**	*J* **132**	*J* **132**	*J* **132**

DEPARTMENT OF LABOR—Continued

(In millions of dollars)

Account			2001 actual	estimate					
				2002	2003	2004	2005	2006	2007
(Outlays)		O	141	131	94	26	......	......	......
					[J] 40	[J] 106	[J] 132	[J] 132	[J] 132
Total (Training and employment)		BA	132	132	132	132	132	132	132
		O	141	131	134	132	132	132	132
(Unemployment compensation):									
(Appropriation, mandatory)	603	BA	275	284	13	......	......	......	......
					[J] 317	[J] 342	[J] 355	[J] 369	[J] 383
(Spending authority from offsetting collections, mandatory)		BA	19	71	40	40	40	40	40
(Outlays)		O	278	355	53	40	40	40	40
					[J] 317	[J] 342	[J] 355	[J] 369	[J] 383
Federal unemployment benefits and allowances (gross)		BA	426	487	502	514	527	541	555
		O	419	486	504	514	527	541	555
Offsetting collections from Federal sources			–19	–71	–40	–40	–40	–40	–40
Total (Unemployment compensation) (net)		BA	275	284	330	342	355	369	383
		O	259	284	330	342	355	369	383
Total Federal unemployment benefits and allowances		BA	407	416	462	474	487	501	515
		O	400	415	464	474	487	501	515
State unemployment insurance and employment service operations (Training and employment):									
(Appropriation, discretionary)	504	BA	193	163	156	158	163	167	171
(Appropriation, mandatory)		BA			[B] 138				
(Spending authority from offsetting collections, discretionary)		BA	823	824	802	819	837	857	877
							[J] –36	[J] –401	[J] –657
(Outlays)		O	950	918	990	969	981	1,002	1,024
					[B] 84	[B] 54			
							[J] –36	[J] –401	[J] –657
State unemployment insurance and employment service operations (gross)		BA	1,016	987	1,096	977	964	623	391
		O	950	918	1,074	1,023	945	601	367
Offsetting collections from Federal sources			–823	–824	–802	–819	–837	–857	–877
							[J] 36	[J] 401	[J] 657
Total (Training and employment) (net)		BA	193	163	294	158	163	167	171
		O	127	94	272	204	144	145	147
(Unemployment compensation):									
(Appropriation, discretionary)	603	BA	4	4	......	......	......	......	......
(Spending authority from offsetting collections, discretionary)		BA	2,414	2,798	2,738	2,795	2,857	2,925	2,993
							[J] –331	[J] –1,547	[J] –2,229
(Outlays)		O	2,383	2,880	2,738	2,795	2,858	2,924	2,993
							[J] –331	[J] –1,547	[J] –2,229
State unemployment insurance and employment service operations (gross)		BA	2,611	2,965	3,032	2,953	2,689	1,545	935
		O	2,510	2,974	3,010	2,999	2,671	1,522	911
Offsetting collections from Federal sources			–2,414	–2,798	–2,738	–2,795	–2,857	–2,925	–2,993
							[J] 331	[J] 1,547	[J] 2,229
Total (Unemployment compensation) (net)		BA	4	4	......	......	......	......	......
		O	–31	82	......	......	1	–1	......
Total State unemployment insurance and employment service operations		BA	197	167	294	158	163	167	171
		O	96	176	272	204	145	144	147
Advances to the Unemployment trust fund and other funds (General retirement and disability insurance (excluding social se):									
(Appropriation, mandatory)	601	BA			[J] 2,066				
(Outlays)		O			[J] 2,066				
(Unemployment compensation):									
(Appropriation, mandatory)	603	BA	......	31	......	......	......	......	......
(Outlays)		O	......	31	......	......	......	......	......
Total Advances to the Unemployment trust fund and other funds		BA	......	31	2,066	......	......	......	......
		O	......	31	2,066	......	......	......	......
Program administration:									
Appropriation, discretionary	504	BA	116	119	126	129	132	135	138

DEPARTMENT OF LABOR—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Spending authority from offsetting collections, discretionary		BA	**51**	**51**	**53**	**54**	**55**	**56**	**58**
Outlays		O	167	173	178	182	186	190	195
Program administration (gross)		BA	**167**	**170**	**179**	**183**	**187**	**191**	**196**
		O	167	173	178	182	186	190	195
Offsetting collections from Federal sources			–51	–51	–53	–54	–55	–56	–58
Total Program administration (net)		BA	**116**	**119**	**126**	**129**	**132**	**135**	**138**
		O	116	122	125	128	131	134	137
Workers compensation programs:									
Appropriation, discretionary	806	BA	....	**175**	....	....	....	....	....
Outlays		O	....	140	35	....	....	....	....
	Trust funds								
Unemployment trust fund									
(Training and employment):									
(Appropriation, discretionary)	504	BA	**1,129**	**1,132**	**1,114**	**1,138**	**1,162**	**1,190**	**1,219**
					[J] **–179**	[J] **–179**	[J] **–215**	[J] **–580**	[J] **–836**
(Outlays)		O	1,180	976	1,114	1,124	1,149	1,174	1,201
					[J] –163	[J] –179	[J] –215	[J] –580	[J] –836
Total (Training and employment)		BA	**1,129**	**1,132**	**935**	**959**	**947**	**610**	**383**
		O	1,180	976	951	945	934	594	365
(Unemployment compensation):									
(Appropriation, discretionary)	603	BA	**2,439**	**2,793**	**2,734**	**2,791**	**2,853**	**2,920**	**2,989**
							[J] **–331**	[J] **–1,457**	[J] **–2,229**
(Appropriation, mandatory)		BA	**30,315**	**44,594**	**40,795**	**38,233**	**37,504**	**38,333**	**40,580**
							[B] **319**	[B] **1,929**	[B] **3,072**
(Outlays)		O	30,353	47,387	43,529	41,024	40,357	41,253	43,569
							[B] 319	[B] 1,929	[B] 3,072
							[J] –331	[J] –1,457	[J] –2,229
Total (Unemployment compensation)		BA	**32,754**	**47,387**	**43,529**	**41,024**	**40,345**	**41,725**	**44,412**
		O	30,353	47,387	43,529	41,024	40,345	41,725	44,412
Total Unemployment trust fund		BA	**33,883**	**48,519**	**44,464**	**41,983**	**41,292**	**42,335**	**44,795**
		O	31,533	48,363	44,480	41,969	41,279	42,319	44,777
Total Federal funds Employment and Training Administration		BA	**6,951**	**6,982**	**8,369**	**6,295**	**6,440**	**6,593**	**6,750**
		O	6,244	7,704	9,486	6,919	6,411	6,449	6,601
Total Trust funds Employment and Training Administration		BA	**33,883**	**48,519**	**44,464**	**41,983**	**41,292**	**42,335**	**44,795**
		O	31,533	48,363	44,480	41,969	41,279	42,319	44,777

Pension and welfare benefit administration

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	601	BA	**111**	**116**	**121**	**123**	**126**	**129**	**132**
Spending authority from offsetting collections, discretionary		BA	**10**	**10**	**10**	**10**	**10**	**11**	**11**
Outlays		O	109	128	130	133	136	139	142
Salaries and expenses (gross)		BA	**121**	**126**	**131**	**133**	**136**	**140**	**143**
		O	109	128	130	133	136	139	142
Offsetting collections from Federal sources			–10	–10	–10	–10	–10	–11	–11
Total Salaries and expenses (net)		BA	**111**	**116**	**121**	**123**	**126**	**129**	**132**
		O	99	118	120	123	126	128	131

Pension Benefit Guaranty Corporation

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
Public Enterprise Funds:									
Pension benefit guaranty corporation fund:									
Spending authority from offsetting collections, discretionary	601	BA	**12**	**12**	**13**	**13**	**14**	**14**	**14**
Spending authority from offsetting collections, mandatory		BA	**2,386**	**2,924**	**2,885**	**3,001**	**3,155**	**3,283**	**3,427**

DEPARTMENT OF LABOR—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	1,333	1,621	1,531	1,613	1,691	1,830	1,943
Pension benefit guaranty corporation fund (gross)		BA	**2,398**	**2,936**	**2,898**	**3,014**	**3,169**	**3,297**	**3,441**
		O	1,333	1,621	1,531	1,613	1,691	1,830	1,943
Offsetting collections from interest on Federal securities			–598	–964	–1,075	–1,160	–1,248	–1,335	–1,426
Offsetting collections from non-Federal sources			–1,800	–1,972	–1,823	–1,854	–1,921	–1,962	–2,016
Total Pension benefit guaranty corporation fund (net)		BA	....	....	....	....	....	....	**–1**
		O	–1,065	–1,315	–1,367	–1,401	–1,478	–1,467	–1,499

Employment Standards Administration

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	505	BA	**382**	**391**	**311**	**317**	**324**	**331**	**338**
Appropriation, mandatory		BA	**10**	**10**	**10**	....	....	....	....
Spending authority from offsetting collections, discretionary		BA	**39**	**40**	**129**	**132**	**135**	**138**	**141**
Outlays		O	430	448	450	448	457	467	478
Salaries and expenses (gross)		BA	**431**	**441**	**450**	**449**	**459**	**469**	**479**
		O	430	448	450	448	457	467	478
Offsetting collections from Federal sources			–37	–38	–41	–42	–43	–44	–45
Offsetting collections from non-Federal sources			–2	–2	–2	–2	–2	–2	–2
Total Salaries and expenses (net)		BA	**392**	**401**	**407**	**405**	**414**	**423**	**432**
		O	391	408	407	404	412	421	431
Special benefits									
(General retirement and disability insurance (excluding social se):									
(Appropriation, mandatory)	601	BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
(Outlays)		O	3	3	3	3	3	3	3
(Federal employee retirement and disability):									
(Appropriation, mandatory)	602	BA	**53**	**119**	**161**	**180**	**196**	**205**	**218**
							B –2	**B –3**	**B –7**
(Spending authority from offsetting collections, mandatory)		BA	**2,026**	**2,106**	**2,171**	**2,219**	**2,291**	**2,375**	**2,440**
						B –3	**B –4**	**B –9**	**B –11**
(Outlays)		O	2,147	2,248	2,377	2,437	2,502	2,568	2,641
					B –3	B –7	B –10	B –14	B –16
Special benefits (gross)		BA	**2,082**	**2,228**	**2,335**	**2,399**	**2,484**	**2,571**	**2,643**
		O	2,150	2,251	2,377	2,433	2,495	2,557	2,628
Offsetting collections from Federal sources			–1,332	–1,402	–1,529	–1,549	–1,602	–1,668	–1,713
						B 1	B 2	B 5	B 7
Offsetting collections from non-Federal sources			–694	–704	–728	–758	–779	–799	–831
						B 2	B 2	B 4	B 4
Total (Federal employee retirement and disability) (net)		BA	**53**	**119**	**75**	**92**	**104**	**110**	**107**
		O	121	142	117	126	115	96	92
Total Special benefits		BA	**56**	**122**	**78**	**95**	**107**	**113**	**110**
		O	124	145	120	129	118	99	95
Energy employees occupational illness compensation fund:									
Appropriation, mandatory	053	BA	**358**	**769**	**758**	**578**	**353**	**250**	**157**
Spending authority from offsetting collections, mandatory		BA	**2**	....	....	....	....	....	....
Outlays		O	2	769	758	578	353	250	157
Energy employees occupational illness compensation fund (gross)		BA	**360**	**769**	**758**	**578**	**353**	**250**	**157**
		O	2	769	758	578	353	250	157
Offsetting collections from interest on Federal securities			–2	....	....	....	....	....	....
Total Energy employees occupational illness compensation fund (net)		BA	**358**	**769**	**758**	**578**	**353**	**250**	**157**
		O	....	769	758	578	353	250	157
Administrative expenses, Energy employees occupational illness compensation fund:									
Appropriation, mandatory	053	BA	**50**	**138**	**107**	**57**	**52**	**47**	**32**
Outlays		O	6	122	130	69	56	48	35

DEPARTMENT OF LABOR—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Special benefits for disabled coal miners:									
Appropriation, mandatory	601	BA			[J] 300	[J] 286	[J] 265	[J] 243	[J] 223
Advance appropriation, mandatory		BA			[J] 108	[J] 97	[J] 88	[J] 81	[J] 74
Outlays		O			[J] 420	[J] 387	[J] 356	[J] 327	[J] 300
Total Special benefits for disabled coal miners		BA	....	....	408	383	353	324	297
		O	....	....	420	387	356	327	300
Panama Canal Commission compensation fund:									
Appropriation, mandatory	602	BA	6	7	7	6	5	5	4
Outlays		O	6	7	7	6	5	5	4
Trust funds									
Black lung disability trust fund:									
Appropriation, mandatory	601	BA	511	597	575	598	615	624	633
					[J] 2,066				
Authority to borrow, mandatory		BA	505	442	463	450	441	439	437
					[J] –460	[J] –446	[J] –435	[J] –430	[J] –427
Outlays		O	1,016	1,039	1,038	1,048	1,056	1,063	1,070
					[J] 1,606	[J] –446	[J] –435	[J] –430	[J] –427
Total Black lung disability trust fund		BA	1,016	1,039	2,644	602	621	633	643
		O	1,016	1,039	2,644	602	621	633	643
Special workers' compensation expenses:									
Appropriation, discretionary	601	BA	2	2	2	2	2	2	2
Appropriation, mandatory		BA	143	149	149	149	150	150	151
Outlays		O	144	148	147	152	151	151	152
Total Special workers' compensation expenses		BA	145	151	151	151	152	152	153
		O	144	148	147	152	151	151	152
Total Federal funds Employment Standards Administration		BA	862	1,437	1,765	1,524	1,284	1,162	1,032
		O	527	1,451	1,842	1,573	1,300	1,150	1,022
Total Trust funds Employment Standards Administration		BA	1,161	1,190	2,795	753	773	785	796
		O	1,160	1,187	2,791	754	772	784	795

Occupational Safety and Health Administration

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	554	BA	439	458	449	458	468	479	490
Spending authority from offsetting collections, discretionary		BA	2	2	2	2	2	2	2
Outlays		O	413	457	452	459	468	479	489
Salaries and expenses (gross)		BA	441	460	451	460	470	481	492
		O	413	457	452	459	468	479	489
Offsetting collections from Federal sources			–1	–1	–1	–1	–1	–1	–1
Offsetting collections from non-Federal sources			–1	–1	–1	–1	–1	–1	–1
Total Salaries and expenses (net)		BA	439	458	449	458	468	479	490
		O	411	455	450	457	466	477	487

Mine Safety and Health Administration

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	554	BA	259	268	264	269	275	281	288
Spending authority from offsetting collections, discretionary		BA	1	2	2	2	2	2	2
Outlays		O	262	269	265	271	276	283	289
Salaries and expenses (gross)		BA	260	270	266	271	277	283	290
		O	262	269	265	271	276	283	289
Adjustment to uncollected customer payments from Federal sources		BA	1	....	....	....	....	....	....

DEPARTMENT OF LABOR—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Offsetting collections from non-Federal sources			–2	–2	–2	–2	–2	–2	–2
Total Salaries and expenses (net)		BA	**259**	**268**	**264**	**269**	**275**	**281**	**288**
		O	260	267	263	269	274	281	287

Bureau of Labor Statistics

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	505	BA	**397**	**420**	**439**	**448**	**457**	**468**	**479**
Spending authority from offsetting collections, discretionary		BA	**78**	**83**	**88**	**90**	**92**	**94**	**96**
Outlays		O	453	490	581	535	548	559	573
Salaries and expenses (gross)		BA	**475**	**503**	**527**	**538**	**549**	**562**	**575**
		O	453	490	581	535	548	559	573
Offsetting collections from Federal sources			–77	–82	–87	–89	–91	–93	–95
Offsetting collections from non-Federal sources			–1	–1	–1	–1	–1	–1	–1
Total Salaries and expenses (net)		BA	**397**	**420**	**439**	**448**	**457**	**468**	**479**
		O	375	407	493	445	456	465	477

Departmental Management

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	505	BA	**389**	**394**	**326**	**333**	**340**	**348**	**356**
Spending authority from offsetting collections, discretionary		BA	**33**	**37**	**38**	**39**	**40**	**41**	**41**
Outlays		O	263	403	498	399	389	387	395
Salaries and expenses (gross)		BA	**422**	**431**	**364**	**372**	**380**	**389**	**397**
		O	263	403	498	399	389	387	395
Offsetting collections from Federal sources			–30	–31	–31	–32	–32	–33	–34
Offsetting collections from non-Federal sources			–3	–6	–7	–7	–7	–7	–8
Total Salaries and expenses (net)		BA	**389**	**394**	**326**	**333**	**341**	**349**	**355**
		O	230	366	460	360	350	347	353
Office of Disability Employment Policy:									
Appropriation, discretionary	505	BA	....	**38**	**47**	**48**	**49**	**50**	**51**
Outlays		O	....	30	45	47	49	50	51
Office of the Inspector General:									
Appropriation, discretionary	505	BA	**53**	**55**	**60**	**61**	**62**	**64**	**65**
Spending authority from offsetting collections, discretionary		BA	**16**	**22**	**23**	**23**	**24**	**25**	**25**
Outlays		O	63	77	82	84	86	88	90
Office of the Inspector General (gross)		BA	**69**	**77**	**83**	**84**	**86**	**89**	**90**
		O	63	77	82	84	86	88	90
Offsetting collections from Federal sources			–16	–22	–23	–23	–24	–25	–25
Total Office of the Inspector General (net)		BA	**53**	**55**	**60**	**61**	**62**	**64**	**65**
		O	47	55	59	61	62	63	65
Veterans employment and training:									
Appropriation, discretionary	702	BA	**25**	**26**	**25**	**25**	**26**	**26**	**28**
					[J] **–18**	[J] **–18**	[J] **–18**	[J] **–18**	[J] **–18**
Spending authority from offsetting collections, discretionary		BA	**188**	**188**	**187**	**191**	**195**	**200**	**205**
					[J] **–179**	[J] **–179**	[J] **–179**	[J] **–179**	[J] **–179**
Outlays		O	167	205	212	217	221	226	231
					[J] –165	[J] –192	[J] –197	[J] –197	[J] –197
Veterans employment and training (gross)		BA	**213**	**214**	**15**	**19**	**24**	**29**	**36**
		O	167	205	47	25	24	29	34

DEPARTMENT OF LABOR—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Offsetting collections from Federal sources			–188	–188	–187 [J]179	–191 [J]179	–195 [J]179	–200 [J]179	–205 [J]179
Total Veterans employment and training (net)		BA O	**25** –21	**26** 17	**7** 39	**7** 13	**8** 8	**8** 8	**10** 8
Intragovernmental Funds:									
Working capital fund:									
Spending authority from offsetting collections, discretionary	505	BA	**129**	**130**	**134**	**137**	**140**	**143**	**146**
Outlays		O	136	132	135	138	139	142	145
Working capital fund (gross)		BA O	**129** 136	**130** 132	**134** 135	**137** 138	**140** 139	**143** 142	**146** 145
Offsetting collections from Federal sources			–129	–130	–134	–137	–140	–143	–146
Total Working capital fund (net)		BA O	 7	 2	 1	 1	.... –1	.... –1	.... –1
Total Federal funds Departmental Management		BA O	**467** 263	**513** 470	**440** 604	**449** 482	**460** 468	**471** 467	**481** 476

Summary

Account			2001 actual	2002	2003	2004	2005	2006	2007
Federal funds:									
(As shown in detail above)		BA O	**9,486** 7,114	**10,194** 9,557	**11,847** 11,891	**9,566** 8,867	**9,510** 8,023	**9,583** 7,950	**9,651** 7,982
Deductions for offsetting receipts:									
Intrafund transactions	908	BA/O	*–6*	*–7*	*–7*	*–6*	*–5*	*–5*	*–4*
Total Federal funds		BA O	**9,480** 7,108	**10,187** 9,550	**11,840** 11,884	**9,560** 8,861	**9,505** 8,018	**9,578** 7,945	**9,647** 7,978
Trust funds:									
(As shown in detail above)		BA O	**35,044** 32,693	**49,709** 49,550	**47,259** 47,271	**42,736** 42,723	**42,065** 42,051	**43,120** 43,103	**45,591** 45,572
Deductions for offsetting receipts:									
Proprietary receipts from the public	908	BA/O	*–2*	*–4*	*–4*	*–4*	*–4*	*–4*	*–4*
Total Trust funds		BA O	**35,042** 32,691	**49,705** 49,546	**47,255** 47,267	**42,732** 42,719	**42,061** 42,047	**43,116** 43,099	**45,587** 45,568
Interfund transactions	601 603	BA/O BA/O	 *–432*	 *–517*	*[J]–2,066* *–531*	 *–526*	 *–522*	 *–526*	 *–541*
Total Department of Labor		BA O	**44,090** 39,367	**59,375** 58,579	**56,498** 56,554	**51,766** 51,054	**51,044** 49,543	**52,168** 50,518	**54,693** 53,005

DEPARTMENT OF STATE

(In millions of dollars)

Administration of Foreign Affairs

Federal funds

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
General and Special Funds:									
Diplomatic and consular programs:									
Appropriation, discretionary	153	BA	**3,220**	**3,708**	**4,019**	**4,102**	**4,191**	**4,287**	**4,386**
Spending authority from offsetting collections, discretionary		BA	**1,095**	**1,128**	**1,286**	**1,313**	**1,342**	**1,374**	**1,406**
Outlays		O	4,117	5,300	5,544	5,485	5,555	5,633	5,763
Diplomatic and consular programs (gross)		BA O	**4,315** 4,117	**4,836** 5,300	**5,305** 5,544	**5,415** 5,485	**5,533** 5,555	**5,661** 5,633	**5,792** 5,763
Change in uncollected customer payments from Federal sources		BA	**–48**	....	....	....	....	....	....
Adjustment to uncollected customer payments from Federal sources		BA	**134**	....	....	....	....	....	....
Offsetting collections from Federal sources			–637	–615	–630	–643	–658	–673	–689

DEPARTMENT OF STATE—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Offsetting collections from non-Federal sources			–544	–508	–656	–670	–685	–701	–717
Total Diplomatic and consular programs (net)		BA	**3,220**	**3,713**	**4,019**	**4,102**	**4,190**	**4,287**	**4,386**
		O	2,936	4,177	4,258	4,172	4,212	4,259	4,357
International information programs:									
Outlays	154	O	5	5	5				
Arms control and disarmament activities:									
Outlays	153	O	–1						
Capital investment fund:									
Appropriation, discretionary	153	BA	**119**	**203**	**177**	**181**	**185**	**189**	**193**
Outlays		O	125	178	179	184	182	187	191
Office of the Inspector General:									
Appropriation, discretionary	153	BA	**29**	**31**	**31**	**32**	**32**	**33**	**34**
Outlays		O	28	30	31	32	32	33	33
Educational and cultural exchange programs:									
Appropriation, discretionary	154	BA	**358**	**239**	**247**	**252**	**258**	**264**	**270**
Spending authority from offsetting collections, discretionary		BA	**10**						
Outlays		O	311	274	278	271	277	260	266
Educational and cultural exchange programs (gross)		BA	**368**	**239**	**247**	**252**	**258**	**264**	**270**
		O	311	274	278	271	277	260	266
Change in uncollected customer payments from Federal sources		BA	**2**						
Offsetting collections from Federal sources			–12						
Offsetting collections from non-Federal sources			2						
Total Educational and cultural exchange programs (net)		BA	**360**	**239**	**247**	**252**	**258**	**264**	**270**
		O	301	274	278	271	277	260	266
Embassy security, construction, and maintenance:									
Appropriation, discretionary	153	BA	**1,081**	**1,277**	**1,308**	**1,335**	**1,365**	**1,396**	**1,429**
Spending authority from offsetting collections, discretionary		BA	**165**	**172**	**180**	**184**	**188**	**192**	**197**
Outlays		O	834	1,022	1,156	1,382	1,495	1,540	1,566
Embassy security, construction, and maintenance (gross)		BA	**1,246**	**1,449**	**1,488**	**1,519**	**1,553**	**1,588**	**1,626**
		O	834	1,022	1,156	1,382	1,495	1,540	1,566
Change in uncollected customer payments from Federal sources		BA	**21**						
Offsetting collections from Federal sources			–73	–64	–64	–65	–67	–68	–70
Offsetting collections from non-Federal sources			–113	–108	–116	–118	–121	–124	–127
Total Embassy security, construction, and maintenance (net)		BA	**1,081**	**1,277**	**1,308**	**1,336**	**1,365**	**1,396**	**1,429**
		O	648	850	976	1,199	1,307	1,348	1,369
Security and maintenance of United States missions (special foreign currency program):									
Outlays	153	O			1				
Representation allowances:									
Appropriation, discretionary	153	BA	**6**	**6**	**9**	**9**	**9**	**10**	**10**
Outlays		O	6	6	9	9	9	10	10
Protection of foreign missions and officials:									
Appropriation, discretionary	153	BA	**15**	**9**	**11**	**11**	**11**	**12**	**12**
Outlays		O	11	12	10	11	11	12	12
Emergencies in the diplomatic and consular service:									
Appropriation, discretionary	153	BA	**46**	**7**	**15**	**15**	**16**	**16**	**16**
Outlays		O	8	26	48	16	16	16	16
Emergencies in the diplomatic and consular service (gross)		BA	**46**	**7**	**15**	**15**	**16**	**16**	**16**
		O	8	26	48	16	16	16	16
Change in uncollected customer payments from Federal sources		BA	**2**						
Offsetting collections from Federal sources			–2						
Total Emergencies in the diplomatic and consular service (net)		BA	**46**	**7**	**15**	**15**	**16**	**16**	**16**
		O	6	26	48	16	16	16	16
Buying power maintenance:									
Appropriation, discretionary	153	BA	**4**						
Payment to the American Institute in Taiwan:									
Appropriation, discretionary	153	BA	**16**	**17**	**19**	**19**	**20**	**20**	**21**
Outlays		O	21	17	19	19	20	20	21

DEPARTMENT OF STATE—Continued

(In millions of dollars)

Account			2001 actual	estimate					
				2002	2003	2004	2005	2006	2007
Payment to Foreign Service retirement and disability fund:									
Appropriation, mandatory	153	BA	**166**	**172**	**174**	**177**	**178**	**179**	**180**
Outlays		O	166	172	174	177	178	179	180
Foreign service national defined contributions retirement fund:									
Appropriation, mandatory	602	BA	....	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	....	1	1	1	1	1	1
Intragovernmental Funds:									
Working capital fund:									
Spending authority from offsetting collections, mandatory	153	BA	**1,026**	**1,227**	**1,309**	**1,310**	**1,310**	**1,310**	**1,310**
Outlays		O	1,073	1,227	1,309	1,310	1,310	1,310	1,310
Working capital fund (gross)		BA	**1,026**	**1,227**	**1,309**	**1,310**	**1,310**	**1,310**	**1,310**
		O	1,073	1,227	1,309	1,310	1,310	1,310	1,310
Change in uncollected customer payments from Federal sources		BA	**64**	....	....	....	....	....	....
Offsetting collections from Federal sources			–1,090	–1,227	–1,309	–1,310	–1,310	–1,310	–1,310
Total Working capital fund (net)		BA	....	....	....	....	....	....	....
		O	–17	....	....	....	....	....	....
Credit Accounts:									
Repatriation loans program account:									
Appropriation, discretionary	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, mandatory	602	BA	**589**	**611**	**636**	**662**	**689**	**717**	**747**
Outlays		O	589	611	636	662	689	717	747
Foreign Service national separation liability trust fund:									
Appropriation, mandatory	602	BA	**8**	**8**	**8**	**8**	**8**	**8**	**8**
Outlays		O	10	8	8	8	8	8	8
Miscellaneous trust funds:									
Appropriation, mandatory	153	BA	**9**	**37**	**5**	**5**	**5**	**5**	**5**
Outlays		O	2	35	8	6	6	6	6
Total Federal funds Administration of Foreign Affairs		BA	**5,063**	**5,676**	**6,012**	**6,136**	**6,266**	**6,408**	**6,553**
		O	4,236	5,749	5,990	6,092	6,246	6,326	6,457
Total Trust funds Administration of Foreign Affairs		BA	**606**	**656**	**649**	**675**	**702**	**730**	**760**
		O	601	654	652	676	703	731	761

International Organizations and Conferences

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Contributions to international organizations:									
Appropriation, discretionary	153	BA	**869**	**850**	**891**	**910**	**930**	**952**	**974**
Outlays		O	870	881	890	909	940	957	974
Contributions for international peacekeeping activities:									
Appropriation, discretionary	153	BA	**844**	**844**	**726**	**741**	**758**	**775**	**794**
Outlays		O	429	1,565	737	741	758	775	794
Arrearage payments:									
Outlays	153	O	....	826	....	....	....	....	....
International conferences and contingencies:									
Spending authority from offsetting collections, discretionary	153	BA	**–3**	....	....	....	....	....	....
International conferences and contingencies (gross)		BA	**–3**	....	....	....	....	....	....
Change in uncollected customer payments from Federal sources		BA	**3**	....	....	....	....	....	....
Total International conferences and contingencies (net)		BA	....	....	....	....	....	....	....
Total Federal funds International Organizations and Conferences		BA	**1,713**	**1,694**	**1,617**	**1,651**	**1,688**	**1,727**	**1,768**
		O	1,299	3,272	1,627	1,650	1,698	1,732	1,768

DEPARTMENT OF STATE—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
International Commissions									
International Boundary and Water Commission, United States and Mexico:									
Federal funds									
General and Special Funds:									
Salaries and expenses, IBWC:									
Appropriation, discretionary	301	BA	**7**	**26**	**28**	**29**	**29**	**30**	**31**
Spending authority from offsetting collections, discretionary		BA	....	**6**	**6**	**6**	**6**	**6**	**7**
Outlays		O	10	29	34	34	35	36	37
Salaries and expenses, IBWC (gross)		BA	**7**	**32**	**34**	**35**	**35**	**36**	**38**
		O	10	29	34	34	35	36	37
Change in uncollected customer payments from Federal sources		BA	....	**–3**	**–3**	....	....	....	....
Offsetting collections from Federal sources			....	–3	–3	–3	–3	–3	–3
Total Salaries and expenses, IBWC (net)		BA	**7**	**26**	**28**	**32**	**32**	**33**	**35**
		O	10	26	31	31	32	33	34
Construction, IBWC:									
Appropriation, discretionary	301	BA	**24**	**5**	**10**	**10**	**10**	**11**	**11**
Spending authority from offsetting collections, discretionary		BA	**7**	**10**	**10**	**10**	**10**	**11**	**11**
Outlays		O	26	14	15	18	19	21	21
Construction, IBWC (gross)		BA	**31**	**15**	**20**	**20**	**20**	**22**	**22**
		O	26	14	15	18	19	21	21
Offsetting collections from Federal sources			–5	–7	–7	–7	–7	–7	–8
Offsetting governmental collections (from non-Federal sources)			–2	–3	–3	–3	–3	–3	–3
Total Construction, IBWC (net)		BA	**24**	**5**	**10**	**10**	**10**	**12**	**11**
		O	19	4	5	8	9	11	10
Total Federal funds International Boundary and Water Commission, United States and Mexico:		BA	**31**	**31**	**38**	**42**	**42**	**45**	**46**
		O	29	30	36	39	41	44	44
Federal funds									
General and Special Funds:									
American sections, international commissions:									
Appropriation, discretionary	301	BA	**7**	**10**	**11**	**11**	**11**	**12**	**12**
Outlays		O	7	9	11	11	11	11	11
International fisheries commissions:									
Appropriation, discretionary	302	BA	**19**	**20**	**20**	**20**	**21**	**21**	**22**
Outlays		O	18	20	20	20	21	21	22
Total Federal funds International Commissions		BA	**57**	**61**	**69**	**73**	**74**	**78**	**80**
		O	54	59	67	70	73	76	77
Other									
Federal funds									
General and Special Funds:									
Migration and refugee assistance:									
Appropriation, discretionary	151	BA	**699**	**706**	**706**	**721**	**737**	**754**	**772**
Spending authority from offsetting collections, discretionary		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	737	763	755	724	732	749	767
Migration and refugee assistance (gross)		BA	**700**	**707**	**707**	**722**	**738**	**755**	**773**
		O	737	763	755	724	732	749	767
Offsetting collections from non-Federal sources			–1	–1	–1	–1	–1	–1	–1
Total Migration and refugee assistance (net)		BA	**699**	**706**	**706**	**721**	**737**	**754**	**772**
		O	736	762	754	723	731	748	766
United States emergency refugee and migration assistance fund:									
Appropriation, discretionary	151	BA	**15**	**15**	**15**	**15**	**16**	**16**	**16**
Outlays		O	35	40	45	32	16	16	16
International narcotics control and law enforcement:									
Appropriation, discretionary	151	BA	**416**	**218**	**199**	**203**	**208**	**212**	**217**

DEPARTMENT OF STATE—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Reappropriation, discretionary		BA	**1**						
Spending authority from offsetting collections, discretionary		BA	**21**	**12**	**12**	**12**	**13**	**13**	**13**
Outlays		O	371	363	345	238	218	221	226
International narcotics control and law enforcement (gross)		BA	**438**	**230**	**211**	**215**	**221**	**225**	**230**
		O	371	363	345	238	218	221	226
Change in uncollected customer payments from Federal sources		BA	**6**						
Adjustment to uncollected customer payments from Federal sources		BA	**–5**						
Offsetting collections from Federal sources			–16	–12	–12	–12	–13	–13	–13
Offsetting collections from non-Federal sources			–6						
Total International narcotics control and law enforcement (net)		BA	**417**	**218**	**199**	**203**	**208**	**212**	**217**
		O	349	351	333	226	205	208	213
Andean counterdrug initiative:									
Appropriation, discretionary	151	BA		**625**	**731**	**746**	**763**	**781**	**799**
Spending authority from offsetting collections, discretionary		BA	**3**						
Outlays		O	374	409	587	715	735	762	781
Andean counterdrug initiative (gross)		BA	**3**	**625**	**731**	**746**	**763**	**781**	**799**
		O	374	409	587	715	735	762	781
Offsetting collections from Federal sources			–3						
Total Andean counterdrug initiative (net)		BA		**625**	**731**	**746**	**763**	**781**	**799**
		O	371	409	587	715	735	762	781
Payment to the Asia Foundation:									
Appropriation, discretionary	154	BA	**9**	**9**	**9**	**9**	**9**	**10**	**10**
Outlays		O	8	12	9	9	9	9	9
National Endowment for Democracy:									
Appropriation, discretionary	154	BA	**33**	**34**	**36**	**37**	**38**	**38**	**39**
Outlays		O	39	36	34	38	37	37	39
East-West Center:									
Appropriation, discretionary	154	BA	**14**	**14**	**14**	**14**	**15**	**15**	**15**
Outlays		O	16	14	14	14	14	15	15
North-South Center:									
Outlays	154	O	2						
International litigation fund:									
Appropriation, mandatory	153	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Spending authority from offsetting collections, mandatory		BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	2	4	4	4	4	4	4
International litigation fund (gross)		BA	**4**	**4**	**4**	**4**	**4**	**4**	**4**
		O	2	4	4	4	4	4	4
Offsetting collections from Federal sources			–3	–3	–3	–3	–3	–3	–3
Total International litigation fund (net)		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
		O	–1	1	1	1	1	1	1
International Center, Washington, D.C:									
Spending authority from offsetting collections, mandatory	153	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	2	2	1	1	1	1	1
International Center, Washington, D.C (gross)		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
		O	2	2	1	1	1	1	1
Change in uncollected customer payments from Federal sources		BA	**4**						
Offsetting collections from Federal sources			–3	–1	–1	–1	–1	–1	–1
Offsetting collections from non-Federal sources			–1						
Total International Center, Washington, D.C. (net)		BA	**1**						
		O	–2	1					
Trust funds									
Israeli Arab and Eisenhower exchange fellowship programs:									
Appropriation, discretionary	154	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**

DEPARTMENT OF STATE—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	1	1	1	1	1	1	1
Total Federal funds Other		BA	**1,189**	**1,622**	**1,711**	**1,746**	**1,787**	**1,827**	**1,869**
		O	1,553	1,626	1,777	1,758	1,748	1,796	1,840
Total Trust funds Other		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
		O	1	1	1	1	1	1	1
Summary									
Federal funds:									
(As shown in detail above)		BA	**8,022**	**9,053**	**9,409**	**9,606**	**9,815**	**10,040**	**10,270**
		O	7,142	10,706	9,461	9,570	9,765	9,930	10,142
Deductions for offsetting receipts:									
Intrafund transactions	153	BA/O	....	*–1*	*–1*	*–1*	*–1*	*–1*	*–1*
	602	BA/O	....	*–1*	*–1*	*–1*	*–1*	*–1*	*–1*
	908	BA/O	....	*–1*	*–1*	*–1*	*–1*	*–1*	*–1*
Total Federal funds		BA	**8,022**	**9,050**	**9,406**	**9,603**	**9,812**	**10,037**	**10,267**
		O	7,142	10,703	9,458	9,567	9,762	9,927	10,139
Trust funds:									
(As shown in detail above)		BA	**607**	**657**	**650**	**676**	**703**	**731**	**761**
		O	602	655	653	677	704	732	762
Deductions for offsetting receipts:									
Intrafund transactions	602	BA/O	*–1*	*–1*	*–1*	*–1*	*–1*	*–1*	*–1*
Total Trust funds		BA	**606**	**656**	**649**	**675**	**702**	**730**	**760**
		O	601	654	652	676	703	731	761
Interfund transactions	153	BA/O	*–210*	*–217*	*–219*	*–223*	*–224*	*–225*	*–225*
	602	BA/O	*–9*	*–8*	*–8*	*–8*	*–8*	*–8*	*–8*
Total Department of State		BA	**8,409**	**9,481**	**9,828**	**10,047**	**10,282**	**10,534**	**10,794**
		O	7,524	11,132	9,883	10,012	10,233	10,425	10,667

DEPARTMENT OF TRANSPORTATION

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Office of the Secretary									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	407	BA	**66**	**71**	**96**	**98**	**100**	**102**	**105**
Spending authority from offsetting collections, discretionary		BA	**8**	**12**	**12**	**12**	**13**	**13**	**13**
Outlays		O	72	81	107	110	112	115	118
Salaries and expenses (gross)		BA	**74**	**83**	**108**	**110**	**113**	**115**	**118**
		O	72	81	107	110	112	115	118
Change in uncollected customer payments from Federal sources		BA	**–8**	....	....	....	....	....	....
Offsetting collections from Federal sources			....	–12	–12	–12	–13	–13	–13
Total Salaries and expenses (net)		BA	**66**	**71**	**96**	**98**	**100**	**102**	**105**
		O	72	69	95	98	99	102	105
Office of Civil Rights:									
Appropriation, discretionary	407	BA	**8**	**9**	**9**	**9**	**9**	**10**	**10**
Spending authority from offsetting collections, discretionary		BA	....	....	**2**	**2**	**2**	**2**	**2**
Outlays		O	7	9	11	11	11	12	12
Office of Civil Rights (gross)		BA	**8**	**9**	**11**	**11**	**11**	**12**	**12**
		O	7	9	11	11	11	12	12

DEPARTMENT OF TRANSPORTATION—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Change in uncollected customer payments from Federal sources		BA			**–2**				
Total Office of Civil Rights (net)		BA	**8**	**9**	**9**	**11**	**11**	**12**	**12**
		O	7	9	11	11	11	12	12
Minority business outreach:									
Appropriation, discretionary	407	BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	2	4	3	3	3	3	3
New headquarters building:									
Appropriation, discretionary	407	BA			**25**	**26**	**26**	**27**	**27**
Outlays		O			25	26	26	27	27
Rental payments:									
Appropriation, discretionary	407	BA	**–1**						
Compensation for air carriers:									
Appropriation, mandatory	402	BA	**5,000**						
Outlays		O	2,328	2,672					
Transportation planning, research, and development:									
Appropriation, discretionary	407	BA	**11**	**12**	**11**	**11**	**11**	**12**	**12**
Spending authority from offsetting collections, discretionary		BA	**2**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	9	12	14	14	15	15	15
Transportation planning, research, and development (gross)		BA	**13**	**15**	**14**	**14**	**14**	**15**	**15**
		O	9	12	14	14	15	15	15
Change in uncollected customer payments from Federal sources		BA	**–2**						
Offsetting collections from Federal sources				–3	–3	–3	–3	–3	–3
Total Transportation planning, research, and development (net)		BA	**11**	**12**	**11**	**11**	**11**	**12**	**12**
		O	9	9	11	11	12	12	12
Essential air service and rural airport improvement fund:									
Appropriation, mandatory	402	BA	**50**	**20**	**30**	**30**	**30**	**40**	**40**
Spending authority from offsetting collections, discretionary		BA			**83**	**85**	**87**	**89**	**91**
Outlays		O	50	53	88	114	116	124	129
Essential air service and rural airport improvement fund (gross)		BA	**50**	**20**	**113**	**115**	**117**	**129**	**131**
		O	50	53	88	114	116	124	129
Offsetting collections from Federal sources					–83	–85	–87	–89	–91
Total Essential air service and rural airport improvement fund (net)		BA	**50**	**20**	**30**	**30**	**30**	**40**	**40**
		O	50	53	5	29	29	35	38
Intragovernmental Funds:									
Transportation Administrative Service Center:									
Spending authority from offsetting collections, mandatory	407	BA	**325**	**464**	**483**	**474**	**474**	**475**	**475**
Outlays		O	285	464	483	474	474	475	475
Transportation Administrative Service Center (gross)		BA	**325**	**464**	**483**	**474**	**474**	**475**	**475**
		O	285	464	483	474	474	475	475
Change in uncollected customer payments from Federal sources		BA	**–68**						
Offsetting collections from Federal sources			–257	–464	–483	–474	–474	–475	–475
Total Transportation Administrative Service Center (net)		BA							
		O	28						
Credit Accounts:									
Minority business resource center program:									
Appropriation, discretionary	407	BA	**2**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O		2	1	1	1	1	1
Limitation on loan guarantee commitments			(14)	(18)	(18)	(18)	(19)	(19)	(20)
		Trust funds							
Payments to air carriers (trust fund):									
Appropriation, discretionary	402	BA		**63**					
Outlays		O	6	39	25				
Total Federal funds Office of the Secretary		BA	**5,139**	**116**	**175**	**180**	**182**	**197**	**200**
		O	2,496	2,818	151	179	181	192	198
Total Trust funds Office of the Secretary		BA		**63**					
		O	6	39	25				

DEPARTMENT OF TRANSPORTATION—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Transportation Security Administration									
Federal funds									
General and Special Funds:									
Transportation security administration:									
Appropriation, discretionary	402	BA	....	**95**	**2,454**	**2,505**	**2,561**	**2,621**	**2,683**
Spending authority from offsetting collections, discretionary		BA	....	**1,250**	**2,346**	**2,395**	**2,448**	**2,506**	**2,565**
Outlays		O	....	1,144	4,282	4,885	4,993	5,109	5,229
Transportation security administration (gross)		BA	....	**1,345**	**4,800**	**4,900**	**5,009**	**5,127**	**5,248**
		O	....	1,144	4,282	4,885	4,993	5,109	5,229
Offsetting collections from Federal sources			....	....	–124	–127	–129	–132	–136
Offsetting collections from non-Federal sources			....	–1,250	–2,222	–2,268	–2,319	–2,373	–2,429
Total Transportation security administration (net)		BA	....	**95**	**2,454**	**2,505**	**2,561**	**2,622**	**2,683**
		O	....	–106	1,936	2,490	2,545	2,604	2,664
Coast Guard									
Federal funds									
General and Special Funds:									
Operating expenses									
(Defense-related activities):									
(Appropriation, discretionary)	054	BA	**340**	**440**	**340**	**347**	**355**	**363**	**372**
(Outlays)		O	340	420	352	354	353	361	369
(Water transportation):									
(Appropriation, discretionary)	403	BA	**3,230**	**3,439**	**4,270**	**4,353**	**4,443**	**4,539**	**4,638**
(Spending authority from offsetting collections, discretionary)		BA	**123**	**116**	**121**	**123**	**126**	**129**	**132**
(Outlays)		O	3,203	3,280	4,076	4,393	4,544	4,642	4,743
Operating expenses (gross)		BA	**3,693**	**3,995**	**4,731**	**4,823**	**4,924**	**5,031**	**5,142**
		O	3,543	3,700	4,428	4,747	4,897	5,003	5,112
(Change in uncollected customer payments from Federal sources)		BA	**14**	....	....	....	....	....	....
Offsetting collections from Federal sources			–127	–109	–114	–116	–119	–122	–124
Offsetting collections from non-Federal sources			–10	–7	–7	–7	–7	–7	–8
Total (Water transportation) (net)		BA	**3,230**	**3,439**	**4,270**	**4,353**	**4,443**	**4,539**	**4,638**
		O	3,066	3,164	3,955	4,270	4,418	4,513	4,611
Total Operating expenses		BA	**3,570**	**3,879**	**4,610**	**4,700**	**4,798**	**4,902**	**5,010**
		O	3,406	3,584	4,307	4,624	4,771	4,874	4,980
Acquisition, construction, and improvements:									
Appropriation, discretionary	403	BA	**394**	**624**	**716**	**731**	**747**	**764**	**782**
Spending authority from offsetting collections, discretionary		BA	**46**	**48**	**48**	**49**	**50**	**51**	**52**
Outlays		O	710	659	644	681	735	776	807
Acquisition, construction, and improvements (gross)		BA	**440**	**672**	**764**	**780**	**797**	**815**	**834**
		O	710	659	644	681	735	776	807
Change in uncollected customer payments from Federal sources		BA	**12**	....	....	....	....	....	....
Offsetting collections from Federal sources			–58	–48	–48	–49	–50	–51	–52
Total Acquisition, construction, and improvements (net)		BA	**394**	**624**	**716**	**731**	**747**	**764**	**782**
		O	652	611	596	632	685	725	755
Environmental compliance and restoration:									
Appropriation, discretionary	304	BA	**17**	**17**	**17**	**17**	**18**	**18**	**19**
Outlays		O	17	20	20	17	17	17	19
Alteration of bridges:									
Appropriation, discretionary	403	BA	**15**	**15**	....	....	....	....	....
Outlays		O	11	51	35	5	2	....	....
Payment to Coast Guard military retirement fund:									
Appropriation, mandatory	403	BA	....	....	**736**	**736**	**736**	**736**	**736**
Outlays		O	....	....	736	736	736	736	736
Retired pay:									
Appropriation, mandatory	403	BA	**778**	**876**	....	....	....	....	....
Spending authority from offsetting collections, mandatory		BA	....	....	....	....	....	....	....

DEPARTMENT OF TRANSPORTATION—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	770	834					
Retired pay (gross)		BA	**778**	**876**					
		O	770	834					
Offsetting collections from Federal sources									
Total Retired pay (net)		BA	**778**	**876**					
		O	770	834					
Reserve training:									
Appropriation, discretionary	403	BA	**97**	**100**	**113**	**115**	**117**	**119**	**121**
Outlays		O	94	100	113	114	117	119	121
Research, development, test, and evaluation:									
Appropriation, discretionary	403	BA	**19**	**18**	**20**	**20**	**21**	**21**	**22**
Spending authority from offsetting collections, discretionary		BA	**4**	**5**	**5**	**5**	**5**	**5**	**5**
Outlays		O	20	27	25	25	26	26	26
Research, development, test, and evaluation (gross)		BA	**23**	**23**	**25**	**25**	**26**	**26**	**27**
		O	20	27	25	25	26	26	26
Offsetting collections from non-Federal sources			–4	–5	–5	–5	–5	–5	–5
Total Research, development, test, and evaluation (net)		BA	**19**	**18**	**20**	**20**	**21**	**21**	**22**
		O	16	22	20	20	21	21	21
Coast Guard military retirement fund:									
Appropriation, mandatory	602	BA			**889**	**941**	**977**	**1,014**	**1,056**
Spending authority from offsetting collections, mandatory		BA			**46**	**49**	**52**	**55**	**58**
Outlays		O			935	990	1,029	1,069	1,114
Coast Guard military retirement fund (gross)		BA			**935**	**990**	**1,029**	**1,069**	**1,114**
		O			935	990	1,029	1,069	1,114
Offsetting collections from Federal sources					–46	–49	–52	–55	–58
Total Coast Guard military retirement fund (net)		BA			**889**	**941**	**977**	**1,014**	**1,056**
		O			889	941	977	1,014	1,056
Intragovernmental Funds:									
Coast Guard supply fund:									
Spending authority from offsetting collections, discretionary	403	BA	**68**	**64**	**64**	**65**	**67**	**68**	**70**
Outlays		O	68	64	64	65	67	68	70
Coast Guard supply fund (gross)		BA	**68**	**64**	**64**	**65**	**67**	**68**	**70**
		O	68	64	64	65	67	68	70
Offsetting collections from Federal sources			–58	–54	–54	–55	–56	–58	–59
Offsetting collections from non-Federal sources			–10	–10	–10	–10	–10	–11	–11
Total Coast Guard supply fund (net)		BA					**1**	**–1**	
		O					1	–1	
Coast Guard yard fund:									
Spending authority from offsetting collections, discretionary	403	BA	**91**	**33**	**80**	**82**	**83**	**85**	**87**
Outlays		O	67	33	80	82	83	85	87
Coast Guard yard fund (gross)		BA	**91**	**33**	**80**	**82**	**83**	**85**	**87**
		O	67	33	80	82	83	85	87
Offsetting collections from Federal sources			–91	–33	–80	–82	–83	–85	–87
Total Coast Guard yard fund (net)		BA							
		O	–24						
Trust funds									
Boat safety:									
Appropriation, mandatory	403	BA	**64**	**64**	**64**	**64**	**64**	**64**	**64**
Outlays		O	58	66	65	64	64	64	64
Oil spill recovery:									
Appropriation, mandatory	304	BA	**76**	**61**	**61**	**61**	**61**	**61**	**61**
Outlays		O	71	61	61	61	61	61	61

DEPARTMENT OF TRANSPORTATION—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Trust fund share of expenses:									
Appropriation, discretionary	304	BA	**48**	**48**	**48**	**49**	**50**	**51**	**52**
Outlays		O	48	48	48	49	50	51	52
Miscellaneous trust revolving funds:									
Spending authority from offsetting collections, mandatory	403	BA	**8**	**8**	**8**	**8**	**8**	**8**	**8**
Outlays		O	8	8	8	8	8	8	8
Miscellaneous trust revolving funds (gross)		BA	**8**	**8**	**8**	**8**	**8**	**8**	**8**
		O	8	8	8	8	8	8	8
Offsetting collections from Federal sources			–8	–8	–8	–8	–8	–8	–8
Total Miscellaneous trust revolving funds (net)		BA							
		O							
Total Federal funds Coast Guard		BA	**4,890**	**5,529**	**7,101**	**7,260**	**7,415**	**7,573**	**7,746**
		O	4,942	5,222	6,716	7,089	7,327	7,505	7,688
Total Trust funds Coast Guard		BA	**188**	**173**	**173**	**174**	**175**	**176**	**177**
		O	177	175	174	174	175	176	177
Federal Aviation Administration									
Federal funds									
General and Special Funds:									
Operations:									
Appropriation, discretionary	402	BA	**2,608**	**1,500**	**3,683**	**3,752**	**3,826**	**3,906**	**3,988**
Appropriation, mandatory		BA	**–50**						
Spending authority from offsetting collections, discretionary		BA	**4,504**	**5,896**	**3,902**	**3,983**	**4,073**	**4,168**	**4,266**
Outlays		O	6,152	8,647	7,605	7,717	7,880	8,054	8,232
Operations (gross)		BA	**7,062**	**7,396**	**7,585**	**7,735**	**7,899**	**8,074**	**8,254**
		O	6,152	8,647	7,605	7,717	7,880	8,054	8,232
Change in uncollected customer payments from Federal sources		BA	**–37**						
Offsetting collections from Federal sources			–4,484	–5,876	–3,882	–3,963	–4,052	–4,146	–4,244
Offsetting collections from non-Federal sources			–20	–20	–20	–20	–21	–21	–22
Total Operations (net)		BA	**2,521**	**1,500**	**3,683**	**3,752**	**3,826**	**3,907**	**3,988**
		O	1,648	2,751	3,703	3,734	3,807	3,887	3,966
Aviation user fees:									
Appropriation, mandatory	402	BA	**30**						
Public Enterprise Funds:									
Aviation insurance revolving fund:									
Spending authority from offsetting collections, discretionary	402	BA	**9**	**17**	**2**	**2**	**2**	**2**	**2**
Outlays		O		62					
Aviation insurance revolving fund (gross)		BA	**9**	**17**	**2**	**2**	**2**	**2**	**2**
		O		62					
Offsetting collections from Federal sources			–9	–17	–2	–2	–2	–2	–2
Total Aviation insurance revolving fund (net)		BA							
		O	–9	45	–2	–2	–2	–2	–2
Intragovernmental Funds:									
Administrative services franchise fund:									
Spending authority from offsetting collections, discretionary	402	BA	**238**	**231**	**271**	**276**	**283**	**289**	**296**
Outlays		O	168	303	274	278	283	289	296
Administrative services franchise fund (gross)		BA	**238**	**231**	**271**	**276**	**283**	**289**	**296**
		O	168	303	274	278	283	289	296
Change in uncollected customer payments from Federal sources		BA	**–6**						
Offsetting collections from Federal sources			–232	–231	–271	–277	–283	–289	–296
Total Administrative services franchise fund (net)		BA				**–1**			
		O	–64	72	3	1			

DEPARTMENT OF TRANSPORTATION—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Trust funds									
Grants-in-aid for airports (Airport and airway trust fund):									
Appropriation, discretionary	402	BA	6	178	4	4	4	4	4
Contract authority, mandatory		BA	2,591	2,998	3,400	3,458	3,520	3,587	3,655
Outlays		O	2,020	2,801	3,273	3,407	3,502	3,613	3,689
Limitation on program level (obligations)			(3,193)	(3,300)	(3,400)	(3,471)	(3,549)	(3,631)	(3,717)
Total Grants-in-aid for airports (Airport and airway trust fund)		BA	2,597	3,176	3,404	3,462	3,524	3,591	3,659
		O	2,020	2,801	3,273	3,407	3,502	3,613	3,689
Facilities and equipment (Airport and airway trust fund):									
Appropriation, discretionary	402	BA	2,667	3,024	2,999	3,062	3,129	3,202	3,277
Spending authority from offsetting collections, discretionary		BA	72	208	120	123	125	128	131
Outlays		O	2,354	2,613	2,847	2,980	3,048	3,249	3,324
Facilities and equipment (Airport and airway trust fund) (gross)		BA	2,739	3,232	3,119	3,185	3,254	3,330	3,408
		O	2,354	2,613	2,847	2,980	3,048	3,249	3,324
Offsetting collections from Federal sources			–57	–188	–100	–102	–104	–107	–109
Offsetting collections from non-Federal sources			–15	–20	–20	–20	–21	–21	–22
Total Facilities and equipment (Airport and airway trust fund) (net)		BA	2,667	3,024	2,999	3,063	3,129	3,202	3,277
		O	2,282	2,405	2,727	2,858	2,923	3,121	3,193
Research, engineering and development (Airport and airway trust fund):									
Appropriation, discretionary	402	BA	189	248	127	130	132	135	139
Spending authority from offsetting collections, discretionary		BA	4	16	16	16	17	17	17
Outlays		O	173	266	214	185	148	150	154
Research, engineering and development (Airport and airway trust fund) (gross)		BA	193	264	143	146	149	152	156
		O	173	266	214	185	148	150	154
Offsetting collections from Federal sources			–4	–16	–16	–16	–17	–17	–17
Total Research, engineering and development (Airport and airway trust fund) (net)		BA	189	248	127	130	132	135	139
		O	169	250	198	169	131	133	137
Trust fund share of FAA operations:									
Appropriation, discretionary	402	BA	4,405	5,974	3,799	3,878	3,965	4,058	4,153
Outlays		O	5,069	6,027	3,823	3,878	3,965	4,058	4,153
Total Federal funds Federal Aviation Administration		BA	2,551	1,500	3,683	3,751	3,826	3,907	3,988
		O	1,575	2,868	3,704	3,733	3,805	3,885	3,964
Total Trust funds Federal Aviation Administration		BA	9,858	12,422	10,329	10,533	10,750	10,986	11,228
		O	9,540	11,483	10,021	10,312	10,521	10,925	11,172

Federal Highway Administration

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Miscellaneous appropriations:									
Appropriation, discretionary	401	BA	605	148					
Outlays		O	58	408	257	143	102	70	38
Appalachian development highway system:									
Appropriation, discretionary	401	BA		200					
Outlays		O	83	92	106	47	23	13	9
State infrastructure banks:									
Appropriation, discretionary	401	BA		–6					
Outlays		O	3	6	5	5	3		
Ellsworth housing settlement:									
Outlays	401	O		3					
Trust funds									
Federal-aid highways:									
Appropriation, discretionary	401	BA	741	99	24	24	24	24	24
Appropriation, mandatory		BA		19					
Contract authority, discretionary		BA	–15	–52					
Contract authority, mandatory		BA	32,254	35,065	31,073	26,624	32,144	32,741	33,349
Spending authority from offsetting collections, discretionary		BA	51	92	92	94	96	98	101
Outlays		O	27,319	28,344	27,833	25,063	24,372	24,774	25,268
Limitation on program level (obligations)			(28,305)	(31,799)	(22,609)	(23,082)	(23,596)	(24,148)	(24,716)
Limitation on direct loan obligations			(2,000)	(2,200)	(2,500)	(2,552)	(2,609)	(2,670)	(2,733)

DEPARTMENT OF TRANSPORTATION—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Limitation on program level (obligations)			(200)	(200)	(100)	(102)	(104)	(107)	(109)
Federal-aid highways (gross)		BA	**33,031**	**35,223**	**31,189**	**26,742**	**32,264**	**32,863**	**33,474**
		O	27,319	28,344	27,833	25,063	24,372	24,774	25,268
Change in uncollected customer payments from Federal sources		BA	**1**						
Offsetting collections from Federal sources			–52						
Offsetting collections from non-Federal sources				–10	–10	–10	–10	–11	–11
Offsetting governmental collections (from non-Federal sources)				–82	–82	–84	–86	–88	–90
Total Federal-aid highways (net)		BA	**32,980**	**35,131**	**31,097**	**26,648**	**32,168**	**32,764**	**33,373**
		O	27,267	28,252	27,741	24,969	24,276	24,675	25,167
Appalachian development highway system (Highway trust fund):									
Appropriation, discretionary	401	BA	**254**						
Outlays		O	9	111	67	28	15	10	6
Highway-related safety grants:									
Outlays	401	O		1					
Miscellaneous trust funds (Ground transportation):									
(Appropriation, mandatory)	401	BA	**50**	**38**	**38**	**38**	**38**	**38**	**38**
(Outlays)		O	48	73	38	38	38	38	38
Total Miscellaneous trust funds		BA	**50**	**38**	**38**	**38**	**38**	**38**	**38**
		O	48	73	38	38	38	38	38
Miscellaneous highway trust funds:									
Appropriation, discretionary	401	BA	**1,210**	**100**					
Outlays		O	76	306	309	289	216	92	43
Right-of-way revolving fund liquidating account:									
Outlays	401	O	12	10	10				
Right-of-way revolving fund liquidating account (gross)		O	12	10	10				
Offsetting collections from non-Federal sources			–31	–24	–24	–24	–24	–24	–24
Total Right-of-way revolving fund liquidating account (net)		BA	**–31**	**–24**	**–24**	**–24**	**–24**	**–24**	**–24**
		O	–19	–14	–14	–24	–24	–24	–24
Total Federal funds Federal Highway Administration		BA	**605**	**342**					
		O	144	509	368	195	128	83	47
Total Trust funds Federal Highway Administration		BA	**34,463**	**35,245**	**31,111**	**26,662**	**32,182**	**32,778**	**33,387**
		O	27,381	28,729	28,141	25,300	24,521	24,791	25,230

Federal Motor Carrier Safety Administration

Trust funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
Motor carrier safety:									
Appropriation, discretionary	401	BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Contract authority, discretionary		BA		**–7**					
Contract authority, mandatory		BA	**91**	**109**	**125**	**121**	**125**	**129**	**133**
Spending authority from offsetting collections, discretionary		BA	**8**	**9**	**10**	**10**	**10**	**11**	**11**
Outlays		O	88	146	129	133	135	138	141
Limitation on program level (obligations)			(92)	(110)	(117)	(119)	(122)	(125)	(128)
Motor carrier safety (gross)		BA	**102**	**114**	**138**	**134**	**138**	**143**	**147**
		O	88	146	129	133	135	138	141
Offsetting collections from non-Federal sources			–8	–9	–10	–10	–10	–11	–11
Total Motor carrier safety (net)		BA	**94**	**105**	**128**	**124**	**128**	**132**	**136**
		O	80	137	119	123	125	127	130
National motor carrier safety program:									
Contract authority, mandatory	401	BA	**177**	**206**	**190**	**193**	**197**	**200**	**204**
Outlays		O	122	196	201	191	196	200	204
Limitation on program level (obligations)			(177)	(206)	(190)	(194)	(198)	(203)	(208)
Border enforcement program:									
Appropriation, discretionary	401	BA	**1**	**27**	**61**	**62**	**64**	**65**	**67**

DEPARTMENT OF TRANSPORTATION—Continued

(In millions of dollars)

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
Outlays		O	1	24	58	62	63	65	66
Total Trust funds Federal Motor Carrier Safety Administration		BA	**272**	**338**	**379**	**379**	**389**	**397**	**407**
		O	203	357	378	376	384	392	400

National Highway Traffic Safety Administration

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Operations and research:									
Appropriation, discretionary	401	BA	**121**	**131**	**130**	**133**	**136**	**139**	**142**
Spending authority from offsetting collections, discretionary		BA	**25**	**25**	**25**	**26**	**26**	**27**	**27**
Outlays		O	105	172	166	163	160	164	167
Operations and research (gross)		BA	**146**	**156**	**155**	**159**	**162**	**166**	**169**
		O	105	172	166	163	160	164	167
Offsetting collections from Federal sources			–25	–25	–25	–26	–26	–27	–27
Total Operations and research (net)		BA	**121**	**131**	**130**	**133**	**136**	**139**	**142**
		O	80	147	141	137	134	137	140

Trust funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
Operations and research (Highway trust fund):									
Appropriation, discretionary	401	BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Contract authority, discretionary		BA	....	**–1**	....	....	....	....	....
Contract authority, mandatory		BA	**72**	**72**	**72**	**73**	**75**	**76**	**77**
Spending authority from offsetting collections, discretionary		BA	**11**	**11**	**11**	**11**	**11**	**12**	**12**
Outlays		O	97	103	91	89	89	91	93
Limitation on program level (obligations)			(72)	(72)	(72)	(74)	(75)	(77)	(79)
Operations and research (Highway trust fund) (gross)		BA	**85**	**84**	**85**	**86**	**88**	**90**	**91**
		O	97	103	91	89	89	91	93
Offsetting collections from Federal sources			–11	–11	–11	–11	–11	–12	–12
Total Operations and research (Highway trust fund) (net)		BA	**74**	**73**	**74**	**75**	**77**	**78**	**79**
		O	86	92	80	78	78	79	81
Highway traffic safety grants:									
Contract authority, mandatory	401	BA	**213**	**223**	**225**	**229**	**233**	**237**	**242**
Outlays		O	207	229	233	230	234	236	241
Limitation on program level (obligations)			(213)	(223)	(225)	(230)	(235)	(240)	(246)
Total Federal funds National Highway Traffic Safety Administration		BA	**121**	**131**	**130**	**133**	**136**	**139**	**142**
		O	80	147	141	137	134	137	140
Total Trust funds National Highway Traffic Safety Administration		BA	**287**	**296**	**299**	**304**	**310**	**315**	**321**
		O	293	321	313	308	312	315	322

Federal Railroad Administration

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Safety and operations:									
Appropriation, discretionary	401	BA	**105**	**122**	**123**	**125**	**128**	**131**	**134**
Spending authority from offsetting collections, discretionary		BA	**2**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	101	136	126	126	129	131	135
Safety and operations (gross)		BA	**107**	**123**	**124**	**126**	**129**	**132**	**135**
		O	101	136	126	126	129	131	135
Offsetting collections from Federal sources			–1	–1	–1	–1	–1	–1	–1
Offsetting collections from non-Federal sources			–1	....	....	....	....	....	....
Total Safety and operations (net)		BA	**105**	**122**	**123**	**125**	**128**	**131**	**134**
		O	99	135	125	125	128	130	134
Railroad research and development:									
Appropriation, discretionary	401	BA	**25**	**29**	**28**	**29**	**29**	**30**	**31**
Spending authority from offsetting collections, discretionary		BA	....	**1**	**1**	**1**	**1**	**1**	**1**

DEPARTMENT OF TRANSPORTATION—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	21	41	30	33	30	31	31
Railroad research and development (gross)		BA	**25**	**30**	**29**	**30**	**30**	**31**	**32**
		O	21	41	30	33	30	31	31
Offsetting collections from Federal sources				–1	–1	–1	–1	–1	–1
Total Railroad research and development (net)		BA	**25**	**29**	**28**	**29**	**29**	**30**	**31**
		O	21	40	29	32	29	30	30
Rhode Island rail development:									
Appropriation, discretionary	401	BA	**17**						
Outlays		O	6	7	17	11			
Pennsylvania station redevelopment project:									
Appropriation, discretionary	401	BA	**20**	**20**	**20**	**20**	**21**	**21**	**22**
Outlays		O		3	18	22	21	23	21
Alaska railroad rehabilitation:									
Appropriation, discretionary	401	BA	**30**	**20**					
Outlays		O	28	25	37				
West Virginia rail development:									
Appropriation, discretionary	401	BA	**15**						
Outlays		O		3	8	4			
Capital grants to National Railroad Passenger Corporation:									
Appropriation, discretionary	401	BA	**520**	**621**	**521**	**532**	**544**	**556**	**570**
Outlays		O	553	854	571	562	544	556	570
AMTRAK reform council:									
Appropriation, discretionary	407	BA	**1**						
Outlays		O	1	1					
Next generation high-speed rail:									
Appropriation, discretionary	401	BA	**25**	**32**	**23**	**23**	**24**	**25**	**25**
Outlays		O	20	19	14	21	37	44	24
Northeast corridor improvement program:									
Outlays	401	O	1	4	9	5			
Emergency railroad rehabilitation and repair:									
Outlays	401	O	3	1					
Local rail freight assistance:									
Outlays	401	O	1	1					
Conrail commuter transition assistance:									
Outlays	401	O	2	1					
Public Enterprise Funds:									
Railroad rehabilitation and improvement liquidating account:									
Spending authority from offsetting collections, mandatory	401	BA	**8**	**2**	**2**	**2**	**1**	**1**	**1**
Outlays		O		2	2	2	1	1	1
Railroad rehabilitation and improvement liquidating account (gross)		BA	**8**	**2**	**2**	**2**	**1**	**1**	**1**
		O		2	2	2	1	1	1
Offsetting collections from non-Federal sources			–8	–6	–6	–6	–6	–6	–6
Total Railroad rehabilitation and improvement liquidating account (net)		BA		**–4**	**–4**	**–4**	**–5**	**–5**	**–5**
		O	–8	–4	–4	–4	–5	–5	–5
Credit Accounts:									
Amtrak corridor improvement loans liquidating account:									
Offsetting collections from non-Federal sources	401		–1	–1	–1	–1	–1		
Total Amtrak corridor improvement loans liquidating account (net)		BA	**–1**	**–1**	**–1**	**–1**	**–1**		
		O	–1	–1	–1	–1	–1		
Trust funds									
Trust fund share of next generation high-speed rail:									
Outlays	401	O	2						
Total Federal funds Federal Railroad Administration		BA	**757**	**839**	**710**	**724**	**740**	**758**	**777**
		O	726	1,089	823	777	753	778	774
Total Trust funds Federal Railroad Administration		O	**2**						

DEPARTMENT OF TRANSPORTATION—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Federal Transit Administration									
Federal funds									
General and Special Funds:									
Administrative expenses:									
Appropriation, discretionary	401	BA	**16**	**17**	**19**	**19**	**20**	**20**	**20**
Spending authority from offsetting collections, discretionary		BA	**52**	**55**	**59**	**60**	**62**	**63**	**64**
Outlays		O	66	76	77	80	81	83	85
Administrative expenses (gross)		BA	**68**	**72**	**78**	**79**	**82**	**83**	**84**
		O	66	76	77	80	81	83	85
Offsetting collections from Federal sources			–52	–55	–59	–60	–62	–63	–64
Total Administrative expenses (net)		BA	**16**	**17**	**19**	**19**	**20**	**20**	**20**
		O	14	21	18	20	19	20	21
Formula grants:									
Appropriation, discretionary	401	BA	**617**	**692**	**768**	**783**	**801**	**820**	**839**
Spending authority from offsetting collections, discretionary		BA	**3,901**	**2,874**	**3,071**	**3,135**	**3,205**	**3,280**	**3,357**
Outlays		O	4,078	3,714	3,536	3,535	3,583	3,552	3,921
Formula grants (gross)		BA	**4,518**	**3,566**	**3,839**	**3,918**	**4,006**	**4,100**	**4,196**
		O	4,078	3,714	3,536	3,535	3,583	3,552	3,921
Offsetting collections from Federal sources			–3,901	–2,874	–3,071	–3,135	–3,205	–3,280	–3,357
Total Formula grants (net)		BA	**617**	**692**	**768**	**783**	**801**	**820**	**839**
		O	177	840	465	400	378	272	564
University transportation research:									
Appropriation, discretionary	401	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Spending authority from offsetting collections, discretionary		BA	**5**	**5**	**5**	**5**	**5**	**5**	**5**
Outlays		O	3	7	7	8	5	6	6
University transportation research (gross)		BA	**6**	**6**	**6**	**6**	**6**	**6**	**6**
		O	3	7	7	8	5	6	6
Offsetting collections from Federal sources			–5	–5	–5	–5	–5	–5	–5
Total University transportation research (net)		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
		O	–2	2	2	3	....	1	1
Transit planning and research:									
Appropriation, discretionary	401	BA	**22**	**23**	**24**	**24**	**25**	**25**	**27**
Spending authority from offsetting collections, discretionary		BA	**168**	**113**	**118**	**120**	**123**	**126**	**129**
Outlays		O	133	164	176	201	146	148	150
Transit planning and research (gross)		BA	**190**	**136**	**142**	**144**	**148**	**151**	**156**
		O	133	164	176	201	146	148	150
Change in uncollected customer payments from Federal sources		BA	**–8**	....	....	....	....	....	....
Offsetting collections from Federal sources			–160	–113	–118	–120	–123	–126	–129
Total Transit planning and research (net)		BA	**22**	**23**	**24**	**24**	**25**	**25**	**27**
		O	–27	51	58	81	23	22	21
Job access and reverse commute grants:									
Appropriation, discretionary	401	BA	**20**	**25**	**30**	**31**	**31**	**32**	**33**
Spending authority from offsetting collections, discretionary		BA	**80**	**100**	**120**	**123**	**125**	**128**	**131**
Outlays		O	39	67	96	117	134	145	155
Job access and reverse commute grants (gross)		BA	**100**	**125**	**150**	**154**	**156**	**160**	**164**
		O	39	67	96	117	134	145	155
Offsetting collections from Federal sources			–80	–100	–120	–123	–125	–128	–131
Total Job access and reverse commute grants (net)		BA	**20**	**25**	**30**	**31**	**31**	**32**	**33**
		O	–41	–33	–24	–6	9	17	24
Capital investment grants:									
Appropriation, discretionary	401	BA	**578**	**718**	**607**	**620**	**634**	**648**	**664**
Spending authority from offsetting collections, discretionary		BA	**2,117**	**2,273**	**2,429**	**2,480**	**2,535**	**2,594**	**2,655**

DEPARTMENT OF TRANSPORTATION—Continued

(In millions of dollars)

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
Outlays		O	1,902	1,770	2,366	2,679	2,795	2,804	3,133
Capital investment grants (gross)		BA	**2,695**	**2,991**	**3,036**	**3,100**	**3,169**	**3,242**	**3,319**
		O	1,902	1,770	2,366	2,679	2,795	2,804	3,133
Offsetting collections from Federal sources			–2,117	–2,273	–2,429	–2,480	–2,535	–2,594	–2,655
Total Capital investment grants (net)		BA	**578**	**718**	**607**	**620**	**634**	**648**	**664**
		O	–215	–503	–63	199	260	210	478
Research, training, and human resources:									
Outlays	401	O	1	1	1	1			
Interstate transfer grants-transit:									
Outlays	401	O	3	3	2	1	1		
Washington Metropolitan Area Transit Authority:									
Outlays	401	O	116	54	36	24	7		
Trust funds									
Discretionary grants (Highway trust fund, mass transit account):									
Outlays	401	O	722	714	386	161	30		
Trust fund share of expenses:									
Appropriation, discretionary	401	BA	**4**						
Contract authority, mandatory		BA	**6,308**	**5,398**	**5,781**	**5,880**	**5,987**	**6,102**	**6,220**
Outlays		O	6,301	5,398	5,781	5,902	6,033	6,175	6,320
Limitation on program level (obligations)			(6,297)	(5,398)	(5,781)	(5,902)	(6,033)	(6,175)	(6,320)
Total Trust fund share of expenses		BA	**6,312**	**5,398**	**5,781**	**5,880**	**5,987**	**6,102**	**6,220**
		O	6,301	5,398	5,781	5,902	6,033	6,175	6,320
Total Federal funds Federal Transit Administration		BA	**1,254**	**1,476**	**1,449**	**1,478**	**1,512**	**1,546**	**1,584**
		O	26	436	495	723	697	542	1,109
Total Trust funds Federal Transit Administration		BA	**6,312**	**5,398**	**5,781**	**5,880**	**5,987**	**6,102**	**6,220**
		O	7,023	6,112	6,167	6,063	6,063	6,175	6,320

Saint Lawrence Seaway Development Corporation

Federal funds

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
Public Enterprise Funds:									
Saint Lawrence Seaway Development Corporation:									
Spending authority from offsetting collections, mandatory	403	BA	**15**	**15**	**16**	**15**	**13**	**13**	**13**
Outlays		O	15	15	16	15	13	13	13
Saint Lawrence Seaway Development Corporation (gross)		BA	**15**	**15**	**16**	**15**	**13**	**13**	**13**
		O	15	15	16	15	13	13	13
Offsetting collections from Federal sources			–14	–14	–15	–15	–13	–13	–13
Offsetting collections from non-Federal sources			–1	–1	–1				
Total Saint Lawrence Seaway Development Corporation (net)		BA							
		O							
Trust funds									
Operations and maintenance:									
Appropriation, discretionary	403	BA	**14**	**14**	**15**	**15**	**16**	**16**	**16**
Outlays		O	14	14	15	15	16	16	16

Research and Special Programs Administration

Federal funds

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
General and Special Funds:									
Research and special programs:									
Appropriation, discretionary	407	BA	**38**	**40**	**46**	**47**	**48**	**49**	**50**
Spending authority from offsetting collections, discretionary		BA	**50**	**55**	**55**	**56**	**57**	**59**	**60**
Outlays		O	79	99	100	102	105	108	109
Research and special programs (gross)		BA	**88**	**95**	**101**	**103**	**105**	**108**	**110**
		O	79	99	100	102	105	108	109
Change in uncollected customer payments from Federal sources		BA	**–32**						
Adjustment to uncollected customer payments from Federal sources		BA	**–1**						

DEPARTMENT OF TRANSPORTATION—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Offsetting collections from Federal sources			–17	–55	–55	–56	–57	–59	–60
Total Research and special programs (net)		BA	**38**	**40**	**46**	**47**	**48**	**49**	**50**
		O	62	44	45	46	48	49	49
Pipeline safety:									
Appropriation, discretionary	407	BA	**40**	**51**	**57**	**58**	**60**	**61**	**62**
Spending authority from offsetting collections, discretionary		BA	**7**	**9**	**8**	**8**	**8**	**9**	**9**
Outlays		O	30	65	60	65	67	69	70
Pipeline safety (gross)		BA	**47**	**60**	**65**	**66**	**68**	**70**	**71**
		O	30	65	60	65	67	69	70
Offsetting collections from Federal sources			–7	–9	–8	–8	–8	–9	–9
Total Pipeline safety (net)		BA	**40**	**51**	**57**	**58**	**60**	**61**	**62**
		O	23	56	52	57	59	60	61
Emergency preparedness grants:									
Appropriation, mandatory	407	BA	**18**	**14**	**14**	**14**	**14**	**14**	**14**
Outlays		O	11	16	15	14	14	14	14
Intragovernmental Funds:									
Working capital fund, Volpe National Transportation Systems Center:									
Spending authority from offsetting collections, discretionary	407	BA	**223**	**235**	**241**	**246**	**251**	**257**	**263**
Outlays		O	227	235	241	246	251	257	263
Working capital fund, Volpe National Transportation Systems Center (gross)		BA	**223**	**235**	**241**	**246**	**251**	**257**	**263**
		O	227	235	241	246	251	257	263
Change in uncollected customer payments from Federal sources		BA	**4**	....	....	....	....	....	....
Offsetting collections from Federal sources			–225	–234	–240	–245	–250	–256	–262
Offsetting collections from non-Federal sources			–2	–1	–1	–1	–1	–1	–1
Total Working capital fund, Volpe National Transportation Systems Center (net)		BA	....	....	....	....	....	....	....
		O	....	....	....	....	....	....	....
Trust funds									
Trust fund share of pipeline safety:									
Appropriation, discretionary	407	BA	**7**	**8**	**7**	**7**	**7**	**7**	**8**
Outlays		O	7	5	7	7	8	8	8
Total Federal funds Research and Special Programs Administration		BA	**96**	**105**	**117**	**119**	**122**	**124**	**126**
		O	96	116	112	117	121	123	124
Total Trust funds Research and Special Programs Administration		BA	**7**	**8**	**7**	**7**	**7**	**7**	**8**
		O	7	5	7	7	8	8	8

Office of Inspector General

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	407	BA	**51**	**54**	**60**	**61**	**62**	**64**	**65**
Spending authority from offsetting collections, discretionary		BA	**4**	**8**	**8**	**8**	**8**	**9**	**9**
Outlays		O	53	63	67	69	71	73	74
Salaries and expenses (gross)		BA	**55**	**62**	**68**	**69**	**70**	**73**	**74**
		O	53	63	67	69	71	73	74
Offsetting collections from Federal sources			–4	–8	–8	–8	–8	–9	–9
Total Salaries and expenses (net)		BA	**51**	**54**	**60**	**61**	**62**	**64**	**65**
		O	49	55	59	61	63	64	65

Surface Transportation Board

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	401	BA	**18**	**18**	**19**	**19**	**20**	**20**	**21**
Spending authority from offsetting collections, discretionary		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**

DEPARTMENT OF TRANSPORTATION—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	16	22	20	21	21	21	22
Salaries and expenses (gross)		BA	**19**	**19**	**20**	**20**	**21**	**21**	**22**
		O	16	22	20	21	21	21	22
Offsetting collections from non-Federal sources			–1	–1	–1	–1	–1	–1	–1
Total Salaries and expenses (net)		BA	**18**	**18**	**19**	**19**	**20**	**20**	**21**
		O	15	21	19	20	20	20	21
Bureau of Transporation Statistics									
Trust funds									
Office of airline information (Airport and airway trust fund):									
Appropriation, discretionary	402	BA	....	....	**4**	**4**	**4**	**4**	**4**
Outlays		O	....	....	4	4	4	4	4
Maritime Administration									
Federal funds									
General and Special Funds:									
Operations and training:									
Appropriation, discretionary	403	BA	**89**	**91**	**97**	**99**	**101**	**103**	**106**
Spending authority from offsetting collections, discretionary		BA	**53**	**52**	**52**	**53**	**54**	**55**	**57**
Outlays		O	124	151	148	152	155	157	162
Operations and training (gross)		BA	**142**	**143**	**149**	**152**	**155**	**158**	**163**
		O	124	151	148	152	155	157	162
Change in uncollected customer payments from Federal sources		BA	**–15**	....	....	....	....	....	....
Offsetting collections from Federal sources			–38	–52	–52	–53	–54	–55	–57
Total Operations and training (net)		BA	**89**	**91**	**97**	**99**	**101**	**103**	**106**
		O	86	99	96	99	101	102	105
Ship disposal:									
Appropriation, discretionary	403	BA	....	....	**11**	**11**	**11**	**12**	**12**
Outlays		O	....	....	6	12	12	12	12
Maritime security program:									
Appropriation, discretionary	054	BA	**99**	**99**	**99**	**101**	**103**	**106**	**108**
Outlays		O	99	101	99	101	103	105	108
Ship construction:									
Appropriation, discretionary	403	BA	....	**–4**	....	....	....	....	....
Operating-differential subsidies:									
Outlays	403	O	8	18	19	....	....	....	....
Ocean freight differential:									
Appropriation, mandatory	403	BA	**73**	....	....	....	....	....	....
Authority to borrow, mandatory		BA	**181**	**48**	**45**	**46**	**47**	**48**	**49**
Outlays		O	28	182	45	46	47	48	49
Total Ocean freight differential		BA	**254**	**48**	**45**	**46**	**47**	**48**	**49**
		O	28	182	45	46	47	48	49
Ready reserve force:									
Outlays	054	O	4	4	4	....	....	....	....
Public Enterprise Funds:									
Vessel operations revolving fund:									
Spending authority from offsetting collections, discretionary	403	BA	**404**	**326**	**351**	**358**	**366**	**375**	**384**
Outlays		O	367	289	307	362	370	378	387
Vessel operations revolving fund (gross)		BA	**404**	**326**	**351**	**358**	**366**	**375**	**384**
		O	367	289	307	362	370	378	387
Change in uncollected customer payments from Federal sources		BA	**–50**	....	....	....	....	....	....
Offsetting collections from Federal sources			–354	–326	–351	–358	–366	–375	–384
Total Vessel operations revolving fund (net)		BA	....	....	....	....	....	....	....
		O	13	–37	–44	4	4	3	3
War risk insurance revolving fund:									
Spending authority from offsetting collections, discretionary	403	BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**

DEPARTMENT OF TRANSPORTATION—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	1	1	1	1	1	1	1
War risk insurance revolving fund (gross)		BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
		O	1	1	1	1	1	1	1
Offsetting collections from interest on Federal securities			–2	–2	–2	–2	–2	–2	–2
Total War risk insurance revolving fund (net)		BA	...	...	...	...	...	...	...
		O	–1	–1	–1	–1	–1	–1	–1
Credit Accounts:									
Federal ship financing fund liquidating account:									
Spending authority from offsetting collections, mandatory	403	BA	**3**	**2**	**2**	**3**	**3**	**3**	**3**
Federal ship financing fund liquidating account (gross)		BA	**3**	**2**	**2**	**3**	**3**	**3**	**3**
Offsetting collections from non-Federal sources			–3	–2	–2	–3	–3	–3	–3
Maritime guaranteed loan (title XI) program account:									
Appropriation, discretionary	403	BA	**26**	**37**	**4**	**4**	**4**	**4**	**4**
Appropriation, mandatory		BA	**21**	**213**	...	...	...	...	...
Outlays		O	45	287	25	4	4	4	4
Total Maritime guaranteed loan (title XI) program account		BA	**47**	**250**	**4**	**4**	**4**	**4**	**4**
		O	45	287	25	4	4	4	4
Total Federal funds Maritime Administration		BA	**489**	**484**	**256**	**261**	**266**	**273**	**279**
		O	279	651	247	262	267	270	277

Summary

Account			2001 actual	2002	2003	2004	2005	2006	2007
Federal funds:									
(As shown in detail above)		BA	**15,971**	**10,689**	**16,154**	**16,491**	**16,842**	**17,223**	**17,611**
		O	10,428	13,826	14,771	15,783	16,041	16,203	17,071
Deductions for offsetting receipts:									
Intrafund transactions	403	BA/O	...	...	*–736*	*–736*	*–736*	*–736*	*–736*
	908	BA/O	...	...	*–1*	*–1*	*–1*	*–1*	*–1*
Proprietary receipts from the public	401	BA/O	...	*–63*	...	.	.	.	.
	403	BA/O	*–36*	*–13*	*–1*	*–1*	*–1*	*–1*	*–1*
	407	BA/O	*–18*	*–14*	*–20*	*–39*	*–39*	*–39*	*–39*
Offsetting governmental receipts	401	BA/O			[J] *–59*	[J] *–120*	[J] *–122*	[J] *–124*	[J] *–127*
	403	BA/O	*–91*	*–93*	*–259*	*–425*	*–432*	*–439*	*–447*
	407	BA/O	*–40*	*–52*	*–59*	*–60*	*–61*	*–62*	*–63*
Total Federal funds		BA	**15,786**	**10,454**	**15,019**	**15,109**	**15,450**	**15,821**	**16,197**
		O	10,243	13,591	13,636	14,401	14,649	14,801	15,657
Trust funds:									
(As shown in detail above)		BA	**51,401**	**53,957**	**48,098**	**43,958**	**49,820**	**50,781**	**51,768**
		O	44,646	47,235	45,245	42,559	42,004	42,802	43,649
Deductions for offsetting receipts:									
Proprietary receipts from the public	151	BA/O	...	*–5*	*–5*	*–5*	*–5*	*–5*	*–5*
	401	BA/O	*–48*	*–28*	*–28*	*–28*	*–28*	*–28*	*–28*
	908	BA/O	*–1*	...	...	...	...	...	...
Total Trust funds		BA	**51,352**	**53,924**	**48,065**	**43,925**	**49,787**	**50,748**	**51,735**
		O	44,597	47,202	45,212	42,526	41,971	42,769	43,616
Interfund transactions	401	BA/O	*–2*	*–5*	*–5*	*–5*	*–5*	*–5*	*–5*
Total Department of Transportation		BA	**67,136**	**64,373**	**63,079**	**59,029**	**65,232**	**66,564**	**67,927**
		O	54,838	60,788	58,843	56,922	56,615	57,565	59,268

DEPARTMENT OF THE TREASURY

(In millions of dollars)

Departmental Offices

Federal funds

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	803	BA	**235**	**184**	**199**	**203**	**207**	**212**	**217**
Reappropriation, discretionary		BA	....	**2**	....	....	....	....	....
Spending authority from offsetting collections, discretionary		BA	**11**	**17**	**17**	**17**	**18**	**18**	**18**
Outlays		O	191	304	240	220	224	229	235
Salaries and expenses (gross)		BA	**246**	**203**	**216**	**220**	**225**	**230**	**235**
		O	191	304	240	220	224	229	235
Offsetting collections from Federal sources			–11	–17	–17	–17	–18	–18	–18
Total Salaries and expenses (net)		BA	**235**	**186**	**199**	**203**	**207**	**212**	**217**
		O	180	287	223	203	206	211	217
Department-wide systems and capital investments programs:									
Appropriation, discretionary	803	BA	**62**	**69**	**69**	**70**	**72**	**74**	**75**
Outlays		O	46	76	68	66	70	72	74
Office of Inspector General:									
Appropriation, discretionary	803	BA	**35**	**37**	**37**	**38**	**39**	**39**	**40**
Outlays		O	33	37	37	37	38	39	41
Inspector General for Tax Administration:									
Appropriation, discretionary	803	BA	**124**	**133**	**132**	**135**	**137**	**140**	**144**
Reappropriation, discretionary		BA	**1**	....	....	....	....	....	....
Spending authority from offsetting collections, discretionary		BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	127	135	134	136	139	142	145
Inspector General for Tax Administration (gross)		BA	**127**	**135**	**134**	**137**	**139**	**142**	**146**
		O	127	135	134	136	139	142	145
Offsetting collections from Federal sources			–2	–2	–2	–2	–2	–2	–2
Total Inspector General for Tax Administration (net)		BA	**125**	**133**	**132**	**135**	**137**	**140**	**144**
		O	125	133	132	134	137	140	143
Treasury building and annex repair and restoration:									
Appropriation, discretionary	803	BA	**31**	**29**	**33**	**34**	**34**	**35**	**36**
Outlays		O	31	34	35	37	35	35	35
Expanded access to financial services:									
Appropriation, discretionary	808	BA	**10**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	....	11	2	2	2	2	3
Counterterrorism fund:									
Appropriation, discretionary	751	BA	**55**	**40**	**40**	**41**	**42**	**43**	**44**
Outlays		O	8	67	40	40	41	42	43
United States community adjustment and investment program:									
Outlays	451	O	8	....	....	....	....	....	....
Violent crime reduction program:									
Outlays	751	O	57	65	62	....	....	....	....
Violent crime reduction program (gross)		O	57	65	62	....	....	....	....
Change in uncollected customer payments from Federal sources		BA	**1**	....	....	....	....	....	....
Offsetting collections from Federal sources			–1	....	....	....	....	....	....
Total Violent crime reduction program (net)		BA	....	....	....	....	....	....	....
		O	56	65	62	....	....	....	....
Treasury forfeiture fund:									
Appropriation, mandatory	751	BA	**270**	**221**	**221**	**221**	**221**	**221**	**221**
Outlays		O	282	249	249	249	249	249	249
Presidential election campaign fund:									
Appropriation, mandatory	808	BA	**58**	**58**	**58**	**58**	**58**	**58**	**58**
Outlays		O	2	....	29	146	3	....	....
Sallie Mae assessments:									
Appropriation, discretionary	808	BA	....	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	....	1	2	2	2	2	2

DEPARTMENT OF THE TREASURY—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Public Enterprise Funds:									
Exchange stabilization fund:									
Spending authority from offsetting collections, mandatory	155	BA	**995**	**1,050**	**1,185**	**1,254**	**1,314**	**1,370**	**1,428**
Exchange stabilization fund (gross)		BA	**995**	**1,050**	**1,185**	**1,254**	**1,314**	**1,370**	**1,428**
Offsetting collections from interest on Federal securities			–494	–507	–573	–606	–635	–662	–690
Offsetting collections from non-Federal sources			–501	–543	–612	–648	–679	–708	–738
Total Exchange stabilization fund (net)		BA	....	....	....	....	....	....	....
		O	–995	–1,050	–1,185	–1,254	–1,314	–1,370	–1,428
Intragovernmental Funds:									
Working capital fund:									
Spending authority from offsetting collections, mandatory	803	BA	**272**	**286**	**293**	**284**	**292**	**298**	**302**
Outlays		O	293	286	293	284	292	298	302
Working capital fund (gross)		BA	**272**	**286**	**293**	**284**	**292**	**298**	**302**
		O	293	286	293	284	292	298	302
Change in uncollected customer payments from Federal sources		BA	**–4**	....	....	....	....	....	....
Offsetting collections from Federal sources			–268	–286	–293	–284	–292	–298	–302
Total Working capital fund (net)		BA	....	....	....	....	....	....	....
		O	25	....	....	....	....	....	....
Treasury franchise fund:									
Spending authority from offsetting collections, discretionary	803	BA	**248**	**276**	**304**	**310**	**317**	**325**	**332**
Outlays		O	215	291	305	309	316	324	331
Treasury franchise fund (gross)		BA	**248**	**276**	**304**	**310**	**317**	**325**	**332**
		O	215	291	305	309	316	324	331
Change in uncollected customer payments from Federal sources		BA	**–26**	**20**	**6**	**6**	**6**	**6**	**6**
Offsetting collections from Federal sources			–222	–296	–310	–316	–323	–331	–339
Total Treasury franchise fund (net)		BA	....	....	....	....	....	....	**–1**
		O	–7	–5	–5	–7	–7	–7	–8
Credit Accounts:									
Air transportation stabilization program account:									
Appropriation, discretionary	402	BA	....	....	**6**	**6**	**6**	**6**	**7**
Appropriation, mandatory		BA	....	**1,426**	**1,463**	....	....	....	....
Outlays		O	....	1,434	1,469	7	7	7	7
Total Air transportation stabilization program account		BA	....	**1,426**	**1,469**	**6**	**6**	**6**	**7**
		O	....	1,434	1,469	7	7	7	7
Community development financial institutions fund program account:									
Appropriation, discretionary	451	BA	**118**	**80**	**68**	**69**	**71**	**73**	**74**
Appropriation, mandatory		BA	....	**1**	....	....	....	....	....
Outlays		O	107	115	108	61	69	71	72
Limitation on direct loan activity			(12)	(11)	(11)	(11)	(11)	(12)	(12)
Total Community development financial institutions fund program account		BA	**118**	**81**	**68**	**69**	**71**	**73**	**74**
		O	107	115	108	61	69	71	72
Total Federal funds Departmental Offices		BA	**999**	**2,283**	**2,329**	**878**	**890**	**904**	**918**
		O	–99	1,454	1,266	–277	–462	–507	–550

Financial Crimes Enforcement Network

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	751	BA	**39**	**49**	**53**	**54**	**55**	**56**	**58**
Spending authority from offsetting collections, discretionary		BA	**1**	**6**	**1**	**1**	**1**	**1**	**1**
Outlays		O	33	53	53	55	56	57	58
Salaries and expenses (gross)		BA	**40**	**55**	**54**	**55**	**56**	**57**	**59**
		O	33	53	53	55	56	57	58

DEPARTMENT OF THE TREASURY—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Offsetting collections from Federal sources			–1	–6	–1	–1	–1	–1	–1
Total Salaries and expenses (net)		BA	**39**	**49**	**53**	**54**	**55**	**56**	**58**
		O	32	47	52	54	55	56	57

Federal Law Enforcement Training Center

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	751	BA	**103**	**132**	**126**	**129**	**131**	**134**	**137**
Spending authority from offsetting collections, discretionary		BA	**40**	**46**	**35**	**36**	**37**	**37**	**38**
Outlays		O	125	188	166	165	168	171	175
Salaries and expenses (gross)		BA	**143**	**178**	**161**	**165**	**168**	**171**	**175**
		O	125	188	166	165	168	171	175
Change in uncollected customer payments from Federal sources		BA	**–6**			**3**			
Offsetting collections from Federal sources			–34	–46	–35	–36	–37	–37	–38
Total Salaries and expenses (net)		BA	**103**	**132**	**126**	**132**	**131**	**134**	**137**
		O	91	142	131	129	131	134	137
Acquisition, construction, improvements, and related expenses:									
Appropriation, discretionary	751	BA	**54**	**41**	**23**	**23**	**24**	**25**	**25**
Outlays		O	34	33	46	32	23	24	24
Total Federal funds Federal Law Enforcement Training Center		BA	**157**	**173**	**149**	**155**	**155**	**159**	**162**
		O	125	175	177	161	154	158	161

Interagency Law Enforcement

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Interagency crime and drug enforcement:									
Appropriation, discretionary	751	BA	**108**	**113**	**113**	**115**	**118**	**120**	**123**
Outlays		O	90	93	112	114	116	118	121

Financial Management Service

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	803	BA	**267**	**223**	**232**	**237**	**242**	**247**	**253**
Appropriation, mandatory		BA	**32**	**24**	**28**	**28**	**28**	**28**	**28**
Reappropriation, discretionary		BA	**2**						
Spending authority from offsetting collections, discretionary		BA	**113**	**105**	**111**	**113**	**116**	**119**	**121**
Outlays		O	379	352	369	403	411	419	427
Salaries and expenses (gross)		BA	**414**	**352**	**371**	**378**	**386**	**394**	**402**
		O	379	352	369	403	411	419	427
Change in uncollected customer payments from Federal sources		BA	**–4**						
Offsetting collections from Federal sources			–109	–105	–111	–113	–116	–119	–121
Total Salaries and expenses (net)		BA	**301**	**247**	**260**	**265**	**270**	**275**	**281**
		O	270	247	258	290	295	300	306
Payment to the Resolution Funding Corporation:									
Appropriation, mandatory	908	BA	**464**	**1,157**	**2,124**	**2,231**	**2,117**	**2,188**	**2,231**
Outlays		O	464	1,157	2,124	2,231	2,117	2,188	2,231
Payment to terrestrial wildlife habitat restoration trust fund:									
Appropriation, mandatory	306	BA	**5**	**5**	**5**	**5**	**5**	**5**	**5**
Outlays		O	5	5	5	5	5	5	5
Federal Reserve Bank reimbursement fund:									
Appropriation, mandatory	803	BA	**81**	**132**	**135**	**139**	**143**	**147**	**151**
Outlays		O	145	112	135	139	143	147	151
Interest on uninvested funds:									
Appropriation, mandatory	908	BA	**6**	**6**	**6**	**6**	**6**	**6**	**6**
Outlays		O	8	5	5	5	5	5	5

DEPARTMENT OF THE TREASURY—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Federal interest liabilities to States:									
Appropriation, mandatory	908	BA	**4**	**12**	**11**	**11**	**11**	**11**	**10**
Outlays		O	5	12	12	11	11	11	10
Interest paid to credit financing acounts:									
Appropriation, mandatory	908	BA	**4,708**	**3,775**	**3,802**	**3,919**	**4,093**	**4,316**	**4,556**
Outlays		O	4,708	3,775	3,802	3,919	4,093	4,316	4,556
Claims, judgments, and relief acts:									
Appropriation, mandatory	808	BA	**1,494**	**926**	**1,000**	**1,204**	**1,204**	**1,204**	**1,204**
Spending authority from offsetting collections, mandatory		BA	**38**						
Outlays		O	1,454	1,052	1,000	1,204	1,204	1,204	1,204
Claims, judgments, and relief acts (gross)		BA	**1,532**	**926**	**1,000**	**1,204**	**1,204**	**1,204**	**1,204**
		O	1,454	1,052	1,000	1,204	1,204	1,204	1,204
Offsetting collections from non-Federal sources			–38						
Total Claims, judgments, and relief acts (net)		BA	**1,494**	**926**	**1,000**	**1,204**	**1,204**	**1,204**	**1,204**
		O	1,416	1,052	1,000	1,204	1,204	1,204	1,204
Payment of anti-terrorism judgments:									
Appropriation, mandatory	808	BA	**400**						
Outlays		O	232	169					
Biomass energy development:									
Appropriation, discretionary	271	BA	**–2**						
Spending authority from offsetting collections, discretionary		BA	**3**	**4**	**4**	**5**	**5**	**5**	**5**
Outlays		O							
Biomass energy development (gross)		BA	**1**	**4**	**4**	**5**	**5**	**5**	**5**
		O							
Offsetting governmental collections (from non-Federal sources)			–3	–4	–4	–5	–5	–5	–5
Total Biomass energy development (net)		BA	**–2**						
		O	–3	–4	–4	–5	–5	–5	–5
Public Enterprise Funds:									
Check forgery insurance fund:									
Appropriation, mandatory	803	BA		**3**	**3**	**2**	**1**	**1**	**1**
Spending authority from offsetting collections, mandatory		BA	**27**	**25**	**17**	**18**	**9**	**9**	**9**
Outlays		O	27	28	20	20	10	10	10
Check forgery insurance fund (gross)		BA	**27**	**28**	**20**	**20**	**10**	**10**	**10**
		O	27	28	20	20	10	10	10
Offsetting collections from Federal sources			–27	–25	–17	–18	–9	–9	–9
Total Check forgery insurance fund (net)		BA		**3**	**3**	**2**	**1**	**1**	**1**
		O		3	3	2	1	1	1
Total Federal funds Financial Management Service		BA	**7,461**	**6,263**	**7,346**	**7,782**	**7,850**	**8,153**	**8,445**
		O	7,250	6,533	7,340	7,801	7,869	8,172	8,464

Federal Financing Bank

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
Intragovernmental Funds:									
Federal Financing Bank:									
Authority to borrow, mandatory	803	BA	**51**	**18**	**24**	**28**	**30**	**31**	**31**
Spending authority from offsetting collections, mandatory		BA	**3,442**	**3,252**	**2,799**	**2,573**	**2,453**	**2,313**	**2,201**
Outlays		O	3,498	3,270	2,823	2,601	2,483	2,344	2,232
Federal Financing Bank (gross)		BA	**3,493**	**3,270**	**2,823**	**2,601**	**2,483**	**2,344**	**2,232**
		O	3,498	3,270	2,823	2,601	2,483	2,344	2,232
Offsetting collections from Federal sources			–3,460	–3,252	–2,799	–2,573	–2,453	–2,313	–2,201
Total Federal Financing Bank (net)		BA	**33**	**18**	**24**	**28**	**30**	**31**	**31**
		O	38	18	24	28	30	31	31

DEPARTMENT OF THE TREASURY—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Bureau of Alcohol, Tobacco and Firearms — *Federal funds*									
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	751	BA	**797**	**882**	**913**	**931**	**952**	**973**	**995**
Reappropriation, discretionary		BA	**2**	**2**	....	....	....	....	....
Spending authority from offsetting collections, discretionary		BA	**41**	**47**	**47**	**48**	**49**	**50**	**51**
Outlays		O	700	917	954	977	998	1,021	1,044
Salaries and expenses (gross)		BA	**840**	**931**	**960**	**979**	**1,001**	**1,023**	**1,046**
		O	700	917	954	977	998	1,021	1,044
Change in uncollected customer payments from Federal sources		BA	**–30**	....	....	....	....	....	....
Offsetting collections from Federal sources			–11	–47	–47	–48	–49	–50	–51
Total Salaries and expenses (net)		BA	**799**	**884**	**913**	**931**	**952**	**973**	**995**
		O	689	870	907	929	949	971	993
Laboratory facilities and headquarters:									
Outlays	751	O	14	36	....	....	....	....	....
Internal revenue collections for Puerto Rico:									
Appropriation, mandatory	806	BA	**334**	**246**	**235**	**235**	**235**	**235**	**235**
Outlays		O	334	246	235	235	235	235	235
Total Federal funds Bureau of Alcohol, Tobacco and Firearms		BA	**1,133**	**1,130**	**1,148**	**1,166**	**1,187**	**1,208**	**1,230**
		O	1,037	1,152	1,142	1,164	1,184	1,206	1,228
United States Customs Service — *Federal funds*									
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	751	BA	**2,010**	**2,564**	**2,573**	**2,625**	**2,681**	**2,742**	**2,804**
Appropriation, mandatory		BA	**310**	**275**	**301**	**391**	**429**	**470**	**516**
Reappropriation, discretionary		BA	**2**	**2**	....	....	....	....	....
Spending authority from offsetting collections, discretionary		BA	**450**	**455**	**740**	**500**	**511**	**523**	**536**
Outlays		O	2,728	3,264	3,589	3,527	3,613	3,724	3,845
Salaries and expenses (gross)		BA	**2,772**	**3,296**	**3,614**	**3,516**	**3,621**	**3,735**	**3,856**
		O	2,728	3,264	3,589	3,527	3,613	3,724	3,845
Change in uncollected customer payments from Federal sources		BA	**–55**	**46**	**11**	....	....	....	....
Adjustment to uncollected customer payments from Federal sources		BA	**105**	....	....	....	....	....	....
Offsetting collections from Federal sources			–490	–490	–490	–500	–511	–523	–536
Offsetting collections from non-Federal sources			–10	–11	–261	–11	–11	–12	–12
Total Salaries and expenses (net)		BA	**2,322**	**2,841**	**2,874**	**3,005**	**3,099**	**3,200**	**3,308**
		O	2,228	2,763	2,838	3,016	3,091	3,189	3,297
Operation, maintenance and procurement, air and marine interdiction programs:									
Appropriation, discretionary	751	BA	**155**	**185**	**171**	**175**	**178**	**183**	**187**
Spending authority from offsetting collections, discretionary		BA	**4**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	203	198	177	212	216	221	225
Operation, maintenance and procurement, air and marine interdiction programs (gross)		BA	**159**	**187**	**173**	**177**	**180**	**185**	**189**
		O	203	198	177	212	216	221	225
Offsetting collections from Federal sources			–4	–2	–2	–2	–2	–2	–2
Total Operation, maintenance and procurement, air and marine interdiction programs (net)		BA	**155**	**185**	**171**	**175**	**178**	**183**	**187**
		O	199	196	175	210	214	219	223
Automation modernization:									
Appropriation, discretionary	751	BA	**258**	**428**	**435**	**444**	**454**	**465**	**476**
Outlays		O	92	557	435	414	438	457	467
Customs facilities, construction, improvements and related expenses:									
Outlays	751	O	1	2	2	2	2	2	2
Continued dumping and subsidy offset:									
Appropriation, discretionary	376	BA	**247**	....	....	....	....	....	....
Appropriation, mandatory		BA	....	**200**	**200**	**200**	**200**	**200**	**200**

DEPARTMENT OF THE TREASURY—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	....	200	200	200	200	200	200
Total Continued dumping and subsidy offset		BA	**247**	**200**	**200**	**200**	**200**	**200**	**200**
		O	....	200	200	200	200	200	200
Customs services at small airports:									
Appropriation, discretionary	751	BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Spending authority from offsetting collections, discretionary		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	5	5	5	5	4	4	4
Customs services at small airports (gross)		BA	**4**	**4**	**4**	**4**	**4**	**4**	**4**
		O	5	5	5	5	4	4	4
Offsetting collections from non-Federal sources			–1	–1	–1	–1	–1	–1	–1
Total Customs services at small airports (net)		BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
		O	4	4	4	4	3	3	3
Refunds, transfers, and expenses of operation, Puerto Rico:									
Appropriation, mandatory	806	BA	**86**	**101**	**103**	**101**	**96**	**96**	**96**
Spending authority from offsetting collections, mandatory		BA	**4**	**4**	**4**	**4**	**4**	**4**	**4**
Outlays		O	90	105	107	105	100	100	100
Refunds, transfers, and expenses of operation, Puerto Rico (gross)		BA	**90**	**105**	**107**	**105**	**100**	**100**	**100**
		O	90	105	107	105	100	100	100
Offsetting collections from non-Federal sources			–4	–4	–4	–4	–4	–4	–4
Total Refunds, transfers, and expenses of operation, Puerto Rico (net)		BA	**86**	**101**	**103**	**101**	**96**	**96**	**96**
		O	86	101	103	101	96	96	96
Trust funds									
Harbor maintenance fee collection:									
Appropriation, discretionary	751	BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	3	3	3	3	3	3	3
Refunds, transfers and expenses, Unclaimed and abandoned goods:									
Appropriation, mandatory	751	BA	**6**	**6**	**7**	**7**	**7**	**8**	**8**
Outlays		O	5	5	7	7	7	8	8
Total Federal funds United States Customs Service		BA	**3,071**	**3,758**	**3,786**	**3,928**	**4,030**	**4,147**	**4,270**
		O	2,610	3,823	3,757	3,947	4,044	4,166	4,288
Total Trust funds United States Customs Service		BA	**9**	**9**	**10**	**10**	**10**	**11**	**11**
		O	8	8	10	10	10	11	11

Bureau of Engraving and Printing

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
Intragovernmental Funds:									
Bureau of Engraving and Printing fund:									
Spending authority from offsetting collections, discretionary	803	BA	**403**	**436**	**517**	**528**	**539**	**551**	**564**
Outlays		O	406	486	537	528	539	551	564
Bureau of Engraving and Printing fund (gross)		BA	**403**	**436**	**517**	**528**	**539**	**551**	**564**
		O	406	486	537	528	539	551	564
Offsetting collections from Federal sources			–64	–54	–40	–41	–42	–43	–44
Offsetting collections from non-Federal sources			–339	–382	–477	–487	–497	–509	–520
Total Bureau of Engraving and Printing fund (net)		BA	....	....	....	....	....	**–1**	....
		O	3	50	20	....	....	–1	....

United States Mint

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
Public Enterprise Funds:									
United States Mint public enterprise fund:									
Appropriation, discretionary	803	BA	**18**	**13**	....	....	....	....	....
Spending authority from offsetting collections, discretionary		BA	**1,051**	**871**	**929**	**948**	**969**	**992**	**1,015**

DEPARTMENT OF THE TREASURY—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	1,106	871	929	948	969	992	1,015
United States Mint public enterprise fund (gross)		BA	**1,069**	**884**	**929**	**948**	**969**	**992**	**1,015**
		O	1,106	871	929	948	969	992	1,015
Change in uncollected customer payments from Federal sources		BA	**–5**						
Offsetting collections from non-Federal sources			–1,146	–871	–929	–948	–969	–992	–1,015
Total United States Mint public enterprise fund (net)		BA	**–82**	**13**					
		O	–40						
Bureau of the Public Debt									
Federal funds									
General and Special Funds:									
Administering the public debt:									
Appropriation, discretionary	803	BA	**192**	**195**	**200**	**204**	**208**	**213**	**218**
Appropriation, mandatory		BA	**126**	**127**	**131**	**138**	**138**	**138**	**138**
Spending authority from offsetting collections, discretionary		BA	**8**	**10**	**10**	**10**	**10**	**11**	**11**
Outlays		O	332	364	339	353	356	363	367
Administering the public debt (gross)		BA	**326**	**332**	**341**	**352**	**356**	**362**	**367**
		O	332	364	339	353	356	363	367
Offsetting collections from Federal sources			–4	–6	–6	–6	–6	–6	–7
Offsetting collections from non-Federal sources			–4	–4	–4	–4	–4	–4	–4
Total Administering the public debt (net)		BA	**318**	**322**	**331**	**342**	**346**	**352**	**356**
		O	324	354	329	343	346	353	356
Payment of Government losses in shipment:									
Appropriation, mandatory	803	BA	**1**	**1**					
Outlays		O		1					
Total Federal funds Bureau of the Public Debt		BA	**319**	**323**	**331**	**342**	**346**	**352**	**356**
		O	324	355	329	343	346	353	356
Internal Revenue Service									
Federal funds									
General and Special Funds:									
Processing, assistance, and management:									
Appropriation, discretionary	803	BA	**3,885**	**3,983**	**4,149**	**4,232**	**4,322**	**4,418**	**4,518**
Appropriation, mandatory		BA	**21**	**1**	**1**	**1**	**1**	**1**	**1**
Reappropriation, discretionary		BA		**10**					
Spending authority from offsetting collections, discretionary		BA	**32**	**33**	**33**	**34**	**34**	**35**	**36**
Outlays		O	3,753	4,016	4,168	4,257	4,347	4,443	4,544
Processing, assistance, and management (gross)		BA	**3,938**	**4,027**	**4,183**	**4,267**	**4,357**	**4,454**	**4,555**
		O	3,753	4,016	4,168	4,257	4,347	4,443	4,544
Offsetting collections from Federal sources			–32	–33	–33	–34	–34	–35	–36
Total Processing, assistance, and management (net)		BA	**3,906**	**3,994**	**4,150**	**4,233**	**4,323**	**4,419**	**4,519**
		O	3,721	3,983	4,135	4,223	4,313	4,408	4,508
Tax law enforcement									
(Federal law enforcement activities):									
(Appropriation, discretionary)	751	BA	**367**	**372**	**386**	**394**	**402**	**411**	**420**
(Outlays)		O	367	372	385	393	402	410	419
(Central fiscal operations):									
(Appropriation, discretionary)	803	BA	**3,267**	**3,415**	**3,602**	**3,672**	**3,749**	**3,831**	**3,916**
(Appropriation, mandatory)		BA	**32**	**2**	**2**	**2**	**2**	**2**	**2**
(Reappropriation, discretionary)		BA		**13**					
(Spending authority from offsetting collections, discretionary)		BA	**101**	**103**	**103**	**105**	**107**	**109**	**112**
(Outlays)		O	3,392	3,521	3,694	3,773	3,852	3,936	4,023
Tax law enforcement (gross)		BA	**3,767**	**3,905**	**4,093**	**4,173**	**4,260**	**4,353**	**4,450**
		O	3,759	3,893	4,079	4,166	4,254	4,346	4,442

DEPARTMENT OF THE TREASURY—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Offsetting collections from Federal sources			–101	–103	–103	–105	–107	–109	–112
Total (Central fiscal operations) (net)		BA	**3,299**	**3,430**	**3,604**	**3,674**	**3,751**	**3,833**	**3,918**
		O	3,291	3,418	3,591	3,668	3,745	3,827	3,911
Total Tax law enforcement		BA	**3,666**	**3,802**	**3,990**	**4,068**	**4,153**	**4,244**	**4,338**
		O	3,658	3,790	3,976	4,061	4,147	4,237	4,330
Earned income tax credit compliance initiative:									
Appropriation, discretionary	803	BA	**152**	**154**	**154**	**157**	**160**	**164**	**168**
Reappropriation, discretionary		BA	....	**1**	....	....	....	....	....
Outlays		O	153	155	154	156	160	163	167
Total Earned income tax credit compliance initiative		BA	**152**	**155**	**154**	**157**	**160**	**164**	**168**
		O	153	155	154	156	160	163	167
Information systems:									
Appropriation, discretionary	803	BA	**1,609**	**1,621**	**1,675**	**1,709**	**1,746**	**1,786**	**1,827**
Appropriation, mandatory		BA	**37**	**67**	**67**	**67**	**67**	**67**	**67**
Spending authority from offsetting collections, discretionary		BA	**6**	**6**	**6**	**6**	**6**	**6**	**7**
Outlays		O	1,546	1,691	1,657	1,768	1,804	1,843	1,885
Information systems (gross)		BA	**1,652**	**1,694**	**1,748**	**1,782**	**1,819**	**1,859**	**1,901**
		O	1,546	1,691	1,657	1,768	1,804	1,843	1,885
Offsetting collections from Federal sources			–6	–6	–6	–6	–6	–6	–7
Total Information systems (net)		BA	**1,646**	**1,688**	**1,742**	**1,776**	**1,813**	**1,853**	**1,894**
		O	1,540	1,685	1,651	1,762	1,798	1,837	1,878
Business systems modernization:									
Appropriation, discretionary	803	BA	**72**	**392**	**450**	**459**	**470**	**481**	**492**
Reappropriation, discretionary		BA	**94**	....	....	....	....	....	....
Outlays		O	231	359	418	423	459	472	483
Total Business systems modernization		BA	**166**	**392**	**450**	**459**	**470**	**481**	**492**
		O	231	359	418	423	459	472	483
Payment where earned income credit exceeds liability for tax:									
Appropriation, mandatory	609	BA	**26,123**	**28,282**	**30,629**	**31,083**	**31,720**	**33,133**	**34,085**
Outlays		O	26,123	28,282	30,629	31,083	31,720	33,133	34,085
Total Payment where earned income credit exceeds liability for tax		BA	**26,123**	**28,282**	**30,629**	**31,083**	**31,720**	**33,133**	**34,085**
		O	26,123	28,282	30,629	31,083	31,720	33,133	34,085
Payment where alternative to failing school credit exceeds liability for tax:									
Appropriation, mandatory	501	BA			[B] **165**	[B] **449**	[B] **699**	[B] **975**	[B] **1,213**
Outlays		O			[B] 165	[B] 449	[B] 699	[B] 975	[B] 1,213
Payment where child credit exceeds liability for tax (Other income security):									
(Appropriation, mandatory)	609	BA	**982**	**7,390**	**7,390**	**7,210**	**6,950**	**9,380**	**9,200**
(Outlays)		O	982	7,390	7,390	7,210	6,950	9,380	9,200
Total (Other income security)		BA	**982**	**7,390**	**7,390**	**7,210**	**6,950**	**9,380**	**9,200**
		O	982	7,390	7,390	7,210	6,950	9,380	9,200
Total Payment where child credit exceeds liability for tax		BA	**982**	**7,390**	**7,390**	**7,210**	**6,950**	**9,380**	**9,200**
		O	982	7,390	7,390	7,210	6,950	9,380	9,200
Payment where health care credit exceeds liability for tax:									
Appropriation, mandatory	551	BA			[B] **667**	[B] **5,185**	[B] **6,292**	[B] **6,560**	[B] **6,441**
Outlays		O			[B] 667	[B] 5,185	[B] 6,292	[B] 6,560	[B] 6,441
Refunding internal revenue collections, interest:									
Appropriation, mandatory	908	BA	**2,726**	**2,351**	**2,206**	**2,107**	**2,275**	**2,419**	**2,608**
Outlays		O	2,726	2,351	2,206	2,107	2,275	2,419	2,608
Informant payments:									
Appropriation, mandatory	803	BA	**3**	....	....	....	....	....	....
Outlays		O	3	....	....	....	....	....	....

DEPARTMENT OF THE TREASURY—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Public Enterprise Funds:									
Federal tax lien revolving fund:									
Spending authority from offsetting collections, mandatory	803	BA	**11**	**8**	**6**	**6**	**6**	**6**	**6**
Outlays		O	9	8	6	6	6	6	6
Federal tax lien revolving fund (gross)		BA	**11**	**8**	**6**	**6**	**6**	**6**	**6**
		O	9	8	6	6	6	6	6
Offsetting collections from non-Federal sources			–11	–8	–6	–6	–6	–6	–6
Total Federal tax lien revolving fund (net)		BA							
		O	–2						
Total Federal funds Internal Revenue Service		BA	**39,370**	**48,054**	**51,543**	**56,727**	**58,855**	**63,628**	**64,958**
		O	39,135	47,995	51,391	56,659	58,813	63,584	64,913

United States Secret Service

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	751	BA	**852**	**1,055**	**1,044**	**1,065**	**1,088**	**1,113**	**1,138**
Reappropriation, discretionary		BA	**7**						
Spending authority from offsetting collections, discretionary		BA	**14**	**40**	**8**	**8**	**8**	**9**	**9**
Outlays		O	845	1,158	1,054	1,071	1,094	1,119	1,145
Salaries and expenses (gross)		BA	**873**	**1,095**	**1,052**	**1,073**	**1,096**	**1,122**	**1,147**
		O	845	1,158	1,054	1,071	1,094	1,119	1,145
Change in uncollected customer payments from Federal sources		BA	**–1**						
Adjustment to uncollected customer payments from Federal sources		BA	**37**						
Offsetting collections from Federal sources			–50	–40	–8	–8	–8	–9	–9
Total Salaries and expenses (net)		BA	**859**	**1,055**	**1,044**	**1,065**	**1,088**	**1,113**	**1,138**
		O	795	1,118	1,046	1,063	1,086	1,110	1,136
Acquisition, construction, improvements, and related expenses:									
Appropriation, discretionary	751	BA	**9**	**3**	**4**	**4**	**4**	**4**	**4**
Outlays		O	4	6	4	4	4	4	4
Contribution for annuity benefits:									
Appropriation, mandatory	751	BA	**255**	**200**	**200**	**200**	**200**	**200**	**200**
Outlays		O	173	200	200	200	200	200	200
Total Federal funds United States Secret Service		BA	**1,123**	**1,258**	**1,248**	**1,269**	**1,292**	**1,317**	**1,342**
		O	972	1,324	1,250	1,267	1,290	1,314	1,340

Comptroller of the Currency

Trust funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
Assessment funds:									
Spending authority from offsetting collections, mandatory	373	BA	**435**	**458**	**474**	**488**	**501**	**514**	**527**
Outlays		O	417	429	454	453	466	479	492
Assessment funds (gross)		BA	**435**	**458**	**474**	**488**	**501**	**514**	**527**
		O	417	429	454	453	466	479	492
Change in uncollected customer payments from Federal sources		BA	**–2**						
Offsetting collections from interest on Federal securities			–15	–16	–16	–17	–17	–17	–17
Offsetting collections from non-Federal sources			–418	–442	–458	–471	–484	–497	–510
Total Assessment funds (net)		BA							
		O	–16	–29	–20	–35	–35	–35	–35

Office of Thrift Supervision

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
Public Enterprise Funds:									
Office of Thrift Supervision:									
Spending authority from offsetting collections, mandatory	373	BA	**161**	**168**	**173**	**176**	**180**	**180**	**180**

DEPARTMENT OF THE TREASURY—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	158	168	173	176	180	180	180
Office of Thrift Supervision (gross)		BA	**161**	**168**	**173**	**176**	**180**	**180**	**180**
		O	158	168	173	176	180	180	180
Change in uncollected customer payments from Federal sources		BA	**5**	....	....	....	....	....	....
Offsetting collections from interest on Federal securities			–6	–7	–8	–7	–7	–7	–7
Offsetting collections from non-Federal sources			–160	–161	–165	–161	–165	–165	–165
Total Office of Thrift Supervision (net)		BA	....	....	....	**8**	**8**	**8**	**8**
		O	–8	....	....	8	8	8	8

Interest on the Public Debt

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Interest on Treasury debt securities (gross):									
Appropriation, mandatory	901	BA	**359,508**	**338,833**	**353,087**	**375,335**	**392,317**	**406,795**	**422,149**
					[J] –9	**[J] –44**	**[J] –93**	**[J] –149**	**[J] –204**
Outlays		O	359,508	338,833	353,087	375,335	392,317	406,795	422,149
					[J] –9	[J] –44	[J] –93	[J] –149	[J] –204
Total Interest on Treasury debt securities (gross)		BA	**359,508**	**338,833**	**353,078**	**375,291**	**392,224**	**406,646**	**421,945**
		O	359,508	338,833	353,078	375,291	392,224	406,646	421,945

Summary

Account			2001 actual	2002	2003	2004	2005	2006	2007
Federal funds:									
(As shown in detail above)		BA	**413,239**	**402,268**	**421,148**	**447,743**	**467,040**	**486,728**	**503,846**
		O	410,977	401,852	419,938	446,560	465,671	485,304	502,362
Deductions for offsetting receipts:									
Intrafund transactions	803	BA/O	*–3*	*–3*	*–3*	*–3*	*–3*	*–3*	*–3*
	808	BA/O	*–310*	....	....	....	....	....	....
	809	BA/O	*–251*	*–107*	*–100*	*–100*	*–100*	*–100*	*–100*
	908	BA/O	*–3,264*	*–3,043*	*–2,577*	*–2,789*	*–3,227*	*–3,292*	*–3,074*
Proprietary receipts from the public	151	BA/O	*–9*	*–9*	*–9*	*–9*	*–9*	*–9*	*–9*
	155	BA/O	*–291*	*–71*	*–85*	*–88*	*–94*	*–108*	*–25*
	751	BA/O	*–3*	*–3*	*–3*	*–3*	*–3*	*–3*	*–4*
	803	BA/O	*–112*	*–104*	*–109*	*–110*	*–112*	*–114*	*–115*
	809	BA/O	*–1,638*	*–1,331*	*–1,331*	*–1,331*	*–1,331*	*–1,331*	*–1,331*
	901	BA/O	*–1*	....	....	....	....	....	....
	908	BA/O	*–12,121*	*–12,092*	*–13,055*	*–13,649*	*–14,126*	*–14,568*	*–15,020*
Offsetting governmental receipts	751	BA/O	*–1,268*	*–1,306*	*–1,436*	....	....	....	....
					[J] –250				
Total Federal funds		BA	**393,968**	**384,199**	**402,190**	**429,661**	**448,035**	**467,200**	**484,165**
		O	391,706	383,783	400,980	428,478	446,666	465,776	482,681
Trust funds:									
(As shown in detail above)		BA	**9**	**9**	**10**	**10**	**10**	**11**	**11**
		O	–8	–21	–10	–25	–25	–24	–24
Interfund transactions	306	BA/O	*–5*	*–5*	*–5*	*–5*	*–5*	*–5*	*–5*
	601	BA/O	*–789*	*–815*	*–844*	*–865*	*–888*	*–912*	*–948*
					[J] –1,606	*[J] 446*	*[J] 435*	*[J] 430*	*[J] 427*
	803	BA/O	*–335*	*–326*	*–327*	*–328*	*–329*	*–330*	*–330*
Total Department of the Treasury		BA	**392,848**	**383,062**	**399,418**	**428,919**	**447,258**	**466,394**	**483,320**
		O	390,569	382,616	398,188	427,701	445,854	464,935	481,801

DEPARTMENT OF VETERANS AFFAIRS

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Veterans Health Administration									
Federal funds									
General and Special Funds:									
Medical care:									
Appropriation, discretionary	703	BA	**21,655**	**22,875**	**24,621**	**25,119**	**25,661**	**26,243**	**26,842**
Appropriation, mandatory		BA	....	**226**	**365**	**394**	**394**	**451**	**451**
Spending authority from offsetting collections, discretionary		BA	**128**	**156**	**181**	**185**	**189**	**193**	**198**
Outlays		O	21,759	23,208	25,081	25,663	26,153	26,787	27,394
Medical care (gross)		BA	**21,783**	**23,257**	**25,167**	**25,698**	**26,244**	**26,887**	**27,491**
		O	21,759	23,208	25,081	25,663	26,153	26,787	27,394
Change in uncollected customer payments from Federal sources		BA	**–11**	....	....	....	....	....	....
Adjustment to uncollected customer payments from Federal sources		BA	**12**	....	....	....	....	....	....
Offsetting collections from Federal sources			–50	–62	–72	–73	–75	–77	–79
Offsetting collections from non-Federal sources			–79	–94	–109	–111	–114	–116	–119
Total Medical care (net)		BA	**21,655**	**23,101**	**24,986**	**25,514**	**26,055**	**26,694**	**27,293**
		O	21,630	23,052	24,900	25,479	25,964	26,594	27,196
Medical and prosthetic research:									
Appropriation, discretionary	703	BA	**363**	**384**	**409**	**417**	**426**	**436**	**446**
Spending authority from offsetting collections, discretionary		BA	**27**	**33**	**33**	**34**	**34**	**35**	**36**
Outlays		O	379	411	436	447	458	468	479
Medical and prosthetic research (gross)		BA	**390**	**417**	**442**	**451**	**460**	**471**	**482**
		O	379	411	436	447	458	468	479
Offsetting collections from Federal sources			–27	–33	–33	–34	–34	–35	–36
Total Medical and prosthetic research (net)		BA	**363**	**384**	**409**	**417**	**426**	**436**	**446**
		O	352	378	403	413	424	433	443
Medical administration and miscellaneous operating expenses:									
Appropriation, discretionary	703	BA	**69**	**74**	**77**	**78**	**80**	**82**	**84**
Spending authority from offsetting collections, discretionary		BA	**7**	**7**	**7**	**7**	**7**	**7**	**8**
Outlays		O	79	82	84	85	88	89	91
Medical administration and miscellaneous operating expenses (gross)		BA	**76**	**81**	**84**	**85**	**87**	**89**	**92**
		O	79	82	84	85	88	89	91
Offsetting governmental collections (from non-Federal sources)			–7	–7	–7	–7	–7	–7	–8
Total Medical administration and miscellaneous operating expenses (net)		BA	**69**	**74**	**77**	**78**	**80**	**82**	**84**
		O	72	75	77	78	81	82	83
Public Enterprise Funds:									
Veterans extended care revolving fund:									
Spending authority from offsetting collections, mandatory	703	BA	....	**20**	**40**	**41**	**42**	**43**	**44**
Outlays		O	....	20	40	41	42	43	44
Veterans extended care revolving fund (gross)		BA	....	**20**	**40**	**41**	**42**	**43**	**44**
		O	....	20	40	41	42	43	44
Offsetting collections from non-Federal sources			....	–20	–40	–41	–42	–43	–44
Total Veterans extended care revolving fund (net)		BA	....	....	....	....	....	....	....
		O	....	....	....	....	....	....	....
Medical facilities revolving fund:									
Spending authority from offsetting collections, mandatory	703	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	2	1	1	1	2	2	2
Medical facilities revolving fund (gross)		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
		O	2	1	1	1	2	2	2
Offsetting collections from non-Federal sources			–1	–1	–1	–1	–1	–1	–1
Total Medical facilities revolving fund (net)		BA	....	....	....	....	....	....	....
		O	1	....	....	....	1	1	1
Canteen service revolving fund:									
Spending authority from offsetting collections, mandatory	705	BA	**227**	**238**	**234**	**234**	**238**	**242**	**243**

DEPARTMENT OF VETERANS AFFAIRS—Continued

(In millions of dollars)

Account			2001 actual	estimate					
				2002	2003	2004	2005	2006	2007
Outlays		O	233	240	236	234	238	242	243
Canteen service revolving fund (gross)		BA	**227**	**238**	**234**	**234**	**238**	**242**	**243**
		O	233	240	236	234	238	242	243
Offsetting collections from interest on Federal securities			....	–2	–2	–2	–2	–2	–2
Offsetting collections from non-Federal sources			–227	–236	–232	–232	–236	–240	–241
Total Canteen service revolving fund (net)		BA	....	....	....	....	....	....	....
		O	6	2	2	....	....	....	....
Special therapeutic and rehabilitation activities fund:									
Spending authority from offsetting collections, mandatory	703	BA	**36**	**37**	**38**	**46**	**47**	**49**	**50**
Outlays		O	34	35	36	44	45	47	48
Special therapeutic and rehabilitation activities fund (gross)		BA	**36**	**37**	**38**	**46**	**47**	**49**	**50**
		O	34	35	36	44	45	47	48
Offsetting collections from non-Federal sources			–36	–37	–38	–46	–47	–49	–50
Total Special therapeutic and rehabilitation activities fund (net)		BA	....	....	....	....	....	....	....
		O	–2	–2	–2	–2	–2	–2	–2
Medical center research organizations:									
Spending authority from offsetting collections, mandatory	703	BA	**157**	**161**	**166**	**170**	**175**	**179**	**184**
Outlays		O	157	161	166	170	175	179	184
Medical center research organizations (gross)		BA	**157**	**161**	**166**	**170**	**175**	**179**	**184**
		O	157	161	166	170	175	179	184
Offsetting collections from non-Federal sources			–157	–161	–166	–170	–175	–179	–184
Total Medical center research organizations (net)		BA	....	....	....	....	....	....	....
		O	....	....	....	....	....	....	....
Trust funds									
General post fund, national homes:									
Appropriation, mandatory	705	BA	**35**	**36**	**37**	**38**	**38**	**39**	**40**
Outlays		O	32	33	33	34	32	33	34
Total Federal funds Veterans Health Administration		BA	**22,087**	**23,559**	**25,472**	**26,009**	**26,561**	**27,212**	**27,823**
		O	22,059	23,505	25,380	25,968	26,468	27,108	27,721
Total Trust funds Veterans Health Administration		BA	**35**	**36**	**37**	**38**	**38**	**39**	**40**
		O	32	33	33	34	32	33	34
Veterans Benefits Administration									
Federal funds									
General and Special Funds:									
Compensation and pensions:									
Appropriation, mandatory	701	BA	**23,356**	**24,945**	**26,525**	**27,998**	**29,437**	**30,881**	**32,298**
						[B] **–6**	[B] **–6**	[B] **–6**	[B] **–6**
Spending authority from offsetting collections, mandatory		BA	....	**3**	**3**	**3**	**3**	**3**	**2**
Outlays		O	21,420	24,908	26,424	27,876	31,803	30,882	29,568
						[B] –6	[B] –6	[B] –6	[B] –6
Compensation and pensions (gross)		BA	**23,356**	**24,948**	**26,528**	**27,995**	**29,434**	**30,878**	**32,294**
		O	21,420	24,908	26,424	27,870	31,797	30,876	29,562
Offsetting collections from Federal sources			....	–3	–3	–3	–3	–3	–2
Total Compensation and pensions (net)		BA	**23,356**	**24,945**	**26,525**	**27,992**	**29,431**	**30,875**	**32,292**
		O	21,420	24,905	26,421	27,867	31,794	30,873	29,560
Grants for veterans employment:									
Appropriation, discretionary	702	BA			[J] **177**	[J] **177**	[J] **177**	[J] **177**	[J] **177**
Outlays		O			[J] 159	[J] 177	[J] 177	[J] 177	[J] 177
Readjustment benefits:									
Appropriation, mandatory	702	BA	**1,981**	**2,135**	**2,265**	**2,680**	**2,796**	**2,924**	**3,051**
Spending authority from offsetting collections, mandatory		BA	**216**	**228**	**241**	**293**	**320**	**345**	**365**

DEPARTMENT OF VETERANS AFFAIRS—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	1,824	2,451	2,798	2,973	3,141	3,255	3,382
Readjustment benefits (gross)		BA	**2,197**	**2,363**	**2,506**	**2,973**	**3,116**	**3,269**	**3,416**
		O	1,824	2,451	2,798	2,973	3,141	3,255	3,382
Offsetting collections from Federal sources			–216	–228	–241	–293	–320	–345	–365
Total Readjustment benefits (net)		BA	**1,981**	**2,135**	**2,265**	**2,680**	**2,796**	**2,924**	**3,051**
		O	1,608	2,223	2,557	2,680	2,821	2,910	3,017
Reinstated entitlement program for survivors under P.L. 97–377:									
Spending authority from offsetting collections, mandatory	701	BA	**16**	**15**	**12**	**11**	**10**	**9**	**8**
Outlays		O	16	15	12	11	10	9	8
Reinstated entitlement program for survivors under P.L. 97–377 (gross)		BA	**16**	**15**	**12**	**11**	**10**	**9**	**8**
		O	16	15	12	11	10	9	8
Offsetting collections from Federal sources			–16	–15	–12	–11	–10	–9	–8
Total Reinstated entitlement program for survivors under P.L. 97–377 (net)		BA	....	....	....	....	....	....	....
		O	....	....	....	....	....	....	....
Veterans insurance and indemnities:									
Appropriation, mandatory	701	BA	**20**	**26**	**28**	**36**	**37**	**38**	**39**
Spending authority from offsetting collections, mandatory		BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	26	28	28	36	37	38	38
Veterans insurance and indemnities (gross)		BA	**22**	**28**	**30**	**38**	**39**	**40**	**41**
		O	26	28	28	36	37	38	38
Offsetting collections from non-Federal sources			–2	–2	–2	–2	–2	–2	–2
Total Veterans insurance and indemnities (net)		BA	**20**	**26**	**28**	**36**	**37**	**38**	**39**
		O	24	26	26	34	35	36	36
Public Enterprise Funds:									
Service-disabled veterans insurance fund:									
Spending authority from offsetting collections, mandatory	701	BA	**63**	**70**	**64**	**66**	**67**	**68**	**69**
Outlays		O	63	68	68	66	67	68	69
Service-disabled veterans insurance fund (gross)		BA	**63**	**70**	**64**	**66**	**67**	**68**	**69**
		O	63	68	68	66	67	68	69
Offsetting collections from Federal sources			–16	–18	–19	–28	–23	–23	–23
Offsetting collections from non-Federal sources			–39	–39	–39	–38	–44	–45	–46
Total Service-disabled veterans insurance fund (net)		BA	**8**	**13**	**6**	....	....	....	....
		O	8	11	10	....	....	....	....
Veterans reopened insurance fund:									
Spending authority from offsetting collections, mandatory	701	BA	**69**	**70**	**69**	**68**	**66**	**64**	**62**
Outlays		O	67	70	69	67	66	64	63
Veterans reopened insurance fund (gross)		BA	**69**	**70**	**69**	**68**	**66**	**64**	**62**
		O	67	70	69	67	66	64	63
Offsetting collections from Federal sources			–36	–34	–32	–30	–27	–25	–23
Offsetting collections from non-Federal sources			–19	–18	–16	–14	–14	–13	–12
Total Veterans reopened insurance fund (net)		BA	**14**	**18**	**21**	**24**	**25**	**26**	**27**
		O	12	18	21	23	25	26	28
Servicemembers' group life insurance fund:									
Spending authority from offsetting collections, mandatory	701	BA	**461**	**660**	**684**	**682**	**681**	**679**	**678**
Outlays		O	462	660	684	682	682	679	678
Servicemembers' group life insurance fund (gross)		BA	**461**	**660**	**684**	**682**	**681**	**679**	**678**
		O	462	660	684	682	682	679	678
Offsetting collections from non-Federal sources			–461	–660	–684	–682	–681	–679	–678
Total Servicemembers' group life insurance fund (net)		BA	....	....	....	....	....	....	....
		O	1	....	....	....	1	....	....

DEPARTMENT OF VETERANS AFFAIRS—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Credit Accounts:									
Veterans housing benefit program fund program account:									
Appropriation, discretionary	704	BA	169	171	176	180	183	188	192
Appropriation, mandatory		BA	336	754	437	422	429	440	443
Outlays		O	505	925	613	602	612	628	635
Total Veterans housing benefit program fund program account		BA	505	925	613	602	612	628	635
		O	505	925	613	602	612	628	635
Veterans housing benefit program fund liquidating account:									
Spending authority from offsetting collections, mandatory	704	BA	299	210	188	161	143	120	99
Outlays		O	260	162	186	161	143	119	98
Veterans housing benefit program fund liquidating account (gross)		BA	299	210	188	161	143	120	99
		O	260	162	186	161	143	119	98
Change in uncollected customer payments from Federal sources		BA	–36						
Offsetting collections from Federal sources			–121	–137	–129	–114	–104	–89	–74
Offsetting collections from non-Federal sources			–137	–73	–59	–47	–39	–31	–25
Offsetting governmental collections (from non-Federal sources)			–5						
Total Veterans housing benefit program fund liquidating account (net)		BA							
		O	–3	–48	–2			–1	–1
Miscellaneous veterans housing loans program account:									
Appropriation, discretionary	704	BA	1	1	1	1	1	1	1
Outlays		O	1	1	6	14	17	12	4
Limitation on direct loan activity					(5)	(5)	(5)	(5)	(5)
Miscellaneous veterans programs loan fund program account:									
Appropriation, discretionary	702	BA	1						
Outlays		O	1						
Limitation on direct loan activity			(3)	(3)	(3)	(3)	(3)	(3)	(3)
Trust funds									
Post-Vietnam era veterans education account:									
Appropriation, mandatory	702	BA	3	2	2	2	2	2	2
Outlays		O	15	12	12	12	12	12	11
National service life insurance fund:									
Appropriation, mandatory	701	BA	1,050	1,027	965	903	837	775	718
Spending authority from offsetting collections, mandatory		BA	683	719	768	788	812	839	854
Outlays		O	1,714	1,729	1,722	1,682	1,643	1,611	1,572
National service life insurance fund (gross)		BA	1,733	1,746	1,733	1,691	1,649	1,614	1,572
		O	1,714	1,729	1,722	1,682	1,643	1,611	1,572
Offsetting collections from non-Federal sources			–493	–472	–451	–420	–391	–364	–338
Total National service life insurance fund (net)		BA	1,240	1,274	1,282	1,271	1,258	1,250	1,234
		O	1,221	1,257	1,271	1,262	1,252	1,247	1,234
United States Government life insurance fund:									
Appropriation, mandatory	701	BA	5	4	4	5	4	4	3
Spending authority from offsetting collections, mandatory		BA	6	7	6	6	6	6	6
Outlays		O	12	12	11	12	13	13	11
United States Government life insurance fund (gross)		BA	11	11	10	11	10	10	9
		O	12	12	11	12	13	13	11
Offsetting collections from non-Federal sources			–1	–1	–1	–1	–1	–1	–1
Total United States Government life insurance fund (net)		BA	10	10	9	10	9	9	8
		O	11	11	10	11	12	12	10
Veterans special life insurance fund:									
Spending authority from offsetting collections, mandatory	701	BA	209	215	221	222	224	224	228
Outlays		O	189	198	207	209	211	213	219
Veterans special life insurance fund (gross)		BA	209	215	221	222	224	224	228
		O	189	198	207	209	211	213	219
Offsetting collections from interest on Federal securities			–143	–143	–141	–139	–137	–135	–132

DEPARTMENT OF VETERANS AFFAIRS—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Offsetting collections from non-Federal sources			–92	–91	–89	–86	–84	–82	–79
Total Veterans special life insurance fund (net)		BA	**–26**	**–19**	**–9**	**–3**	**3**	**7**	**17**
		O	–46	–36	–23	–16	–10	–4	8
Total Federal funds Veterans Benefits Administration		BA	**25,886**	**28,063**	**29,636**	**31,512**	**33,079**	**34,669**	**36,222**
		O	23,577	28,061	29,811	31,397	35,482	34,661	33,456
Total Trust funds Veterans Benefits Administration		BA	**1,227**	**1,267**	**1,284**	**1,280**	**1,272**	**1,268**	**1,261**
		O	1,201	1,244	1,270	1,269	1,266	1,267	1,263

Construction

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Construction, major projects:									
Appropriation, discretionary	703	BA	**66**	**183**	**194**	**198**	**202**	**207**	**212**
Outlays		O	179	106	114	147	177	193	201
Construction, minor projects:									
Appropriation, discretionary	703	BA	**166**	**211**	**211**	**215**	**220**	**225**	**231**
Outlays		O	157	177	194	208	215	220	225
Grants for construction of State extended care facilities:									
Appropriation, discretionary	703	BA	**100**	**100**	**100**	**102**	**104**	**107**	**109**
Outlays		O	60	91	95	100	100	101	104
Grants for the construction of State veterans cemeteries:									
Appropriation, discretionary	705	BA	**25**	**25**	**32**	**33**	**33**	**34**	**35**
Outlays		O	20	21	25	28	31	33	34
Public Enterprise Funds:									
Parking revolving fund:									
Appropriation, discretionary	703	BA	**7**	**4**	....	....	....	....	....
Spending authority from offsetting collections, discretionary		BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	8	6	7	7	5	5	3
Parking revolving fund (gross)		BA	**10**	**7**	**3**	**3**	**3**	**3**	**3**
		O	8	6	7	7	5	5	3
Offsetting collections from non-Federal sources			–3	–3	–3	–3	–3	–3	–3
Total Parking revolving fund (net)		BA	**7**	**4**	....	....	....	....	....
		O	5	3	4	4	2	2	....
Total Federal funds Construction		BA	**364**	**523**	**537**	**548**	**559**	**573**	**587**
		O	421	398	432	487	525	549	564

Departmental Administration

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
General operating expenses:									
Appropriation, discretionary	705	BA	**1,152**	**1,255**	**1,317**	**1,343**	**1,372**	**1,402**	**1,434**
					[J] **20**	[J] **20**	[J] **20**	[J] **20**	[J] **20**
Spending authority from offsetting collections, discretionary		BA	**372**	**463**	**429**	**438**	**447**	**457**	**468**
Outlays		O	1,495	1,717	1,736	1,776	1,814	1,854	1,896
					[J] 20	[J] 20	[J] 20	[J] 20	[J] 20
General operating expenses (gross)		BA	**1,524**	**1,718**	**1,766**	**1,801**	**1,839**	**1,879**	**1,922**
		O	1,495	1,717	1,756	1,796	1,834	1,874	1,916
Offsetting collections from Federal sources			–372	–463	–429	–438	–447	–457	–468
Total General operating expenses (net)		BA	**1,152**	**1,255**	**1,337**	**1,363**	**1,392**	**1,422**	**1,454**
		O	1,123	1,254	1,327	1,358	1,387	1,417	1,448
Office of Inspector General:									
Appropriation, discretionary	705	BA	**48**	**55**	**58**	**59**	**60**	**62**	**63**
Spending authority from offsetting collections, discretionary		BA	**2**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	51	58	61	66	67	68	69
Office of Inspector General (gross)		BA	**50**	**58**	**61**	**62**	**63**	**65**	**66**
		O	51	58	61	66	67	68	69

DEPARTMENT OF VETERANS AFFAIRS—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Offsetting collections from Federal sources			–2	–3	–3	–3	–3	–3	–3
Total Office of Inspector General (net)		BA	**48**	**55**	**58**	**59**	**60**	**62**	**63**
		O	49	55	58	63	64	65	66
National Cemetery Administration:									
Appropriation, discretionary	705	BA	**113**	**126**	**138**	**141**	**144**	**147**	**150**
Outlays		O	108	125	137	140	144	147	150
Intragovernmental Funds:									
Supply fund:									
Spending authority from offsetting collections, mandatory	705	BA	**915**	**1,002**	**1,057**	**993**	**1,041**	**1,091**	**1,137**
Outlays		O	813	1,002	1,057	993	1,041	1,091	1,137
Supply fund (gross)		BA	**915**	**1,002**	**1,057**	**993**	**1,041**	**1,091**	**1,137**
		O	813	1,002	1,057	993	1,041	1,091	1,137
Change in uncollected customer payments from Federal sources		BA	**–53**						
Offsetting collections from Federal sources			–862	–1,002	–1,057	–993	–1,041	–1,091	–1,137
Total Supply fund (net)		BA							
		O	–49						
Franchise fund:									
Spending authority from offsetting collections, mandatory	705	BA	**148**	**155**	**157**	**172**	**178**	**183**	**188**
Outlays		O	137	149	150	172	178	183	188
Franchise fund (gross)		BA	**148**	**155**	**157**	**172**	**178**	**183**	**188**
		O	137	149	150	172	178	183	188
Change in uncollected customer payments from Federal sources		BA	**–4**	**–3**	**–3**	**–3**			
Offsetting collections from Federal sources			–144	–152	–154	–172	–178	–183	–188
Total Franchise fund (net)		BA				**–3**			
		O	–7	–3	–4				
Total Federal funds Departmental Administration		BA	**1,313**	**1,436**	**1,533**	**1,560**	**1,596**	**1,631**	**1,667**
		O	1,224	1,431	1,518	1,561	1,595	1,629	1,664

Summary

Account			2001 actual	2002	2003	2004	2005	2006	2007
Federal funds:									
(As shown in detail above)		BA	**49,650**	**53,581**	**57,178**	**59,629**	**61,795**	**64,085**	**66,299**
		O	47,281	53,395	57,141	59,413	64,070	63,947	63,405
Deductions for offsetting receipts:									
Proprietary receipts from the public	702	BA/O	*–286*	*–192*	*–196*	*–205*	*–215*	*–226*	*–248*
	703	BA/O	*–771*	*–1,031*	*–1,449*	*–1,679*	*–1,768*	*–1,915*	*–2,006*
	704	BA/O	*–1,420*	*–1,797*	*–98*	*–104*	*–111*	*–120*	*–120*
Total Federal funds		BA	**47,173**	**50,561**	**55,435**	**57,641**	**59,701**	**61,824**	**63,925**
		O	44,804	50,375	55,398	57,425	61,976	61,686	61,031
Trust funds:									
(As shown in detail above)		BA	**1,262**	**1,303**	**1,321**	**1,318**	**1,310**	**1,307**	**1,301**
		O	1,233	1,277	1,303	1,303	1,298	1,300	1,297
Deductions for offsetting receipts:									
Proprietary receipts from the public	701	BA/O	*–194*	*–198*	*–184*	*–170*	*–154*	*–139*	*–125*
	702	BA/O	*–2*	*–1*					
Total Trust funds		BA	**1,066**	**1,104**	**1,137**	**1,148**	**1,156**	**1,168**	**1,176**
		O	1,037	1,078	1,119	1,133	1,144	1,161	1,172
Interfund transactions	701	BA/O	*–1*	*–1*	*–2*	*–2*	*–2*	*–2*	*–2*
	702	BA/O	*–1*	*–1*	*–2*	*–2*	*–2*	*–2*	*–2*
Total Department of Veterans Affairs		BA	**48,237**	**51,663**	**56,568**	**58,785**	**60,853**	**62,988**	**65,097**
		O	45,839	51,451	56,513	58,554	63,116	62,843	62,199

CORPS OF ENGINEERS-CIVIL WORKS

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Federal funds									
General and Special Funds:									
General investigations:									
Appropriation, discretionary	301	BA	**166**	**159**	**108**	**110**	**112**	**115**	**118**
Spending authority from offsetting collections, discretionary		BA	**31**	**9**	**9**	**9**	**9**	**10**	**10**
Outlays		O	188	185	138	119	121	124	127
General investigations (gross)		BA	**197**	**168**	**117**	**119**	**121**	**125**	**128**
		O	188	185	138	119	121	124	127
Change in uncollected customer payments from Federal sources		BA	**–4**						
Offsetting collections from Federal sources			–27	–9	–9	–9	–9	–10	–10
Total General investigations (net)		BA	**166**	**159**	**108**	**110**	**112**	**115**	**118**
		O	161	176	129	110	112	114	117
Construction, general:									
Appropriation, discretionary	301	BA	**1,617**	**1,647**	**1,340**	**1,368**	**1,398**	**1,430**	**1,463**
Spending authority from offsetting collections, discretionary		BA	**819**	**430**	**437**	**446**	**456**	**467**	**477**
Outlays		O	2,164	2,091	1,896	1,800	1,838	1,879	1,923
Construction, general (gross)		BA	**2,436**	**2,077**	**1,777**	**1,814**	**1,854**	**1,897**	**1,940**
		O	2,164	2,091	1,896	1,800	1,838	1,879	1,923
Change in uncollected customer payments from Federal sources		BA	**–265**						
Offsetting collections from Federal sources			–554	–430	–437	–446	–456	–467	–477
Total Construction, general (net)		BA	**1,617**	**1,647**	**1,340**	**1,368**	**1,398**	**1,430**	**1,463**
		O	1,610	1,661	1,459	1,354	1,382	1,412	1,446
Operation and maintenance, general									
(Water resources):									
(Appropriation, discretionary)	301	BA	**1,401**	**1,339**	**1,230**	**1,234**	**1,260**	**1,288**	**1,317**
					[J] **–149**	[J] **–153**	[J] **–154**	[J] **–154**	[J] **–154**
(Appropriation, mandatory)		BA	**3**	**4**					
						[B] **10**	[B] **15**	[B] **20**	[B] **25**
(Spending authority from offsetting collections, discretionary)		BA	**229**	**174**	**178**	**182**	**186**	**190**	**195**
					[J] **149**	[J] **149**	[J] **150**	[J] **150**	[J] **150**
(Outlays)		O	1,601	1,746	1,424	1,414	1,442	1,474	1,508
						[B] 10	[B] 15	[B] 20	[B] 25
						[J] –4	[J] –4	[J] –4	[J] –4
Operation and maintenance, general (gross)		BA	**1,633**	**1,517**	**1,408**	**1,422**	**1,457**	**1,494**	**1,533**
		O	1,601	1,746	1,424	1,420	1,453	1,490	1,529
(Change in uncollected customer payments from Federal sources)		BA	**–25**						
Offsetting collections from Federal sources			–204	–174	–178	–182	–186	–190	–195
Offsetting collections from non-Federal sources					[J] –149	[J] –149	[J] –150	[J] –150	[J] –150
Total (Water resources) (net)		BA	**1,404**	**1,343**	**1,081**	**1,091**	**1,121**	**1,154**	**1,188**
		O	1,397	1,572	1,097	1,089	1,117	1,150	1,184
Total Operation and maintenance, general		BA	**1,404**	**1,343**	**1,081**	**1,091**	**1,121**	**1,154**	**1,188**
		O	1,397	1,572	1,097	1,089	1,117	1,150	1,184
Regulatory program:									
Appropriation, discretionary	301	BA	**131**	**134**	**151**	**154**	**157**	**161**	**164**
Spending authority from offsetting collections, discretionary		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	128	148	157	155	158	162	166
Regulatory program (gross)		BA	**132**	**135**	**152**	**155**	**158**	**162**	**165**
		O	128	148	157	155	158	162	166
Offsetting collections from non-Federal sources			–1	–1	–1	–1	–1	–1	–1
Total Regulatory program (net)		BA	**131**	**134**	**151**	**154**	**157**	**161**	**164**
		O	127	147	156	154	157	161	165
Flood control and coastal emergencies:									
Appropriation, discretionary	301	BA	**52**	**–23**	**22**	**22**	**23**	**23**	**24**
Spending authority from offsetting collections, discretionary		BA	**57**	**50**	**50**	**51**	**52**	**53**	**55**

CORPS OF ENGINEERS-CIVIL WORKS—Continued

(In millions of dollars)

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
Outlays		O	96	22	52	73	74	76	78
Flood control and coastal emergencies (gross)		BA	109	27	72	73	75	76	79
		O	96	22	52	73	74	76	78
Change in uncollected customer payments from Federal sources		BA	–34	....	....	....	....	....	....
Offsetting collections from Federal sources			–23	–50	–50	–51	–52	–53	–55
Total Flood control and coastal emergencies (net)		BA	52	–23	22	22	23	23	24
		O	73	–28	2	22	22	23	23
Formerly utilized sites remedial action program:									
Appropriation, discretionary	053	BA	141	141	141	144	147	151	154
Spending authority from offsetting collections, discretionary		BA	13	....	....	....	....	....	....
Outlays		O	205	118	141	143	146	149	153
Formerly utilized sites remedial action program (gross)		BA	154	141	141	144	147	151	154
		O	205	118	141	143	146	149	153
Change in uncollected customer payments from Federal sources		BA	8	....	....	....	....	....	....
Offsetting collections from Federal sources			–21	....	....	....	....	....	....
Total Formerly utilized sites remedial action program (net)		BA	141	141	141	144	147	151	154
		O	184	118	141	143	146	149	153
General expenses:									
Appropriation, discretionary	301	BA	157	158	161	164	168	172	175
Spending authority from offsetting collections, discretionary		BA	6	....	....	....	....	....	....
Outlays		O	166	170	165	164	167	170	175
General expenses (gross)		BA	163	158	161	164	168	172	175
		O	166	170	165	164	167	170	175
Offsetting collections from Federal sources			–6	....	....	....	....	....	....
Total General expenses (net)		BA	157	158	161	164	168	172	175
		O	160	170	165	164	167	170	175
Flood control, Mississippi River and tributaries:									
Appropriation, discretionary	301	BA	366	353	288	294	300	307	314
Spending authority from offsetting collections, discretionary		BA	38	25	25	26	26	27	27
Outlays		O	387	346	330	317	325	332	339
Flood control, Mississippi River and tributaries (gross)		BA	404	378	313	320	326	334	341
		O	387	346	330	317	325	332	339
Change in uncollected customer payments from Federal sources		BA	–7	....	....	....	....	....	....
Offsetting collections from Federal sources			–31	–25	–25	–26	–26	–27	–27
Total Flood control, Mississippi River and tributaries (net)		BA	366	353	288	294	300	307	314
		O	356	321	305	291	299	305	312
Payment to South Dakota terrestrial wildlife habitat restoration trust fund:									
Appropriation, mandatory	306	BA	10	10	10	10	10	10	10
Outlays		O	10	10	10	10	10	10	10
Washington aqueduct:									
Spending authority from offsetting collections, mandatory	301	BA	1	....	....	....	....	....	....
Outlays		O	18	18	11	....	....	....	....
Washington aqueduct (gross)		BA	1	....	....	....	....	....	....
		O	18	18	11	....	....	....	....
Offsetting collections from non-Federal sources			–9	–18	–11	–4	–4	–4	–4
Total Washington aqueduct (net)		BA	–8	–18	–11	–4	–4	–4	–4
		O	9	....	....	–4	–4	–4	–4
Permanent appropriations									
(Water resources):									
(Appropriation, mandatory)	301	BA	15	8	8	8	9	9	9
(Outlays)		O	17	8	8	8	9	9	9
(General purpose fiscal assistance):									
(Appropriation, mandatory)	806	BA	....	8	8	8	9	9	9

CORPS OF ENGINEERS-CIVIL WORKS—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
(Outlays)		O	......	8	8	8	9	9	9
Total Permanent appropriations		BA	**15**	**16**	**16**	**16**	**18**	**18**	**18**
		O	17	16	16	16	18	18	18
Intragovernmental Funds:									
Revolving fund:									
Spending authority from offsetting collections, mandatory	301	BA	**3,381**	**3,448**	**3,547**	**3,649**	**3,754**	**3,962**	**4,076**
Outlays		O	3,427	3,448	3,547	3,649	3,754	3,962	4,076
Revolving fund (gross)		BA	**3,381**	**3,448**	**3,547**	**3,649**	**3,754**	**3,962**	**4,076**
		O	3,427	3,448	3,547	3,649	3,754	3,962	4,076
Change in uncollected customer payments from Federal sources		BA	**40**	......	......	......	......	......	......
Offsetting collections from Federal sources			–3,421	–3,448	–3,547	–3,631	–3,735	–3,942	–4,055
Total Revolving fund (net)		BA	......	......	......	**18**	**19**	**20**	**21**
		O	6	......	......	18	19	20	21
Trust funds									
Inland waterways trust fund:									
Appropriation, discretionary	301	BA	**111**	**81**	**85**	**87**	**89**	**91**	**93**
Outlays		O	110	91	84	87	89	90	92
Rivers and harbors contributed funds:									
Appropriation, mandatory	301	BA	**331**	**329**	**272**	**280**	**289**	**297**	**306**
Outlays		O	326	298	296	277	285	294	302
Harbor maintenance trust fund:									
Appropriation, discretionary	301	BA	**653**	**747**	**764**	**780**	**797**	**815**	**834**
Outlays		O	653	747	764	780	797	815	834
Coastal wetlands restoration trust fund:									
Appropriation, mandatory	301	BA	**53**	**62**	**58**	**34**	**18**	**18**	**18**
Outlays		O	21	62	58	34	18	18	18
South Dakota terrestrial wildlife habitat restoration trust fund:									
Appropriation, mandatory	306	BA	......	......	......	......	......	......	......
Outlays		O	......	......	......	......	......	......	......
Summary									
Federal funds:									
(As shown in detail above)		BA	**4,051**	**3,920**	**3,307**	**3,387**	**3,469**	**3,557**	**3,645**
		O	4,110	4,163	3,480	3,367	3,445	3,528	3,620
Deductions for offsetting receipts:									
Proprietary receipts from the public	301	BA/O	*–8*	*–9*	*–9*	*–10*	*–10*	*–10*	*–10*
	303	BA/O	*–37*	*–38*	*–38*	*–38*	*–38*	*–38*	*–38*
					[B] *–6*	[B] *–11*	[B] *–16*	[B] *–21*	[B] *–21*
Total Federal funds		BA	**4,006**	**3,873**	**3,254**	**3,328**	**3,405**	**3,488**	**3,576**
		O	4,065	4,116	3,427	3,308	3,381	3,459	3,551
Trust funds:									
(As shown in detail above)		BA	**1,148**	**1,219**	**1,179**	**1,181**	**1,193**	**1,221**	**1,251**
		O	1,110	1,198	1,202	1,178	1,189	1,217	1,246
Deductions for offsetting receipts:									
Proprietary receipts from the public	301	BA/O	*–331*	*–329*	*–272*	*–280*	*–289*	*–297*	*–306*
Total Trust funds		BA	**817**	**890**	**907**	**901**	**904**	**924**	**945**
		O	779	869	930	898	900	920	940
Interfund transactions	306	BA/O	*–10*	*–10*	*–10*	*–10*	*–10*	*–10*	*–10*
Total Corps of Engineers-Civil Works		BA	**4,813**	**4,753**	**4,151**	**4,219**	**4,299**	**4,402**	**4,511**
		O	4,834	4,975	4,347	4,196	4,271	4,369	4,481

OTHER DEFENSE CIVIL PROGRAMS

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Military Retirement									
Federal funds									
General and Special Funds:									
Payment to military retirement fund:									
Appropriation, mandatory	054	BA	**16,089**	**17,047**	**17,643**	**18,261**	**18,900**	**19,563**	**20,247**
Outlays		O	16,089	17,047	17,643	18,261	18,900	19,563	20,247
Trust funds									
Military retirement fund:									
Appropriation, mandatory	602	BA	**34,205**	**35,544**	**36,318**	**37,184**	**38,119**	**39,096**	**40,113**
Outlays		O	34,096	35,431	36,203	37,066	37,998	38,972	39,986
Retiree Health Care									
Federal funds									
General and Special Funds:									
Payment to Unformed Services Retiree Health Care Fund:									
Appropriation, mandatory	054	BA	....	....	**15,313**	**21,791**	**22,554**	**23,343**	**24,161**
Outlays		O	....	....	15,313	21,791	22,554	23,343	24,161
Uniformed Services Retiree Health Care Fund:									
Appropriation, mandatory	551	BA	....	....	**5,681**	**11,628**	**12,360**	**13,133**	**13,953**
Outlays		O	....	....	5,681	11,628	12,360	13,133	13,953
Total Federal funds Retiree Health Care		BA	....	....	**20,994**	**33,419**	**34,914**	**36,476**	**38,114**
		O	....	....	20,994	33,419	34,914	36,476	38,114
Educational Benefits									
Trust funds									
Education benefits fund:									
Appropriation, mandatory	702	BA	**222**	**226**	**239**	**255**	**273**	**286**	**294**
Outlays		O	214	226	239	255	273	286	294
American Battle Monuments commission									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	705	BA	**28**	**36**	**30**	**31**	**31**	**32**	**33**
Outlays		O	28	35	33	31	31	32	33
Trust funds									
Contributions:									
Appropriation, mandatory	705	BA	**98**	**1**	**2**	**1**	**1**	**1**	**1**
Outlays		O	16	1	....	....	....	....	....
White House Commission on the National Moment of Rememberance									
Federal funds									
General and Special Funds:									
White House commission on the national moment of remembrance:									
Appropriation, discretionary	705	BA	....	**1**	....	....	....	....	....
Appropriation, mandatory		BA	....	**1**	**3**	**3**	**3**	**3**	**3**
Outlays		O	....	2	3	3	3	3	3
Total White House commission on the national moment of remembrance		BA	....	**2**	**3**	**3**	**3**	**3**	**3**
		O	....	2	3	3	3	3	3
Armed Forces Retirement Home									
Trust funds									
Armed Forces Retirement Home:									
Appropriation, discretionary	602	BA	**73**	**74**	**70**	**71**	**73**	**74**	**77**
Outlays		O	66	66	71	70	73	77	78

OTHER DEFENSE CIVIL PROGRAMS—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Cemeterial Expenses									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	705	BA	**18**	**23**	**24**	**25**	**25**	**26**	**26**
Outlays		O	14	22	24	24	25	25	26
Forest and Wildlife Conservation, Military Reservations									
Federal funds									
General and Special Funds:									
Wildlife conservation:									
Appropriation, mandatory	303	BA	**–1**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	2	2	2	2	2	2	2
Selective Service System									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	054	BA	**25**	**25**	**26**	**27**	**27**	**28**	**28**
Outlays		O	24	25	27	26	27	28	28
Summary									
Federal funds:									
(As shown in detail above)		BA	**16,159**	**17,135**	**38,722**	**51,768**	**53,902**	**56,130**	**58,453**
		O	16,157	17,133	38,726	51,766	53,902	56,129	58,453
Deductions for offsetting receipts:									
Intrafund transactions	054	BA/O			*–15,313*	*–21,791*	*–22,554*	*–23,343*	*–24,161*
	908	BA/O			*–1,038*	*–2,664*	*–4,480*	*–6,473*	*–8,656*
Proprietary receipts from the public	303	BA/O	*1*	*–2*	*–2*	*–2*	*–2*	*–2*	*–2*
Total Federal funds		BA	**16,160**	**17,133**	**22,369**	**27,311**	**26,866**	**26,312**	**25,634**
		O	16,158	17,131	22,373	27,309	26,866	26,311	25,634
Trust funds:									
(As shown in detail above)		BA	**34,598**	**35,845**	**36,629**	**37,511**	**38,466**	**39,457**	**40,485**
		O	34,392	35,724	36,513	37,391	38,344	39,335	40,358
Deductions for offsetting receipts:									
Proprietary receipts from the public	602	BA/O	*–13*	*–11*	*–13*	*–13*	*–14*	*–14*	*–16*
Total Trust funds		BA	**34,585**	**35,834**	**36,616**	**37,498**	**38,452**	**39,443**	**40,469**
		O	34,379	35,713	36,500	37,378	38,330	39,321	40,342
Interfund transactions	054	BA/O	*–16,089*	*–17,047*	*–17,643*	*–18,261*	*–18,900*	*–19,563*	*–20,247*
	602	BA/O		*–5*					
	702	BA/O	*–281*	*–255*	*–297*	*–296*	*–321*	*–319*	*–320*
Total Other Defense Civil Programs		BA	**34,375**	**35,660**	**41,045**	**46,252**	**46,097**	**45,873**	**45,536**
		O	34,167	35,537	40,933	46,130	45,975	45,750	45,409

ENVIRONMENTAL PROTECTION AGENCY

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Federal funds									
General and Special Funds:									
Office of the Inspector General:									
Appropriation, discretionary	304	BA	**36**	**37**	**38**	**39**	**40**	**40**	**41**
Spending authority from offsetting collections, discretionary		BA	**11**	**12**	**12**	**12**	**13**	**13**	**13**
Outlays		O	44	50	51	50	54	53	55
Office of the Inspector General (gross)		BA	**47**	**49**	**50**	**51**	**53**	**53**	**54**
		O	44	50	51	50	54	53	55

ENVIRONMENTAL PROTECTION AGENCY—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Offsetting collections from Federal sources			–11	–12	–12	–12	–13	–13	–13
Total Office of the Inspector General (net)		BA	**36**	**37**	**38**	**39**	**40**	**40**	**41**
		O	33	38	39	38	41	40	42
Science and technology:									
Appropriation, discretionary	304	BA	**709**	**803**	**685**	**699**	**714**	**731**	**748**
Spending authority from offsetting collections, discretionary		BA	**40**	**45**	**45**	**46**	**47**	**48**	**49**
Outlays		O	733	835	866	810	808	822	817
Science and technology (gross)		BA	**749**	**848**	**730**	**745**	**761**	**779**	**797**
		O	733	835	866	810	808	822	817
Change in uncollected customer payments from Federal sources		BA	**–6**						
Adjustment to uncollected customer payments from Federal sources		BA	**9**						
Offsetting collections from Federal sources			–43	–45	–45	–46	–47	–48	–49
Total Science and technology (net)		BA	**709**	**803**	**685**	**699**	**714**	**731**	**748**
		O	690	790	821	764	761	774	768
Environmental programs and management:									
Appropriation, discretionary	304	BA	**2,149**	**2,159**	**2,115**	**2,158**	**2,205**	**2,255**	**2,306**
Spending authority from offsetting collections, discretionary		BA	**54**	**45**	**45**	**46**	**47**	**48**	**49**
Outlays		O	2,075	2,260	2,287	2,244	2,252	2,284	2,333
Environmental programs and management (gross)		BA	**2,203**	**2,204**	**2,160**	**2,204**	**2,252**	**2,303**	**2,355**
		O	2,075	2,260	2,287	2,244	2,252	2,284	2,333
Change in uncollected customer payments from Federal sources		BA	**–37**						
Adjustment to uncollected customer payments from Federal sources		BA	**6**						
Offsetting collections from Federal sources			–23	–45	–45	–46	–47	–48	–49
Total Environmental programs and management (net)		BA	**2,149**	**2,159**	**2,115**	**2,158**	**2,205**	**2,255**	**2,306**
		O	2,052	2,215	2,242	2,198	2,205	2,236	2,284
Buildings and facilities:									
Appropriation, discretionary	304	BA	**24**	**25**	**43**	**44**	**45**	**46**	**47**
Outlays		O	54	41	30	41	43	46	46
State and tribal assistance grants:									
Appropriation, discretionary	304	BA	**3,641**	**3,738**	**3,464**	**3,537**	**3,615**	**2,364**	**2,419**
Spending authority from offsetting collections, discretionary		BA	**30**						
Outlays		O	3,548	3,466	3,737	3,767	3,758	3,700	3,502
State and tribal assistance grants (gross)		BA	**3,671**	**3,738**	**3,464**	**3,537**	**3,615**	**2,364**	**2,419**
		O	3,548	3,466	3,737	3,767	3,758	3,700	3,502
Offsetting collections from Federal sources			–30						
Total State and tribal assistance grants (net)		BA	**3,641**	**3,738**	**3,464**	**3,537**	**3,615**	**2,364**	**2,419**
		O	3,518	3,466	3,737	3,767	3,758	3,700	3,502
Payment to the hazardous substance superfund:									
Appropriation, discretionary	304	BA	**634**	**635**	**700**	**715**	**731**	**748**	**765**
Outlays		O	634	635	700	715	731	748	765
Public Enterprise Funds:									
Reregistration and expedited processing revolving fund:									
Spending authority from offsetting collections, mandatory	304	BA	**17**	**19**	**59**	**118**	**103**	**70**	**55**
Outlays		O	20	19	15	49	51	53	55
Reregistration and expedited processing revolving fund (gross)		BA	**17**	**19**	**59**	**118**	**103**	**70**	**55**
		O	20	19	15	49	51	53	55
Offsetting governmental collections (from non-Federal sources)			–17	–19	–59	–118	–103	–70	–55
Total Reregistration and expedited processing revolving fund (net)		BA							
		O	3		–44	–69	–52	–17	
Intragovernmental Funds:									
Working capital fund:									
Spending authority from offsetting collections, discretionary	304	BA	**126**	**134**	**134**	**137**	**140**	**143**	**146**

ENVIRONMENTAL PROTECTION AGENCY—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	126	144	144	147	148	146	146
Working capital fund (gross)		BA	**126**	**134**	**134**	**137**	**140**	**143**	**146**
		O	126	144	144	147	148	146	146
Change in uncollected customer payments from Federal sources		BA	**–1**	...	...	...	...	...	...
Offsetting collections from Federal sources			–125	–134	–134	–137	–140	–143	–146
Total Working capital fund (net)		BA	...	...	...	...	...	...	...
		O	1	10	10	10	8	3	...
Credit Accounts:									
Abatement, control, and compliance loan program account:									
Appropriation, mandatory	304	BA	**4**	...	...	...	...	...	...
Outlays		O	4	...	...	...	...	...	...
	Trust funds								
Hazardous substance superfund:									
Appropriation, discretionary	304	BA	**1,286**	**1,330**	**1,293**	**1,319**	**1,349**	**1,380**	**1,411**
Spending authority from offsetting collections, discretionary		BA	**354**	**100**	**100**	**102**	**104**	**107**	**109**
Outlays		O	1,615	1,417	1,413	1,505	1,501	1,523	1,584
Hazardous substance superfund (gross)		BA	**1,640**	**1,430**	**1,393**	**1,421**	**1,453**	**1,487**	**1,520**
		O	1,615	1,417	1,413	1,505	1,501	1,523	1,584
Offsetting collections from Federal sources			–354	–100	–100	–102	–104	–107	–109
Total Hazardous substance superfund (net)		BA	**1,286**	**1,330**	**1,293**	**1,319**	**1,349**	**1,380**	**1,411**
		O	1,261	1,317	1,313	1,403	1,397	1,416	1,475
Leaking underground storage tank trust fund:									
Appropriation, discretionary	304	BA	**73**	**74**	**73**	**75**	**76**	**78**	**80**
Outlays		O	72	76	83	82	85	80	79
Oil spill response:									
Appropriation, discretionary	304	BA	**16**	**16**	**17**	**17**	**18**	**18**	**18**
Spending authority from offsetting collections, discretionary		BA	**25**	**25**	**25**	**26**	**26**	**27**	**27**
Outlays		O	35	49	45	47	48	50	50
Oil spill response (gross)		BA	**41**	**41**	**42**	**43**	**44**	**45**	**45**
		O	35	49	45	47	48	50	50
Change in uncollected customer payments from Federal sources		BA	**–6**	...	...	...	...	...	...
Offsetting collections from Federal sources			–19	–25	–25	–26	–26	–27	–27
Total Oil spill response (net)		BA	**16**	**16**	**17**	**17**	**18**	**18**	**18**
		O	16	24	20	21	22	23	23

Summary

Account			2001 actual	2002	2003	2004	2005	2006	2007
Federal funds:									
(As shown in detail above)		BA	**7,197**	**7,397**	**7,045**	**7,192**	**7,350**	**6,184**	**6,326**
		O	6,989	7,195	7,535	7,464	7,495	7,530	7,407
Deductions for offsetting receipts:									
Proprietary receipts from the public	304	BA/O	...	*–1*	...	...	...	...	...
Offsetting governmental receipts	304	BA/O	*–12*	*–11*	*–11*	*–11*	*–11*	*–11*	*–11*
					[J] *–4*	[J] *–8*	[J] *–8*	[J] *–8*	[J] *–8*
Total Federal funds		BA	**7,185**	**7,385**	**7,030**	**7,173**	**7,331**	**6,165**	**6,307**
		O	6,977	7,183	7,520	7,445	7,476	7,511	7,388
Trust funds:									
(As shown in detail above)		BA	**1,375**	**1,420**	**1,383**	**1,411**	**1,443**	**1,476**	**1,509**
		O	1,349	1,417	1,416	1,506	1,504	1,519	1,577
Deductions for offsetting receipts:									
Proprietary receipts from the public	304	BA/O	*–202*	*–175*	*–175*	*–175*	*–175*	*–175*	*–175*
Total Trust funds		BA	**1,173**	**1,245**	**1,208**	**1,236**	**1,268**	**1,301**	**1,334**
		O	1,147	1,242	1,241	1,331	1,329	1,344	1,402
Interfund transactions	304	BA/O	*–634*	*–635*	*–700*	*–700*	*–700*	*–700*	*–700*
Total Environmental Protection Agency		BA	**7,724**	**7,995**	**7,538**	**7,709**	**7,899**	**6,766**	**6,941**
		O	7,490	7,790	8,061	8,076	8,105	8,155	8,090

EXECUTIVE OFFICE OF THE PRESIDENT

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Executive Office of the President									
Federal funds									
General and Special Funds:									
Executive Office of the President:									
Appropriation, discretionary	802	BA	**274**	**335**	**336**	**343**	**350**	**358**	**367**
Spending authority from offsetting collections, discretionary		BA	**10**	**5**					
Outlays		O	267	335	333	341	349	357	366
Executive Office of the President (gross)		BA	**284**	**340**	**336**	**343**	**350**	**358**	**367**
		O	267	335	333	341	349	357	366
Change in uncollected customer payments from Federal sources		BA	**3**	**5**					
Offsetting collections from Federal sources			–13	–10					
Total Executive Office of the President (net)		BA	**274**	**335**	**336**	**343**	**350**	**358**	**367**
		O	254	325	333	341	349	357	366
Unanticipated needs:									
Appropriation, discretionary	802	BA	**3**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O		51	1				
Emergency response fund (Federal law enforcement activities):									
(Appropriation, discretionary)	751	BA	**13,037**						
(Outlays)		O		88					
Total Emergency response fund		BA	**13,037**						
		O		88					
Total Federal funds Executive Office of the President		BA	**13,314**	**336**	**337**	**344**	**351**	**359**	**368**
		O	254	464	334	341	349	357	366
Summary									
Federal funds:									
Total Executive Office of the President		BA	**13,314**	**336**	**337**	**344**	**351**	**359**	**368**
		O	254	464	334	341	349	357	366

FEDERAL EMERGENCY MANAGEMENT AGENCY

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Federal funds									
General and Special Funds:									
Disaster relief:									
Appropriation, discretionary	453	BA	**3,597**	**6,470**	**1,821**	**1,859**	**1,900**	**1,945**	**1,990**
Outlays		O	3,220	4,851	5,228	3,613	3,662	2,375	1,935
Disaster assistance for unmet needs:									
Outlays	453	O	46	54	19	27	34		
National pre-disaster mitigation fund:									
Appropriation, discretionary	453	BA			**300**	**306**	**313**	**320**	**328**
Outlays		O			75	197	306	312	320
Salaries and expenses (Defense-related activities):									
(Appropriation, discretionary)	054	BA	**29**	**41**	**32**	**33**	**33**	**34**	**35**
(Spending authority from offsetting collections, discretionary)		BA	**3**	**6**	**4**	**4**	**4**	**4**	**4**
(Outlays)		O	32	48	38	37	38	38	39
Salaries and expenses (gross)		BA	**32**	**47**	**36**	**37**	**37**	**38**	**39**
		O	32	48	38	37	38	38	39
(Adjustment to uncollected customer payments from Federal sourc)		BA	**3**						
Offsetting collections from Federal sources			–5	–6	–4	–4	–4	–4	–4
Total (Defense-related activities) (net)		BA	**30**	**41**	**32**	**33**	**33**	**34**	**35**
		O	27	42	34	33	34	34	35
(Disaster relief and insurance):									
(Appropriation, discretionary)	453	BA	**195**	**234**	**217**	**221**	**226**	**231**	**236**

FEDERAL EMERGENCY MANAGEMENT AGENCY—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
(Spending authority from offsetting collections, discretionary)		BA	**1**	**2**	**2**	**2**	**2**	**2**	**2**
(Outlays)		O	163	228	219	222	227	233	237
Salaries and expenses (gross)		BA	**226**	**277**	**251**	**256**	**261**	**267**	**273**
		O	190	270	253	255	261	267	272
(Change in uncollected customer payments from Federal sources)		BA	**–1**	....	....	....	....	....	....
Offsetting collections from Federal sources			–1	–2	–2	–2	–2	–2	–2
Total (Disaster relief and insurance) (net)		BA	**194**	**234**	**217**	**221**	**226**	**231**	**236**
		O	162	226	217	220	225	231	235
Total Salaries and expenses		BA	**224**	**275**	**249**	**254**	**259**	**265**	**271**
		O	189	268	251	253	259	265	270
Emergency management planning and assistance									
(Defense-related activities):									
(Appropriation, discretionary)	054	BA	**20**	**20**	**19**	**19**	**20**	**20**	**21**
(Spending authority from offsetting collections, discretionary)		BA	**78**	**97**	**77**	**79**	**80**	**82**	**84**
(Outlays)		O	78	116	97	99	100	102	104
Emergency management planning and assistance (gross)		BA	**98**	**117**	**96**	**98**	**100**	**102**	**105**
		O	78	116	97	99	100	102	104
(Change in uncollected customer payments from Federal sources)		BA	**–20**	....	....	....	....	....	....
Offsetting collections from Federal sources			–58	–97	–77	–79	–80	–82	–84
Total (Defense-related activities) (net)		BA	**20**	**20**	**19**	**19**	**20**	**20**	**21**
		O	20	19	20	20	20	20	20
(Disaster relief and insurance):									
(Appropriation, discretionary)	453	BA	**352**	**626**	**3,731**	**3,809**	**3,894**	**3,985**	**4,079**
(Spending authority from offsetting collections, discretionary)		BA	**2**	**3**	**3**	**3**	**3**	**3**	**3**
(Outlays)		O	295	470	2,002	3,459	3,842	3,929	4,021
Emergency management planning and assistance (gross)		BA	**374**	**649**	**3,753**	**3,831**	**3,917**	**4,008**	**4,103**
		O	315	489	2,022	3,479	3,862	3,949	4,041
Offsetting collections from Federal sources			–2	–3	–3	–3	–3	–3	–3
Total (Disaster relief and insurance) (net)		BA	**352**	**626**	**3,731**	**3,809**	**3,894**	**3,985**	**4,079**
		O	293	467	1,999	3,456	3,839	3,926	4,018
Total Emergency management planning and assistance		BA	**372**	**646**	**3,750**	**3,828**	**3,914**	**4,005**	**4,100**
		O	313	486	2,019	3,476	3,859	3,946	4,038
Office of the Inspector General:									
Appropriation, discretionary	453	BA	**11**	**11**	**34**	**35**	**35**	**36**	**37**
Outlays		O	10	11	31	35	35	36	37
Emergency food and shelter program:									
Appropriation, discretionary	605	BA	**140**	**140**	**153** [J] **–153**	**156** [J] **–153**	**160** [J] **–153**	**163** [J] **–153**	**167** [J] **–153**
Outlays		O	140	140	153 [J] –153	156 [J] –153	160 [J] –153	163 [J] –153	167 [J] –153
Total Emergency food and shelter program		BA	**140**	**140**	....	**3**	**7**	**10**	**14**
		O	140	140	....	3	7	10	14
Office of Cerro Grande Fire Claims:									
Outlays	453	O	254	154	88	....	....	....	....
Radiological emergency preparedness fund:									
Spending authority from offsetting collections, discretionary	453	BA	**14**	**14**	**14**	**15**	**15**	**16**	**16**
Outlays		O	13	14	14	15	15	16	16
Radiological emergency preparedness fund (gross)		BA	**14**	**14**	**14**	**15**	**15**	**16**	**16**
		O	13	14	14	15	15	16	16
Offsetting collections from non-Federal sources			–14	–15	–15	–15	–15	–16	–16
Total Radiological emergency preparedness fund (net)		BA	....	**–1**	**–1**	....	....	....	....
		O	–1	–1	–1	....	....	....	....
Flood map modernization fund:									
Appropriation, discretionary	453	BA	....	**25**	**300**	**306**	**313**	**320**	**328**
Spending authority from offsetting collections, discretionary		BA	**18**	**7**	....	....	....	....	....

FEDERAL EMERGENCY MANAGEMENT AGENCY—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	1	22	91	203	306	312	320
Total Flood map modernization fund		BA	18	32	300	306	313	320	328
		O	1	22	91	203	306	312	320
Public Enterprise Funds:									
National flood insurance fund:									
Authority to borrow, mandatory	453	BA	556						
Spending authority from offsetting collections, discretionary		BA	65	79	90	92	93	96	98
Spending authority from offsetting collections, mandatory		BA	1,501	1,369	1,396	1,701	1,733	1,765	1,799
					^{B}1	^{B}15	^{B}23	^{B}30	^{B}38
Outlays		O	1,854	1,507	1,544	1,562	1,578	1,594	1,614
					^{B}–35	^{B}–32	^{B}–32	^{B}–35	^{B}–36
National flood insurance fund (gross)		BA	2,122	1,448	1,487	1,808	1,849	1,891	1,935
		O	1,854	1,507	1,509	1,530	1,546	1,559	1,578
Offsetting collections from non-Federal sources			–1,604	–1,730	–1,779	–1,812	–1,847	–1,881	–1,917
					^{B}–8	^{B}–43	^{B}–83	^{B}–130	^{B}–191
Total National flood insurance fund (net)		BA	518	–282	–300	–47	–81	–120	–173
		O	250	–223	–278	–325	–384	–452	–530
National flood mitigation fund:									
Spending authority from offsetting collections, discretionary	453	BA	20	20	20	20	21	21	22
Outlays		O	13	21	23	24	22	20	21
Intragovernmental Funds:									
Working capital fund:									
Spending authority from offsetting collections, discretionary	803	BA	25	25	26	27	28	29	30
Outlays		O	22	30	29	27	28	28	30
Working capital fund (gross)		BA	25	25	26	27	28	29	30
		O	22	30	29	27	28	28	30
Offsetting collections from Federal sources			–25	–25	–26	–27	–28	–29	–30
Total Working capital fund (net)		BA							
		O	–3	5	3			–1	
Credit Accounts:									
Disaster assistance direct loan program account:									
Appropriation, discretionary	453	BA	2	1	1	1	1	1	1
Appropriation, mandatory		BA	46						
Outlays		O	48	1	1	1	1	1	1
Limitation on direct loan acitivity			(25)	(25)	(25)	(26)	(26)	(27)	(27)
Total Disaster assistance direct loan program account		BA	48	1	1	1	1	1	1
		O	48	1	1	1	1	1	1
Disaster assistance direct loan liquidating account:									
Offsetting collections from Federal sources	453		–44						
Summary									
Federal funds:									
(As shown in detail above)		BA	4,904	7,312	6,174	6,565	6,682	6,803	6,918
		O	4,436	5,789	7,550	7,507	8,107	6,824	6,426
Deductions for offsetting receipts:									
Proprietary receipts from the public	453	BA/O	*–10*						
Total Federal Emergency Management Agency		BA	4,894	7,312	6,174	6,565	6,682	6,803	6,918
		O	4,426	5,789	7,550	7,507	8,107	6,824	6,426

GENERAL SERVICES ADMINISTRATION

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Real Property Activities									
Federal funds									
General and Special Funds:									
Real property relocation:									
Spending authority from offsetting collections, discretionary	804	BA		2					
Outlays		O	2	10	2	2			
Real property relocation (gross)		BA		2					
		O	2	10	2	2			
Offsetting collections from Federal sources				–2					
Total Real property relocation (net)		BA							
		O	2	8	2	2			
Disposal of surplus real and related personal property:									
Appropriation, mandatory	804	BA	8	8	9	9	9	9	9
Outlays		O	8	8	8	9	9	9	9
Intragovernmental Funds:									
Federal buildings fund:									
Appropriation, discretionary	804	BA	485	127	276	282	288	295	302
Advance appropriation, discretionary		BA		276					
Spending authority from offsetting collections, discretionary		BA	6,852	7,315	7,567	7,726	7,895	8,079	8,268
Outlays		O	6,851	7,643	7,555	7,772	8,078	8,258	8,426
Limitation on program level (obligations)			(6,175)	(6,761)	(6,885)	(7,028)	(7,184)	(7,351)	(7,522)
Federal buildings fund (gross)		BA	7,337	7,718	7,843	8,008	8,183	8,374	8,570
		O	6,851	7,643	7,555	7,772	8,078	8,258	8,426
Change in uncollected customer payments from Federal sources		BA	–6						
Offsetting collections from Federal sources			–7,025	–7,209	–7,533	–7,689	–7,860	–8,043	–8,231
Offsetting collections from non-Federal sources			–41	–18	–19	–19	–20	–20	–20
Total Federal buildings fund (net)		BA	265	491	291	300	303	311	319
		O	–215	416	3	64	198	195	175
Total Federal funds Real Property Activities		BA	273	499	300	309	312	320	328
		O	–205	432	13	75	207	204	184
Supply and Technology Activities									
Federal funds									
General and Special Funds:									
Expenses of transportation audit contracts and contract administration:									
Appropriation, mandatory	804	BA	13	14	14	15	15	16	14
Outlays		O	11	14	14	15	15	16	14
Intragovernmental Funds:									
General supply fund:									
Spending authority from offsetting collections, mandatory	804	BA	3,345	3,548	3,715	3,782	3,845	3,914	3,988
Outlays		O	3,487	3,548	3,715	3,782	3,845	3,914	3,988
General supply fund (gross)		BA	3,345	3,548	3,715	3,782	3,845	3,914	3,988
		O	3,487	3,548	3,715	3,782	3,845	3,914	3,988
Change in uncollected customer payments from Federal sources		BA	108						
Offsetting collections from Federal sources			–3,298	–3,393	–3,557	–3,621	–3,681	–3,747	–3,818
Offsetting collections from non-Federal sources			–155	–155	–158	–161	–164	–167	–170
Total General supply fund (net)		BA							
		O	34						
Information technology fund:									
Spending authority from offsetting collections, discretionary	804	BA	7,650	6,331	6,464	6,589	6,707	6,835	6,964
Outlays		O	6,136	6,341	6,464	6,589	6,707	6,835	6,964
Information technology fund (gross)		BA	7,650	6,331	6,464	6,589	6,707	6,835	6,964
		O	6,136	6,341	6,464	6,589	6,707	6,835	6,964
Change in uncollected customer payments from Federal sources		BA	–1,502						
Offsetting collections from Federal sources			–6,121	–6,306	–6,438	–6,559	–6,677	–6,805	–6,934

GENERAL SERVICES ADMINISTRATION—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Offsetting collections from non-Federal sources			–27	–25	–26	–30	–31	–31	–32
Total Information technology fund (net)		BA					**–1**	**–1**	**–2**
		O	–12	10			–1	–1	–2
Total Federal funds Supply and Technology Activities		BA	**13**	**14**	**14**	**15**	**14**	**15**	**12**
		O	33	24	14	15	14	15	12
General Activities									
Federal funds									
General and Special Funds:									
Policy and citizen services:									
Appropriation, discretionary	804	BA	**71**	**62**	**68**	**69**	**71**	**72**	**74**
Spending authority from offsetting collections, discretionary		BA	**8**	**24**	**24**	**25**	**25**	**26**	**26**
Outlays		O	64	87	91	94	95	99	100
Policy and citizen services (gross)		BA	**79**	**86**	**92**	**94**	**96**	**98**	**100**
		O	64	87	91	94	95	99	100
Change in uncollected customer payments from Federal sources		BA	**–2**						
Adjustment to uncollected customer payments from Federal sources		BA	**2**						
Offsetting collections from Federal sources			–8	–24	–24	–25	–25	–26	–26
Total Policy and citizen services (net)		BA	**71**	**62**	**68**	**69**	**71**	**72**	**74**
		O	56	63	67	69	70	73	74
Operating expenses:									
Appropriation, discretionary	804	BA	**83**	**86**	**91**	**93**	**95**	**97**	**99**
Spending authority from offsetting collections, discretionary		BA	**6**	**15**	**15**	**15**	**16**	**16**	**16**
Outlays		O	104	100	105	108	110	113	115
Operating expenses (gross)		BA	**89**	**101**	**106**	**108**	**111**	**113**	**115**
		O	104	100	105	108	110	113	115
Change in uncollected customer payments from Federal sources		BA	**–1**						
Adjustment to uncollected customer payments from Federal sources		BA	**5**						
Offsetting collections from Federal sources			–10	–15	–15	–15	–16	–16	–16
Total Operating expenses (net)		BA	**83**	**86**	**91**	**93**	**95**	**97**	**99**
		O	94	85	90	93	94	97	99
Office of Inspector General:									
Appropriation, discretionary	804	BA	**36**	**38**	**40**	**41**	**42**	**43**	**44**
Outlays		O	36	38	40	40	41	42	43
Electronic government (E-GOV) fund:									
Appropriation, discretionary	804	BA		**5**	**45**	**46**	**47**	**48**	**49**
Outlays		O		5	41	44	47	48	49
Allowances and office staff for former Presidents:									
Appropriation, discretionary	802	BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	2	3	3	3	3	3	3
Expenses, Presidential transition:									
Appropriation, discretionary	802	BA	**7**						
Outlays		O	5	2					
Public Enterprise Funds:									
Federal Consumer Information Center fund:									
Appropriation, discretionary	376	BA	**7**	**7**	**13**	**13**	**14**	**14**	**14**
Spending authority from offsetting collections, discretionary		BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	10	10	16	16	17	17	17
Federal Consumer Information Center fund (gross)		BA	**10**	**10**	**16**	**16**	**17**	**17**	**17**
		O	10	10	16	16	17	17	17
Offsetting collections from Federal sources			–2	–2	–2	–2	–2	–2	–2
Offsetting collections from non-Federal sources			–1	–1	–1	–1	–1	–1	–1
Total Federal Consumer Information Center fund (net)		BA	**7**	**7**	**13**	**13**	**14**	**14**	**14**
		O	7	7	13	13	14	14	14
Intragovernmental Funds:									
Working capital fund:									
Reappropriation, discretionary	804	BA	**4**						

GENERAL SERVICES ADMINISTRATION—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Spending authority from offsetting collections, discretionary		BA	**279**	**315**	**324**	**331**	**338**	**346**	**353**
Outlays		O	269	315	324	329	336	343	351
Working capital fund (gross)		BA	**283**	**315**	**324**	**331**	**338**	**346**	**353**
		O	269	315	324	329	336	343	351
Change in uncollected customer payments from Federal sources		BA	**1**						
Offsetting collections from Federal sources			–280	–315	–324	–331	–338	–346	–353
Total Working capital fund (net)		BA	**4**						
		O	–11			–2	–2	–3	–2
Total Federal funds General Activities		BA	**211**	**201**	**260**	**265**	**272**	**277**	**283**
		O	189	203	254	260	267	274	280
Summary									
Federal funds:									
(As shown in detail above)		BA	**497**	**714**	**574**	**589**	**598**	**612**	**623**
		O	17	659	281	350	488	493	476
Deductions for offsetting receipts:									
Proprietary receipts from the public	407	BA/O		*–40*	*–300*				
	804	BA/O	*–18*	*–33*	*–33*	*–29*	*–28*	*–27*	*–26*
Total General Services Administration		BA	**479**	**641**	**241**	**560**	**570**	**585**	**597**
		O	–1	586	–52	321	460	466	450

INTERNATIONAL ASSISTANCE PROGRAMS

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
International Security Assistance									
Federal funds									
General and Special Funds:									
Economic support fund:									
Appropriation, discretionary	152	BA	**2,300**	**2,214**	**2,290**	**2,338**	**2,390**	**2,446**	**2,503**
Outlays		O	2,397	2,955	2,182	2,209	2,261	2,316	2,369
Economic support fund (gross)		BA	**2,300**	**2,214**	**2,290**	**2,338**	**2,390**	**2,446**	**2,503**
		O	2,397	2,955	2,182	2,209	2,261	2,316	2,369
Change in uncollected customer payments from Federal sources		BA	**1**						
Adjustment to uncollected customer payments from Federal sources		BA	**4**						
Offsetting collections from Federal sources			–1						
Offsetting collections from non-Federal sources			–4						
Total Economic support fund (net)		BA	**2,300**	**2,214**	**2,290**	**2,338**	**2,390**	**2,446**	**2,503**
		O	2,392	2,955	2,182	2,209	2,261	2,316	2,369
Economic support fund transfer account:									
Outlays	151	O	4	2					
Central America and Caribbean emergency disaster recovery fund:									
Outlays	151	O	220	100	41	12			
Foreign military financing program:									
Appropriation, discretionary	152	BA	**3,568**	**3,650**	**4,107**	**4,193**	**4,288**	**4,387**	**4,489**
Outlays		O	4,250	4,237	4,237	4,211	4,462	4,615	4,592
International military education and training:									
Appropriation, discretionary	152	BA	**58**	**70**	**80**	**82**	**83**	**85**	**87**
Outlays		O	50	65	77	80	83	84	86
Peacekeeping operations:									
Appropriation, discretionary	152	BA	**131**	**135**	**108**	**110**	**113**	**115**	**118**
Spending authority from offsetting collections, discretionary		BA	**4**						
Outlays		O	176	134	142	122	112	115	117
Peacekeeping operations (gross)		BA	**135**	**135**	**108**	**110**	**113**	**115**	**118**
		O	176	134	142	122	112	115	117

INTERNATIONAL ASSISTANCE PROGRAMS—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Change in uncollected customer payments from Federal sources		BA	**–4**						
Total Peacekeeping operations (net)		BA	**131**	**135**	**108**	**110**	**113**	**115**	**118**
		O	176	134	142	122	112	115	117
Nonproliferation, antiterrorism, demining, and related programs:									
Appropriation, discretionary	152	BA	**311**	**344**	**372**	**380**	**388**	**397**	**407**
Spending authority from offsetting collections, discretionary		BA	**9**						
Outlays		O	365	413	387	406	384	393	402
Nonproliferation, antiterrorism, demining, and related programs (gross)		BA	**320**	**344**	**372**	**380**	**388**	**397**	**407**
		O	365	413	387	406	384	393	402
Change in uncollected customer payments from Federal sources		BA	**–3**						
Offsetting collections from Federal sources			–6						
Total Nonproliferation, antiterrorism, demining, and related programs (net)		BA	**311**	**344**	**372**	**380**	**388**	**397**	**407**
		O	359	413	387	406	384	393	402
Nonproliferation and disarmament fund:									
Outlays	152	O		2	4	2			
Credit Accounts:									
Foreign military financing loan program account:									
Appropriation, mandatory	152	BA		**163**					
Outlays		O	60	208	7				
Foreign military loan liquidating account:									
Appropriation, mandatory	152	BA	**58**	**27**	**25**	**38**	**7**	**6**	**10**
Spending authority from offsetting collections, mandatory		BA	**11**	**12**	**21**	**62**	**65**	**62**	**54**
Outlays		O	42	39	46	100	72	68	64
Foreign military loan liquidating account (gross)		BA	**69**	**39**	**46**	**100**	**72**	**68**	**64**
		O	42	39	46	100	72	68	64
Offsetting collections from non-Federal sources			–560	–489	–422	–382	–375	–369	–329
Total Foreign military loan liquidating account (net)		BA	**–491**	**–450**	**–376**	**–282**	**–303**	**–301**	**–265**
		O	–518	–450	–376	–282	–303	–301	–265
Summary									
Federal funds:									
(As shown in detail above)		BA	**5,877**	**6,126**	**6,581**	**6,821**	**6,959**	**7,129**	**7,339**
		O	6,993	7,666	6,701	6,760	6,999	7,222	7,301
Deductions for offsetting receipts:									
Proprietary receipts from the public	152	BA/O	*–209*	*–16*					
Total International Security Assistance		BA	**5,668**	**6,110**	**6,581**	**6,821**	**6,959**	**7,129**	**7,339**
		O	6,784	7,650	6,701	6,760	6,999	7,222	7,301
Multilateral Assistance									
Federal funds									
General and Special Funds:									
Contribution to the International Bank for Reconstruction and Development:									
Appropriation, discretionary	151	BA	**108**	**100**	**178**	**182**	**186**	**190**	**195**
Outlays		O	82	97	124	115	132	137	164
Contribution to the International Development Association:									
Appropriation, discretionary	151	BA	**773**	**792**	**874**	**974**	**1,075**	**1,050**	**1,075**
Outlays		O	1,251	929	990	1,146	1,081	1,028	1,063
Contribution to Multilateral Investment Guarantee Agency:									
Appropriation, discretionary	151	BA	**10**	**5**	**4**	**4**	**4**	**4**	**4**
Outlays		O	2	12	5	4	4	4	4
Contribution to the Inter-American Development Bank:									
Appropriation, discretionary	151	BA	**25**	**18**	**30**	**31**	**31**	**32**	**33**
Outlays		O	47	31	31	29	26	29	32
Contribution to the Asian Development Bank:									
Appropriation, discretionary	151	BA	**72**	**98**	**147**	**150**	**153**	**157**	**161**
Outlays		O	180	211	194	150	127	106	138
Contribution to the African Development Bank:									
Appropriation, discretionary	151	BA	**106**	**105**	**123**	**125**	**128**	**131**	**134**
Outlays		O	83	106	112	113	117	124	123

INTERNATIONAL ASSISTANCE PROGRAMS—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Contribution to the European Bank for Reconstruction and Development:									
Appropriation, discretionary	151	BA	**36**	**36**	**36**	**37**	**38**	**38**	**39**
Outlays		O	32	36	36	37	37	38	38
North American Development Bank:									
Outlays	151	O	....	....	11	11	11	17	....
Contribution to enterprise for the Americas multilateral investment fund:									
Appropriation, discretionary	151	BA	**10**	....	**30**	**31**	**31**	**32**	**33**
Outlays		O	20	30	36	45	45	47	52
Contributions to the International Fund for Agricultural Development:									
Appropriation, discretionary	151	BA	**5**	**20**	**15**	**15**	**16**	**16**	**16**
Outlays		O	5	9	8	12	15	15	16
International affairs technical assistance program:									
Appropriation, discretionary	151	BA	**29**	**6**	**10**	**10**	**10**	**11**	**11**
Spending authority from offsetting collections, discretionary		BA	**5**	....	....	....	....	....	....
Outlays		O	8	21	26	13	10	11	11
International affairs technical assistance program (gross)		BA	**34**	**6**	**10**	**10**	**10**	**11**	**11**
		O	8	21	26	13	10	11	11
Offsetting collections from Federal sources			–5	....	....	....	....	....	....
Total International affairs technical assistance program (net)		BA	**29**	**6**	**10**	**10**	**10**	**11**	**11**
		O	3	21	26	13	10	11	11
Global fund to fight HIV/AIDS, malaria, and tuberculosis:									
Appropriation, discretionary	151	BA	....	**100**	....	....	....	....	....
Outlays		O	....	15	50	20	15	....	....
Contribution for the EBRD small and medium enterprise support fund:									
Appropriation, discretionary	151	BA	**11**	....	....	....	....	....	....
Outlays		O	2	10	....	....	....	....	....
International organizations and programs:									
Appropriation, discretionary	151	BA	**296**	**328**	**310**	**316**	**324**	**331**	**339**
Outlays		O	310	326	315	316	323	331	338
Credit Accounts:									
Debt restructuring:									
Appropriation, discretionary	151	BA	**447**	**229**	....	....	....	....	....
Appropriation, mandatory		BA	....	**2**	....	....	....	....	....
Outlays		O	156	257	263	152	....	....	....
Total Debt restructuring		BA	**447**	**231**	....	....	....	....	....
		O	156	257	263	152	....	....	....
Summary									
Federal funds:									
(As shown in detail above)		BA	**1,928**	**1,839**	**1,757**	**1,875**	**1,996**	**1,992**	**2,040**
		O	2,173	2,090	2,201	2,163	1,943	1,887	1,979
Deductions for offsetting receipts:									
Proprietary receipts from the public	151	BA/O	*–4*	*–1*	....	....	....	....	....
Total Multilateral Assistance		BA	**1,924**	**1,838**	**1,757**	**1,875**	**1,996**	**1,992**	**2,040**
		O	2,169	2,089	2,201	2,163	1,943	1,887	1,979

International Development Assistance

Agency for International Development

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Sustainable development assistance program:									
Appropriation, discretionary	151	BA	**1,273**	**1,160**	**2,740**	**2,797**	**2,860**	**2,927**	**2,995**
Spending authority from offsetting collections, discretionary		BA	**4**	....	....	....	....	....	....
Outlays		O	1,187	1,318	1,388	2,194	2,479	2,660	2,790
Sustainable development assistance program (gross)		BA	**1,277**	**1,160**	**2,740**	**2,797**	**2,860**	**2,927**	**2,995**
		O	1,187	1,318	1,388	2,194	2,479	2,660	2,790
Change in uncollected customer payments from Federal sources		BA	**1**	....	....	....	....	....	....

INTERNATIONAL ASSISTANCE PROGRAMS—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Offsetting collections from Federal sources			–5						
Total Sustainable development assistance program (net)		BA	**1,273**	**1,160**	**2,740**	**2,797**	**2,860**	**2,927**	**2,995**
		O	1,182	1,318	1,388	2,194	2,479	2,660	2,790
Child survival and disease programs:									
Appropriation, discretionary	151	BA	**851**	**1,314**					
Spending authority from offsetting collections, discretionary		BA	**6**						
Outlays		O	694	922	1,018	378	170	84	39
Child survival and disease programs (gross)		BA	**857**	**1,314**					
		O	694	922	1,018	378	170	84	39
Change in uncollected customer payments from Federal sources		BA	**2**						
Offsetting collections from Federal sources			–8						
Total Child survival and disease programs (net)		BA	**851**	**1,314**					
		O	686	922	1,018	378	170	84	39
Development fund for Africa:									
Spending authority from offsetting collections, discretionary	151	BA	**5**						
Outlays		O	104	57	30	15	7		
Development fund for Africa (gross)		BA	**5**						
		O	104	57	30	15	7		
Offsetting collections from Federal sources			–5						
Total Development fund for Africa (net)		BA							
		O	99	57	30	15	7		
Assistance for Eastern Europe and the Baltic States:									
Appropriation, discretionary	151	BA	**542**	**621**	**495**	**506**	**516**	**529**	**541**
Outlays		O	396	402	478	494	509	521	520
Assistance for Eastern Europe and the Baltic States (gross)		BA	**542**	**621**	**495**	**506**	**516**	**529**	**541**
		O	396	402	478	494	509	521	520
Adjustment to uncollected customer payments from Federal sources		BA	**2**						
Offsetting collections from non-Federal sources			–2						
Total Assistance for Eastern Europe and the Baltic States (net)		BA	**542**	**621**	**495**	**506**	**516**	**529**	**541**
		O	394	402	478	494	509	521	520
Sub-Saharan Africa disaster assistance:									
Outlays	151	O	4	2	2				
International disaster assistance:									
Appropriation, discretionary	151	BA	**299**	**286**	**236**	**241**	**246**	**252**	**258**
Outlays		O	201	285	289	272	262	255	251
Operating expenses of the Agency for International Development:									
Appropriation, discretionary	151	BA	**545**	**561**	**586**	**598**	**611**	**625**	**639**
Spending authority from offsetting collections, discretionary		BA	**6**	**6**	**6**	**6**	**6**	**6**	**7**
Outlays		O	560	578	585	599	609	623	641
Operating expenses of the Agency for International Development (gross)		BA	**551**	**567**	**592**	**604**	**617**	**631**	**646**
		O	560	578	585	599	609	623	641
Offsetting collections from Federal sources			–6	–6	–6	–6	–6	–6	–7
Total Operating expenses of the Agency for International Development (net)		BA	**545**	**561**	**586**	**598**	**611**	**625**	**639**
		O	554	572	579	593	603	617	634
Capital investment fund:									
Appropriation, discretionary	151	BA			**95**	**97**	**100**	**102**	**104**
Outlays		O			12	28	53	76	94
Transition Initiatives:									
Appropriation, discretionary	151	BA	**55**	**50**	**55**	**56**	**57**	**59**	**60**
Outlays		O	19	30	42	49	53	56	58
Payment to the Foreign Service retirement and disability fund:									
Appropriation, mandatory	153	BA	**44**	**45**	**45**	**46**	**46**	**46**	**45**
Outlays		O	44	45	45	46	46	46	45
Operating expenses, Office of Inspector General:									
Appropriation, discretionary	151	BA	**28**	**33**	**34**	**35**	**35**	**36**	**37**

INTERNATIONAL ASSISTANCE PROGRAMS—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	32	36	37	34	36	36	37
Public Enterprise Funds:									
Property management fund:									
Spending authority from offsetting collections, mandatory	151	BA	....	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	....	2	2	2	2	2	2
Property management fund (gross)		BA	....	**1**	**1**	**1**	**1**	**1**	**1**
		O	....	2	2	2	2	2	2
Offsetting collections from non-Federal sources			....	–1	–1	–1	–1	–1	–1
Total Property management fund (net)		BA	....	....	....	....	....	....	....
		O	....	1	1	1	1	1	1
Intragovernmental Funds:									
Working capital fund:									
Spending authority from offsetting collections, discretionary	151	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	2	2	2	2	1	1	1
Working capital fund (gross)		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
		O	2	2	2	2	1	1	1
Offsetting collections from Federal sources			–1	–1	–1	–1	–1	–1	–1
Total Working capital fund (net)		BA	....	....	....	....	....	....	....
		O	1	1	1	1	....	....	....
Credit Accounts:									
Assistance for the independent states of the former Soviet Union:									
Appropriation, discretionary	151	BA	**559**	**784**	**755**	**771**	**788**	**807**	**825**
Outlays		O	487	484	609	693	727	768	787
Assistance for the independent states of the former Soviet Union (gross)		BA	**559**	**784**	**755**	**771**	**788**	**807**	**825**
		O	487	484	609	693	727	768	787
Adjustment to uncollected customer payments from Federal sources		BA	**3**	....	....	....	....	....	....
Offsetting collections from non-Federal sources			–3	....	....	....	....	....	....
Total Assistance for the independent states of the former Soviet Union (net)		BA	**559**	**784**	**755**	**771**	**788**	**807**	**825**
		O	484	484	609	693	727	768	787
Urban and environmental credit program account:									
Appropriation, mandatory	151	BA	....	**2**	....	....	....	....	....
Outlays		O	1	3	2	1	1	....	....
Housing and other credit guaranty programs liquidating account:									
Appropriation, mandatory	151	BA	**39**	**30**	**30**	**30**	**40**	**40**	**40**
Spending authority from offsetting collections, mandatory		BA	**90**	**41**	**32**	**76**	**73**	**70**	**68**
Outlays		O	41	40	42	32	31	28	24
Housing and other credit guaranty programs liquidating account (gross)		BA	**129**	**71**	**62**	**106**	**113**	**110**	**108**
		O	41	40	42	32	31	28	24
Change in uncollected customer payments from Federal sources		BA	**2**	....	....	....	....	....	....
Offsetting collections from Federal sources			–2	–14	–9	....	....	....	....
Offsetting collections from non-Federal sources			–90	–27	–23	–76	–73	–70	–68
Total Housing and other credit guaranty programs liquidating account (net)		BA	**39**	**30**	**30**	**30**	**40**	**40**	**40**
		O	–51	–1	10	–44	–42	–42	–44
Microenterprise and small enterprise development program account:									
Appropriation, discretionary	151	BA	**2**	....	....	....	....	....	....
Outlays		O	1	2	3	3	....	....	....
Development credit authority program account:									
Appropriation, discretionary	151	BA	**7**	**26**	**8**	**8**	**8**	**9**	**9**
Outlays		O	3	15	18	18	8	8	8
Economic assistance loans liquidating account:									
Spending authority from offsetting collections, mandatory	151	BA	**837**	....	....	....	....	....	....
Economic assistance loans liquidating account (gross)		BA	**837**	....	....	....	....	....	....
Offsetting collections from Federal sources			....	–6	....	....	....	....	....

INTERNATIONAL ASSISTANCE PROGRAMS—Continued

(In millions of dollars)

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
Offsetting collections from non-Federal sources			–837	–718	–668	–657	–619	–583	–534
Total Economic assistance loans liquidating account (net)		BA	....	**–724**	**–668**	**–657**	**–619**	**–583**	**–534**
		O	–837	–724	–668	–657	–619	–583	–534
Trust funds									
Foreign Service national separation liability trust fund:									
Appropriation, mandatory	602	BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	2	1	1	1	1	1	1
Miscellaneous trust funds, AID:									
Reappropriation, discretionary	151	BA	**1**	....	....	....	....	....	....
Outlays		O	1	....	....	....	....	....	....
Summary									
Federal funds:									
(As shown in detail above)		BA	**4,244**	**4,188**	**4,411**	**4,528**	**4,688**	**4,849**	**5,019**
		O	2,817	3,450	3,896	4,119	4,294	4,503	4,686
Deductions for offsetting receipts:									
Proprietary receipts from the public	151	BA/O	*–40*	*–59*	....	....	....	....	....
Total Federal funds		BA	**4,204**	**4,129**	**4,411**	**4,528**	**4,688**	**4,849**	**5,019**
		O	2,777	3,391	3,896	4,119	4,294	4,503	4,686
Trust funds:									
(As shown in detail above)		BA	**3**	**2**	**2**	**2**	**2**	**2**	**2**
		O	3	1	1	1	1	1	1
Interfund transactions	602	BA/O	*–2*	*–2*	*–2*	*–2*	*–2*	*–2*	*–2*
Total Agency for International Development		BA	**4,205**	**4,129**	**4,411**	**4,528**	**4,688**	**4,849**	**5,019**
		O	2,778	3,390	3,895	4,118	4,293	4,502	4,685

Overseas Private Investment Corporation

Federal funds

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
Public Enterprise Funds:									
Overseas Private Investment Corporation noncredit account:									
Appropriation, discretionary	151	BA	**–46**	**–23**	**–48**	**–49**	**–50**	**–51**	**–52**
Appropriation, mandatory		BA	**–3**	....	....	....	....	....	....
Spending authority from offsetting collections, discretionary		BA	**111**	**96**	**128**	**131**	**134**	**137**	**140**
Outlays		O	53	53	76	99	99	107	110
Overseas Private Investment Corporation noncredit account (gross)		BA	**62**	**73**	**80**	**82**	**84**	**86**	**88**
		O	53	53	76	99	99	107	110
Change in uncollected customer payments from Federal sources		BA	**–2**	....	....	....	....	....	....
Offsetting collections from Federal sources			–23	–23	–24	–25	–25	–26	–26
Offsetting collections from interest on Federal securities			–228	–229	–250	–255	–261	–267	–273
Offsetting collections from non-Federal sources			–64	–95	–82	–84	–86	–88	–90
Total Overseas Private Investment Corporation noncredit account (net)		BA	**–255**	**–274**	**–276**	**–282**	**–288**	**–295**	**–301**
		O	–262	–294	–280	–265	–273	–274	–279
Credit Accounts:									
Overseas Private Investment Corporation program account:									
Appropriation, discretionary	151	BA	**46**	**23**	**48**	**49**	**50**	**52**	**52**
Appropriation, mandatory		BA	....	**165**	....	....	....	....	....
Outlays		O	51	207	46	48	54	59	45
Total Overseas Private Investment Corporation program account		BA	**46**	**188**	**48**	**49**	**50**	**52**	**52**
		O	51	207	46	48	54	59	45
Overseas Private Investment Corporation liquidating account:									
Appropriation, mandatory	151	BA	**3**	....	....	....	....	....	....
Spending authority from offsetting collections, mandatory		BA	**7**	**5**	**2**	....	....	....	....
Outlays		O	13	5	....	....	....	....	....
Overseas Private Investment Corporation liquidating account (gross)		BA	**10**	**5**	**2**	....	....	....	....
		O	13	5	....	....	....	....	....

INTERNATIONAL ASSISTANCE PROGRAMS—Continued
(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Offsetting collections from non-Federal sources			–7	–5	–2				
Total Overseas Private Investment Corporation liquidating account (net)		BA	**3**						
		O	6		–2				
Summary									
Federal funds:									
(As shown in detail above)		BA	**–206**	**–86**	**–228**	**–233**	**–238**	**–243**	**–249**
		O	–205	–87	–236	–217	–219	–215	–234
Deductions for offsetting receipts:									
Proprietary receipts from the public	151	BA/O		*–136*					
Total Overseas Private Investment Corporation		BA	**–206**	**–222**	**–228**	**–233**	**–238**	**–243**	**–249**
		O	–205	–223	–236	–217	–219	–215	–234
Trade and Development Agency									
Federal funds									
General and Special Funds:									
Trade and Development Agency:									
Appropriation, discretionary	151	BA	**62**	**50**	**45**	**46**	**47**	**48**	**49**
Outlays		O	54	55	55	65	68	47	48
Peace Corps									
Federal funds									
General and Special Funds:									
Peace Corps:									
Appropriation, discretionary	151	BA	**270**	**278**	**320**	**362**	**404**	**446**	**488**
Spending authority from offsetting collections, discretionary		BA	**6**	**8**	**10**	**10**	**10**	**11**	**11**
Outlays		O	263	292	318	362	404	447	489
Peace Corps (gross)		BA	**276**	**286**	**330**	**372**	**414**	**457**	**499**
		O	263	292	318	362	404	447	489
Offsetting collections from Federal sources			–5	–7	–9	–9	–9	–10	–10
Offsetting collections from non-Federal sources			–1	–1	–1	–1	–1	–1	–1
Total Peace Corps (net)		BA	**270**	**278**	**320**	**362**	**404**	**446**	**488**
		O	257	284	308	352	394	436	478
Trust funds									
Peace Corps miscellaneous trust fund:									
Appropriation, mandatory	151	BA	**5**	**5**	**4**	**2**	**2**	**2**	**2**
Outlays		O	1	2	2	2	2	2	2
Inter-American Foundation									
Federal funds									
General and Special Funds:									
Inter-American Foundation:									
Appropriation, discretionary	151	BA	**12**	**13**	**14**	**14**	**15**	**15**	**15**
Outlays		O	17	21	22	11	13	14	14
African Development Foundation									
Federal funds									
General and Special Funds:									
African Development Foundation:									
Appropriation, discretionary	151	BA	**16**	**17**	**17**	**17**	**18**	**18**	**19**
Outlays		O	14	16	16	16	17	18	18
Total Federal funds International Development Assistance		BA	**4,358**	**4,265**	**4,579**	**4,734**	**4,934**	**5,133**	**5,341**
		O	2,914	3,544	4,061	4,346	4,567	4,803	5,010
Total Trust funds International Development Assistance		BA	**8**	**7**	**6**	**4**	**4**	**4**	**4**
		O	4	3	3	3	3	3	3

INTERNATIONAL ASSISTANCE PROGRAMS—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Interfund transactions	602	BA/O	*–2*	*–2*	*–2*	*–2*	*–2*	*–2*	*–2*
Total International Development Assistance		BA	**4,364**	**4,270**	**4,583**	**4,736**	**4,936**	**5,135**	**5,343**
		O	2,916	3,545	4,062	4,347	4,568	4,804	5,011
International Monetary Programs									
Federal funds									
General and Special Funds:									
United States quota, International Monetary Fund:									
Outlays	155	O	47						
Contribution to enhanced structural adjustment facility of International Monetary Fund:									
Outlays	155	O	9						
Total Federal funds International Monetary Programs		O	**56**						
Military Sales Program									
Federal funds									
Public Enterprise Funds:									
Special defense acquisition fund:									
Outlays	155	O	1	5	5				
Special defense acquisition fund (gross)		O	1	5	5				
Offsetting collections from non-Federal sources			–7	–3					
Total Special defense acquisition fund (net)		BA	**–7**	**–3**					
		O	–6	2	5				
Trust funds									
Foreign military sales trust fund:									
Contract authority, mandatory	155	BA	**9,738**	**10,260**	**10,380**	**10,570**	**10,830**	**11,010**	**11,230**
Outlays		O	10,171	10,301	10,410	10,380	10,570	10,730	10,890
Kuwait civil reconstruction trust fund:									
Outlays	155	O	2						
Summary									
Federal funds:									
(As shown in detail above)		BA	**–7**	**–3**					
		O	–6	2	5				
Trust funds:									
(As shown in detail above)		BA	**9,738**	**10,260**	**10,380**	**10,570**	**10,830**	**11,010**	**11,230**
		O	10,173	10,301	10,410	10,380	10,570	10,730	10,890
Deductions for offsetting receipts:									
Proprietary receipts from the public	155	BA/O	*–10,229*	*–10,300*	*–10,410*	*–10,380*	*–10,570*	*–10,730*	*–10,890*
Total Trust funds		BA	**–491**	**–40**	**–30**	**190**	**260**	**280**	**340**
		O	–56	1					
Total Military Sales Program		BA	**–498**	**–43**	**–30**	**190**	**260**	**280**	**340**
		O	–62	3	5				
International Commodity Agreements									
Summary									
Federal funds:									
Deductions for offsetting receipts:									
Proprietary receipts from the public	155	BA/O	*–71*						
Total International Commodity Agreements		BA	**–71**						
		O	–71						
Summary									
Federal funds:									
(As shown in detail above)		BA	**12,196**	**12,422**	**12,917**	**13,430**	**13,889**	**14,254**	**14,720**
		O	12,170	13,497	12,968	13,269	13,509	13,912	14,290

INTERNATIONAL ASSISTANCE PROGRAMS—Continued

(In millions of dollars)

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
Deductions for offsetting receipts:									
Proprietary receipts from the public	151	BA/O	*–44*	*–196*					
	152	BA/O	*–209*	*–16*					
	155	BA/O	*–71*						
Total Federal funds		BA	**11,872**	**12,210**	**12,917**	**13,430**	**13,889**	**14,254**	**14,720**
		O	11,846	13,285	12,968	13,269	13,509	13,912	14,290
Trust funds:									
(As shown in detail above)		BA	**9,746**	**10,267**	**10,386**	**10,574**	**10,834**	**11,014**	**11,234**
		O	10,177	10,304	10,413	10,383	10,573	10,733	10,893
Deductions for offsetting receipts:									
Proprietary receipts from the public	155	BA/O	*–10,229*	*–10,300*	*–10,410*	*–10,380*	*–10,570*	*–10,730*	*–10,890*
Total Trust funds		BA	**–483**	**–33**	**–24**	**194**	**264**	**284**	**344**
		O	–52	4	3	3	3	3	3
Interfund transactions	602	BA/O	*–2*	*–2*	*–2*	*–2*	*–2*	*–2*	*–2*
Total International Assistance Programs		BA	**11,387**	**12,175**	**12,891**	**13,622**	**14,151**	**14,536**	**15,062**
		O	11,792	13,287	12,969	13,270	13,510	13,913	14,291

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

(In millions of dollars)

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
	Federal funds								
General and Special Funds:									
Human space flight:									
Appropriation, discretionary	252	BA	**5,496**	**6,873**	**6,173**	**5,911**	**6,042**	**6,182**	**6,327**
Spending authority from offsetting collections, discretionary		BA	**177**	**248**	**150**	**153**	**157**	**160**	**164**
Outlays		O	6,006	6,799	6,496	6,151	6,171	6,291	6,439
Human space flight (gross)		BA	**5,673**	**7,121**	**6,323**	**6,064**	**6,199**	**6,342**	**6,491**
		O	6,006	6,799	6,496	6,151	6,171	6,291	6,439
Change in uncollected customer payments from Federal sources		BA	**–3**						
Adjustment to uncollected customer payments from Federal sources		BA	**3**						
Offsetting collections from Federal sources			–147	–207	–117	–119	–122	–125	–128
Offsetting collections from non-Federal sources			–30	–41	–33	–34	–34	–35	–36
Total Human space flight (net)		BA	**5,496**	**6,873**	**6,173**	**5,911**	**6,043**	**6,182**	**6,327**
		O	5,829	6,551	6,346	5,998	6,015	6,131	6,275
Science, Aeronautics and Technology									
(Space flight, research, and supporting activities):									
(Appropriation, discretionary)	252	BA	**5,711**	**7,179**	**8,081**	**8,942**	**9,140**	**9,352**	**9,571**
(Spending authority from offsetting collections, discretionary)		BA	**470**	**548**	**576**	**588**	**601**	**615**	**630**
(Outlays)		O	5,776	7,418	8,198	9,042	9,545	9,816	10,070
Science, Aeronautics and Technology (gross)		BA	**6,181**	**7,727**	**8,657**	**9,530**	**9,741**	**9,967**	**10,201**
		O	5,776	7,418	8,198	9,042	9,545	9,816	10,070
(Adjustment to uncollected customer payments from Federal sourc)		BA	**14**						
Offsetting collections from Federal sources			–449	–505	–540	–551	–564	–577	–590
Offsetting collections from non-Federal sources			–35	–43	–36	–37	–38	–38	–39
Total (Space flight, research, and supporting activities) (net)		BA	**5,711**	**7,179**	**8,081**	**8,942**	**9,139**	**9,352**	**9,572**
		O	5,292	6,870	7,622	8,454	8,943	9,201	9,441
(Air transportation):									
(Appropriation, discretionary)	402	BA	**524**	**935**	**837**	**810**	**828**	**847**	**867**
(Spending authority from offsetting collections, discretionary)		BA	**47**	**50**	**56**	**57**	**58**	**60**	**61**
(Outlays)		O	507	539	865	853	883	898	916
Science, Aeronautics and Technology (gross)		BA	**6,282**	**8,164**	**8,974**	**9,809**	**10,025**	**10,259**	**10,500**
		O	5,799	7,409	8,487	9,307	9,826	10,099	10,357
Offsetting collections from Federal sources			–44	–45	–50	–51	–52	–53	–55

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Offsetting collections from non-Federal sources			–3	–5	–6	–6	–6	–6	–7
Total (Air transportation) (net)		BA	**524**	**935**	**837**	**810**	**828**	**848**	**866**
		O	460	489	809	796	825	839	854
Total Science, Aeronautics and Technology		BA	**6,235**	**8,114**	**8,918**	**9,752**	**9,967**	**10,200**	**10,438**
		O	5,752	7,359	8,431	9,250	9,768	10,040	10,295
Mission support									
(Space flight, research, and supporting activities):									
(Appropriation, discretionary)	252	BA	**2,190**						
(Spending authority from offsetting collections, discretionary)		BA	**54**						
(Outlays)		O	2,235	539	81	29	2		
Mission support (gross)		BA	**2,244**						
		O	2,235	539	81	29	2		
(Change in uncollected customer payments from Federal sources)		BA	**–1**						
(Adjustment to uncollected customer payments from Federal sourc)		BA	**4**						
Offsetting collections from Federal sources			–53						
Offsetting collections from non-Federal sources			–4						
Total (Space flight, research, and supporting activities) (net)		BA	**2,190**						
		O	2,178	539	81	29	2		
(Air transportation):									
(Appropriation, discretionary)	402	BA	**412**						
(Spending authority from offsetting collections, discretionary)		BA	**5**						
(Outlays)		O	413						
Mission support (gross)		BA	**2,607**						
		O	2,591	539	81	29	2		
Offsetting collections from Federal sources			–4						
Offsetting collections from non-Federal sources			–1						
Total (Air transportation) (net)		BA	**412**						
		O	408						
Total Mission support		BA	**2,602**						
		O	2,586	539	81	29	2		
Space flight, control, and data communications:									
Outlays	252	O	1						
Construction of facilities									
(Space flight, research, and supporting activities):									
(Outlays)	252	O	7	6					
Total Construction of facilities		O	7	6					
Office of Inspector General:									
Appropriation, discretionary	252	BA	**24**	**25**	**26**	**27**	**28**	**28**	**29**
Outlays		O	23	25	26	27	27	28	28
Trust funds									
Science, space, and technology education trust fund:									
Appropriation, mandatory	503	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	1	1	1	1	1	1	1
National Space Grant Program:									
Appropriation, mandatory	252	BA	**3**						
Outlays		O		3					
Summary									
Federal funds:									
(As shown in detail above)		BA	**14,357**	**15,012**	**15,117**	**15,690**	**16,038**	**16,410**	**16,794**
		O	14,198	14,480	14,884	15,304	15,812	16,199	16,598
Trust funds:									
(As shown in detail above)		BA	**4**	**1**	**1**	**1**	**1**	**1**	**1**
		O	1	4	1	1	1	1	1
Total National Aeronautics and Space Administration		BA	**14,361**	**15,013**	**15,118**	**15,691**	**16,039**	**16,411**	**16,795**
		O	14,199	14,484	14,885	15,305	15,813	16,200	16,599

NATIONAL SCIENCE FOUNDATION

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Federal funds									
General and Special Funds:									
Research and related activities									
(Defense-related activities):									
(Appropriation, discretionary)	054	BA	**63**	**68**	**68**	**69**	**71**	**73**	**74**
(Outlays)		O	68	39	57	64	68	71	72
(General science and basic research):									
(Appropriation, discretionary)	251	BA	**3,294**	**3,530**	**3,715**	**3,793**	**3,877**	**3,968**	**4,061**
(Spending authority from offsetting collections, discretionary)		BA	**77**	**100**	**100**	**102**	**104**	**107**	**109**
(Outlays)		O	2,835	3,306	3,552	3,718	3,935	3,961	4,057
Research and related activities (gross)		BA	**3,434**	**3,698**	**3,883**	**3,964**	**4,052**	**4,148**	**4,244**
		O	2,903	3,345	3,609	3,782	4,003	4,032	4,129
(Change in uncollected customer payments from Federal sources)		BA	**–3**						
Offsetting collections from Federal sources			–74	–100	–100	–102	–104	–107	–109
Total (General science and basic research) (net)		BA	**3,294**	**3,530**	**3,715**	**3,793**	**3,877**	**3,968**	**4,061**
		O	2,761	3,206	3,452	3,616	3,831	3,854	3,948
Total Research and related activities		BA	**3,357**	**3,598**	**3,783**	**3,862**	**3,948**	**4,041**	**4,135**
		O	2,829	3,245	3,509	3,680	3,899	3,925	4,020
Academic research infrastructure:									
Outlays	251	O	9	5					
Major research equipment:									
Appropriation, discretionary	251	BA	**122**	**139**	**126**	**129**	**132**	**135**	**138**
Outlays		O	47	166	154	119	121	131	133
Salaries and expenses:									
Appropriation, discretionary	251	BA	**167**	**176**	**210**	**214**	**219**	**224**	**229**
Spending authority from offsetting collections, discretionary		BA	**4**	**5**	**5**	**5**	**5**	**5**	**5**
Outlays		O	172	185	212	218	224	228	234
Salaries and expenses (gross)		BA	**171**	**181**	**215**	**219**	**224**	**229**	**234**
		O	172	185	212	218	224	228	234
Offsetting collections from Federal sources			–4	–5	–5	–5	–5	–5	–5
Total Salaries and expenses (net)		BA	**167**	**176**	**210**	**214**	**219**	**224**	**229**
		O	168	180	207	213	219	223	229
Office of the Inspector General:									
Appropriation, discretionary	251	BA	**6**	**7**	**8**	**8**	**8**	**9**	**9**
Outlays		O	6	8	7	9	9	9	9
Education and human resources:									
Appropriation, discretionary	251	BA	**785**	**875**	**908**	**927**	**948**	**970**	**993**
Appropriation, mandatory		BA	**88**	**90**	**93**				
Spending authority from offsetting collections, discretionary		BA	**21**	**25**	**25**	**26**	**26**	**27**	**27**
Outlays		O	630	940	985	1,000	978	976	993
Education and human resources (gross)		BA	**894**	**990**	**1,026**	**953**	**974**	**997**	**1,020**
		O	630	940	985	1,000	978	976	993
Offsetting collections from Federal sources			–21	–25	–25	–26	–26	–27	–27
Total Education and human resources (net)		BA	**873**	**965**	**1,001**	**927**	**948**	**970**	**993**
		O	609	915	960	974	952	949	966
Trust funds									
Donations:									
Appropriation, mandatory	251	BA	**28**	**45**	**49**	**19**	**16**	**16**	**17**
Outlays		O	28	45	49	19	16	16	17

Summary

Federal funds:								
(As shown in detail above)	BA	**4,525**	**4,885**	**5,128**	**5,140**	**5,255**	**5,379**	**5,504**
	O	3,668	4,519	4,837	4,995	5,200	5,237	5,357

NATIONAL SCIENCE FOUNDATION—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Trust funds:									
(As shown in detail above)		BA	**28**	**45**	**49**	**19**	**16**	**16**	**17**
		O	28	45	49	19	16	16	17
Total National Science Foundation		BA	**4,553**	**4,930**	**5,177**	**5,159**	**5,271**	**5,395**	**5,521**
		O	3,696	4,564	4,886	5,014	5,216	5,253	5,374

OFFICE OF PERSONNEL MANAGEMENT

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	805	BA	**99**	**105**	**134**	**137**	**140**	**143**	**146**
Spending authority from offsetting collections, discretionary		BA	**163**	**200**	**175**	**179**	**182**	**187**	**191**
Outlays		O	253	305	308	315	321	329	337
Salaries and expenses (gross)		BA	**262**	**305**	**309**	**316**	**322**	**330**	**337**
		O	253	305	308	315	321	329	337
Offsetting collections from Federal sources			–163	–200	–175	–179	–182	–187	–191
Total Salaries and expenses (net)		BA	**99**	**105**	**134**	**137**	**140**	**143**	**146**
		O	90	105	133	136	139	142	146
Office of Inspector General:									
Appropriation, discretionary	805	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Spending authority from offsetting collections, discretionary		BA	**11**	**11**	**11**	**11**	**11**	**12**	**12**
Outlays		O	12	12	12	12	12	13	13
Office of Inspector General (gross)		BA	**12**	**12**	**12**	**12**	**12**	**13**	**13**
		O	12	12	12	12	12	13	13
Offsetting collections from Federal sources			–11	–11	–11	–11	–11	–12	–12
Total Office of Inspector General (net)		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
		O	1	1	1	1	1	1	1
Government payment for annuitants, employees health benefits:									
Appropriation, mandatory	551	BA	**5,530**	**6,129**	**11,028**	**11,029**	**11,028**	**11,027**	**11,027**
Outlays		O	5,417	6,084	11,624	11,029	11,028	11,028	11,028
Government payment for annuitants, employee life insurance:									
Appropriation, mandatory	602	BA	**32**	**34**	**34**	**34**	**34**	**35**	**36**
Outlays		O	32	34	34	34	34	35	36
Payment to civil service retirement and disability fund:									
Appropriation, mandatory	805	BA	**21,639**	**22,139**	**29,400**	**29,400**	**29,400**	**29,400**	**29,400**
Outlays		O	21,639	22,139	29,400	29,400	29,400	29,400	29,400
Employees health benefits fund:									
Appropriation, discretionary	551	BA	....	....	**24**	**24**	**24**	**24**	**24**
Appropriation, mandatory		BA	....	....	**25,430**	**27,423**	**29,390**	**31,522**	**33,917**
Outlays		O	....	....	25,351	27,364	29,349	31,481	33,865
Total Employees health benefits fund		BA	....	....	**25,454**	**27,447**	**29,414**	**31,546**	**33,941**
		O	....	....	25,351	27,364	29,349	31,481	33,865
Intragovernmental Funds:									
Revolving fund:									
Spending authority from offsetting collections, discretionary	805	BA	**320**	**381**	**356**	**363**	**371**	**380**	**389**
Outlays		O	380	381	356	363	371	380	389
Revolving fund (gross)		BA	**320**	**381**	**356**	**363**	**371**	**380**	**389**
		O	380	381	356	363	371	380	389
Change in uncollected customer payments from Federal sources		BA	**33**	....	....	....	....	....	....
Offsetting collections from Federal sources			–353	–381	–356	–363	–371	–380	–389
Total Revolving fund (net)		BA	....	....	....	....	....	....	....
		O	27	....	....	....	....	....	....

OFFICE OF PERSONNEL MANAGEMENT—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Trust funds									
Civil service retirement and disability fund:									
Appropriation, discretionary	602	BA	86	103	108	110	113	115	118
Appropriation, mandatory		BA	47,447	49,976	52,741	55,740	58,887	61,663	64,030
					^{B}3	^{B}8	^{B}14	^{B}20	^{B}27
Outlays		O	47,356	49,842	52,620	55,602	58,748	61,579	63,989
					^{B}3	^{B}8	^{B}14	^{B}20	^{B}27
Total Civil service retirement and disability fund		BA	47,533	50,079	52,852	55,858	59,014	61,798	64,175
		O	47,356	49,842	52,623	55,610	58,762	61,599	64,016
Employees life insurance fund:									
Spending authority from offsetting collections, discretionary	602	BA	2	2	2	2	2	2	2
Spending authority from offsetting collections, mandatory		BA	3,398	3,439	3,481	3,589	3,672	3,743	3,829
Outlays		O	2,081	2,266	2,433	2,576	2,742	2,918	3,108
Employees life insurance fund (gross)		BA	3,400	3,441	3,483	3,591	3,674	3,745	3,831
		O	2,081	2,266	2,433	2,576	2,742	2,918	3,108
Change in uncollected customer payments from Federal sources		BA	–16	–34	3	–10	–9	–5	–8
Offsetting collections from Federal sources			–409	–443	–459	–470	–483	–497	–511
Offsetting collections from interest on Federal securities			–1,426	–1,430	–1,410	–1,414	–1,427	–1,425	–1,433
Offsetting collections from non-Federal sources			–1,549	–1,534	–1,617	–1,697	–1,755	–1,818	–1,879
Total Employees life insurance fund (net)		BA	....	....	....	....	....	....	....
		O	–1,303	–1,141	–1,053	–1,005	–923	–822	–715
Employees and retired employees health benefits funds:									
Spending authority from offsetting collections, discretionary	551	BA	23	24	....	....	1	2	2
Spending authority from offsetting collections, mandatory		BA	21,479	23,983	2	2	2	1	1
Outlays		O	20,779	23,279	2	3	3	3	3
Employees and retired employees health benefits funds (gross)		BA	21,502	24,007	2	2	3	3	3
		O	20,779	23,279	2	3	3	3	3
Change in uncollected customer payments from Federal sources		BA	–48	–107	....	....	....	....	....
Offsetting collections from Federal sources			–15,232	–17,078	–2	–2	–2	–1	–1
Offsetting collections from interest on Federal securities			–367	–319	....	....	....	....	....
Offsetting collections from non-Federal sources			–5,855	–6,503	....	....	....	....	....
Total Employees and retired employees health benefits funds (net)		BA	....	....	....	....	1	2	2
		O	–675	–621	....	1	1	2	2
Summary									
Federal funds:									
(As shown in detail above)		BA	27,301	28,408	66,051	68,048	70,017	72,152	74,551
		O	27,206	28,363	66,543	67,964	69,951	72,087	74,476
Deductions for offsetting receipts:									
Intrafund transactions	551	BA/O	....	....	*–11,622*	*–11,026*	*–11,026*	*–11,026*	*–11,026*
	908	BA/O	....	....	*–772*	*–1,333*	*–1,897*	*–2,488*	*–3,109*
Proprietary receipts from the public	551	BA/O	....	....	*–8,352*	*–9,077*	*–9,717*	*–10,380*	*–11,121*
Total Federal funds		BA	27,301	28,408	45,305	46,612	47,377	48,258	49,295
		O	27,206	28,363	45,797	46,528	47,311	48,193	49,220
Trust funds:									
(As shown in detail above)		BA	47,533	50,079	52,852	55,858	59,015	61,800	64,177
		O	45,378	48,080	51,570	54,606	57,840	60,779	63,303
Interfund transactions	602	BA/O	*–26*	*–27*	*–27*	*–28*	*–28*	*–28*	*–29*
	805	BA/O	*–21,639*	*–22,139*	*–29,400*	*–29,400*	*–29,400*	*–29,400*	*–29,400*
Total Office of Personnel Management		BA	53,169	56,321	68,730	73,042	76,964	80,630	84,043
		O	50,919	54,277	67,940	71,706	75,723	79,544	83,094

SMALL BUSINESS ADMINISTRATION

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
			Federal funds						
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	376	BA	**425**	**348**	**362**	**369**	**377**	**386**	**395**
Spending authority from offsetting collections, discretionary		BA	**267**	**297**	**255**	**260**	**266**	**272**	**279**
Outlays		O	587	620	574	624	639	653	669
Salaries and expenses (gross)		BA	**692**	**645**	**617**	**629**	**643**	**658**	**674**
		O	587	620	574	624	639	653	669
Adjustment to uncollected customer payments from Federal sources		BA	**1**	....	....	....	....	....	....
Offsetting collections from Federal sources			–263	–294	–252	–257	–263	–269	–275
Offsetting collections from non-Federal sources			–5	–3	–3	–3	–3	–3	–3
Total Salaries and expenses (net)		BA	**425**	**348**	**362**	**369**	**377**	**386**	**396**
		O	319	323	319	364	373	381	391
Office of Inspector General:									
Appropriation, discretionary	376	BA	**13**	**12**	**15**	**15**	**16**	**16**	**16**
Spending authority from offsetting collections, discretionary		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	12	13	16	16	16	16	17
Office of Inspector General (gross)		BA	**14**	**13**	**16**	**16**	**17**	**17**	**17**
		O	12	13	16	16	16	16	17
Offsetting collections from Federal sources			–1	–1	–1	–1	–1	–1	–1
Total Office of Inspector General (net)		BA	**13**	**12**	**15**	**15**	**16**	**16**	**16**
		O	11	12	15	15	15	15	16
Public Enterprise Funds:									
Surety bond guarantees revolving fund:									
Spending authority from offsetting collections, discretionary	376	BA	**6**	**4**	**4**	**4**	**4**	**4**	**4**
Outlays		O	13	8	8	5	5	5	5
Surety bond guarantees revolving fund (gross)		BA	**6**	**4**	**4**	**4**	**4**	**4**	**4**
		O	13	8	8	5	5	5	5
Offsetting collections from non-Federal sources			–6	–4	–4	–4	–4	–4	–4
Total Surety bond guarantees revolving fund (net)		BA	....	....	....	....	....	....	....
		O	7	4	4	1	1	1	1
Credit Accounts:									
Business loan program account:									
Appropriation, discretionary	376	BA	**298**	**283**	**222**	**227**	**232**	**237**	**242**
Appropriation, mandatory		BA	**35**	**122**	....	....	....	....	....
Outlays		O	289	410	244	225	229	235	240
Limitation on loan guarantee commitments			(13,991)	(24,521)	(21,225)	(21,669)	(22,152)	(22,668)	(23,203)
Total Business loan program account		BA	**333**	**405**	**222**	**227**	**232**	**237**	**242**
		O	289	410	244	225	229	235	240
Business loan fund liquidating account:									
Spending authority from offsetting collections, mandatory	376	BA	**64**	**100**	**245**	**100**	**80**	**75**	**70**
Outlays		O	39	60	147	60	48	45	42
Business loan fund liquidating account (gross)		BA	**64**	**100**	**245**	**100**	**80**	**75**	**70**
		O	39	60	147	60	48	45	42
Offsetting collections from non-Federal sources			–64	–100	–245	–100	–80	–75	–70
Total Business loan fund liquidating account (net)		BA	....	....	....	....	....	....	....
		O	–25	–40	–98	–40	–32	–30	–28
Disaster loans program account:									
Appropriation, discretionary	453	BA	**284**	**289**	**198**	**202**	**206**	**211**	**216**
Appropriation, mandatory		BA	....	**506**	....	....	....	....	....
Spending authority from offsetting collections, discretionary		BA	**3**	....	**3**	**3**	**3**	**3**	**3**
Outlays		O	242	882	246	205	208	213	217
Disaster loans program account (gross)		BA	**287**	**795**	**201**	**205**	**209**	**214**	**219**
		O	242	882	246	205	208	213	217

SMALL BUSINESS ADMINISTRATION—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Offsetting collections from Federal sources			–3		–3	–3	–3	–3	–3
Total Disaster loans program account (net)		BA	284	795	198	202	206	211	216
		O	239	882	243	202	205	210	214
Disaster loan fund liquidating account:									
Spending authority from offsetting collections, mandatory	453	BA	338	185	169	58	1	1	1
Outlays		O	54	30	27	9			
Disaster loan fund liquidating account (gross)		BA	338	185	169	58	1	1	1
		O	54	30	27	9			
Offsetting collections from non-Federal sources			–338	–185	–169	–58	–1	–1	–1
Total Disaster loan fund liquidating account (net)		BA							
		O	–284	–155	–142	–49	–1	–1	–1
Pollution control equipment fund liquidating account:									
Appropriation, mandatory	376	BA	3	3	3	2	1	1	1
Outlays		O		3	2	1	1	1	1
Summary									
Federal funds:									
(As shown in detail above)		BA	1,058	1,563	800	815	832	851	871
		O	556	1,439	587	719	791	812	834
Deductions for offsetting receipts:									
Proprietary receipts from the public	376	BA/O	*–722*	*–366*					
	453	BA/O	*–384*						
Total Small Business Administration		BA	–48	1,197	800	815	832	851	871
		O	–550	1,073	587	719	791	812	834

SOCIAL SECURITY ADMINISTRATION

(In millions of dollars)

Social Security Administration

Federal funds

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
General and Special Funds:									
Payments to social security trust funds:									
Appropriation, mandatory	651	BA	12,536	13,892	14,282	15,149	16,041	16,841	17,990
Outlays		O	12,531	13,892	14,282	15,149	16,041	16,841	17,990
Special benefits for disabled coal miners:									
Appropriation, mandatory	601	BA	366	333	300	286	265	243	223
					[J]–300	[J]–286	[J]–265	[J]–243	[J]–223
Advance appropriation, mandatory		BA	124	114	108	97	88	81	74
					[J]–108	[J]–97	[J]–88	[J]–81	[J]–74
Outlays		O	486	454	420	387	356	327	300
					[J]–420	[J]–387	[J]–356	[J]–327	[J]–300
Total Special benefits for disabled coal miners		BA	490	447					
		O	486	454					
Supplemental security income program:									
Appropriation, discretionary	609	BA	2,702	2,986	2,976	3,035	3,100	3,170	3,241
Appropriation, mandatory		BA	20,671	18,620	21,058	22,694	26,782	26,037	23,746
						[B]–2	[B]–7	[B]–13	[B]–19
Advance appropriation, mandatory		BA	9,890	10,470	10,790	11,080	10,950	10,630	11,580
Spending authority from offsetting collections, mandatory		BA	3,160	3,797	3,937	4,025	4,145	4,205	4,271
Outlays		O	33,172	38,050	39,454	40,818	44,965	44,030	42,820
						[B]–2	[B]–7	[B]–13	[B]–19
Supplemental security income program (gross)		BA	36,423	35,873	38,761	40,832	44,970	44,029	42,819
		O	33,172	38,050	39,454	40,816	44,958	44,017	42,801

SOCIAL SECURITY ADMINISTRATION—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Offsetting collections from non-Federal sources			–3,160	–3,797	–3,937	–4,025	–4,145	–4,205	–4,271
Total Supplemental security income program (net)		BA	**33,263**	**32,076**	**34,824**	**36,807**	**40,825**	**39,824**	**38,548**
		O	30,012	34,253	35,517	36,791	40,813	39,812	38,530
Special benefits for certain World War II veterans:									
Appropriation, discretionary	701	BA	**1**	**2**	**2**	**2**	**2**	**2**	**2**
Appropriation, mandatory		BA	**7**	**9**	**9**	**8**	**9**	**8**	**7**
Spending authority from offsetting collections, mandatory		BA	**1**	**5**	**4**	**4**	**4**	**3**	**3**
Outlays		O	9	16	15	14	15	13	12
Special benefits for certain World War II veterans (gross)		BA	**9**	**16**	**15**	**14**	**15**	**13**	**12**
		O	9	16	15	14	15	13	12
Offsetting collections from non-Federal sources			–1	–5	–4	–4	–4	–3	–3
Total Special benefits for certain World War II veterans (net)		BA	**8**	**11**	**11**	**10**	**11**	**10**	**9**
		O	8	11	11	10	11	10	9
Office of the Inspector General:									
Appropriation, discretionary	651	BA	**18**	**20**	**22**	**22**	**23**	**23**	**24**
Spending authority from offsetting collections, discretionary		BA	**52**	**56**	**62**	**63**	**65**	**66**	**68**
Outlays		O	70	77	84	85	87	89	91
Office of the Inspector General (gross)		BA	**70**	**76**	**84**	**85**	**88**	**89**	**92**
		O	70	77	84	85	87	89	91
Change in uncollected customer payments from Federal sources		BA	**–10**						
Adjustment to uncollected customer payments from Federal sources		BA	**6**						
Offsetting collections from Federal sources			–48	–56	–62	–63	–65	–66	–68
Total Office of the Inspector General (net)		BA	**18**	**20**	**22**	**22**	**23**	**23**	**24**
		O	22	21	22	22	22	23	23
State supplemental fees:									
Appropriation, discretionary	609	BA	**91**	**100**	**112**	**114**	**117**	**120**	**122**
Outlays		O	91	100	112	114	117	120	122
Trust funds									
Federal old-age and survivors insurance trust fund:									
Appropriation, discretionary	651	BA	**1,980**	**1,990**	**2,213**	**2,257**	**2,306**	**2,358**	**2,411**
Appropriation, mandatory		BA	**372,504**	**389,452**	**403,360**	**419,642**	**437,917**	**458,036**	**480,360**
Spending authority from offsetting collections, mandatory		BA	**28**	**42**	**44**	**45**	**46**	**48**	**49**
					J 4	**J 4**	**J 4**	**J 4**	**J 4**
Outlays		O	373,153	390,471	404,549	420,438	438,678	458,700	480,913
					J 4	J 4	J 4	J 4	J 4
Federal old-age and survivors insurance trust fund (gross)		BA	**374,512**	**391,484**	**405,621**	**421,948**	**440,273**	**460,446**	**482,824**
		O	373,153	390,471	404,553	420,442	438,682	458,704	480,917
Offsetting collections from Federal sources					J –4	J –4	J –4	J –4	J –4
Offsetting collections from non-Federal sources			–13	–18	–19	–19	–19	–20	–20
Offsetting governmental collections (from non-Federal sources)			–15	–24	–25	–26	–27	–28	–29
Total Federal old-age and survivors insurance trust fund (net)		BA	**374,484**	**391,442**	**405,573**	**421,899**	**440,223**	**460,394**	**482,771**
		O	373,125	390,429	404,505	420,393	438,632	458,652	480,864
Federal disability insurance trust fund:									
Appropriation, discretionary	651	BA	**1,605**	**1,679**	**1,792**	**1,827**	**1,867**	**1,909**	**1,952**
Appropriation, mandatory		BA	**65,347**	**67,846**	**69,632**	**73,799**	**79,632**	**86,063**	**92,964**
Outlays		O	60,904	68,877	71,479	75,215	80,988	87,430	94,335
Total Federal disability insurance trust fund		BA	**66,952**	**69,525**	**71,424**	**75,626**	**81,499**	**87,972**	**94,916**
		O	60,904	68,877	71,479	75,215	80,988	87,430	94,335
Limitation on administrative expenses:									
Spending authority from offsetting collections, discretionary	651	BA	**7,450**	**7,916**	**8,284**	**8,450**	**8,631**	**8,824**	**9,024**
Spending authority from offsetting collections, mandatory		BA	**26**	**41**	**43**	**43**	**43**	**43**	**43**
					J 4	**J 4**	**J 4**	**J 4**	**J 4**
Outlays		O	7,406	8,126	8,527	8,477	8,656	8,848	9,047
					J 4	J 4	J 4	J 4	J 4
Limitation on administrative expenses (gross)		BA	**7,476**	**7,957**	**8,331**	**8,497**	**8,678**	**8,871**	**9,071**
		O	7,406	8,126	8,531	8,481	8,660	8,852	9,051

SOCIAL SECURITY ADMINISTRATION—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Change in uncollected customer payments from Federal sources		BA	**–64**	**169**	**200**	......	......	......	......
Offsetting collections from Federal sources			–7,397	–8,102	–8,502	–8,302	–8,479	–8,669	–8,864
					J –4	J –4	J –4	J –4	J –4
Offsetting collections from non-Federal sources			–15	–24	–25	–25	–25	–25	–25
Total Limitation on administrative expenses (net)		BA	......	......	......	**166**	**170**	**173**	**178**
		O	–6	......	......	150	152	154	158
Total Federal funds Social Security Administration		BA	**46,406**	**46,546**	**49,251**	**52,102**	**57,017**	**56,818**	**56,693**
		O	43,150	48,731	49,944	52,086	57,004	56,806	56,674
Total Trust funds Social Security Administration		BA	**441,436**	**460,967**	**476,997**	**497,691**	**521,892**	**548,539**	**577,865**
		O	434,023	459,306	475,984	495,758	519,772	546,236	575,357

Summary

On-Budget

Account			2001 actual	2002	2003	2004	2005	2006	2007
Federal funds:									
(As shown in detail above)		BA	**46,406**	**46,546**	**49,251**	**52,102**	**57,017**	**56,818**	**56,693**
		O	43,150	48,731	49,944	52,086	57,004	56,806	56,674
Deductions for offsetting receipts:									
Proprietary receipts from the public	609	BA/O	*–1,700*	*–1,809*	*–1,910*	*–2,008*	*–2,074*	*–2,142*	*–2,227*
Total Federal funds		BA	**44,706**	**44,737**	**47,341**	**50,094**	**54,943**	**54,676**	**54,466**
		O	41,450	46,922	48,034	50,078	54,930	54,664	54,447
Interfund transactions	651	BA/O	*–836*	......	......	......	......	......	......
Total Social Security Administration (on-budget)		BA	**43,870**	**44,737**	**47,341**	**50,094**	**54,943**	**54,676**	**54,466**
		O	40,614	46,922	48,034	50,078	54,930	54,664	54,447

Off-Budget

Account			2001 actual	2002	2003	2004	2005	2006	2007
Trust funds:									
(As shown in detail above)		BA	**441,436**	**460,967**	**476,997**	**497,691**	**521,892**	**548,539**	**577,865**
		O	434,023	459,306	475,984	495,758	519,772	546,236	575,357
Deductions for offsetting receipts:									
Proprietary receipts from the public	651	BA/O	*–83*	*–79*	*–81*	*–84*	*–86*	*–88*	*–91*
Total Trust funds		BA	**441,353**	**460,888**	**476,916**	**497,607**	**521,806**	**548,451**	**577,774**
		O	433,940	459,227	475,903	495,674	519,686	546,148	575,266
Interfund transactions	651	BA/O	*–12,528*	*–13,478*	*–14,282*	*–15,149*	*–16,041*	*–16,841*	*–17,990*
Total Social Security Administration (off-budget)		BA	**428,825**	**447,410**	**462,634**	**482,458**	**505,765**	**531,610**	**559,784**
		O	421,412	445,749	461,621	480,525	503,645	529,307	557,276
Total Social Security Administration		BA	**472,695**	**492,147**	**509,975**	**532,552**	**560,708**	**586,286**	**614,250**
		O	462,026	492,671	509,655	530,603	558,575	583,971	611,723

OTHER INDEPENDENT AGENCIES

(In millions of dollars)

Advisory Council on Historic Preservation

Federal funds

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	303	BA	**3**	**3**	**4**	**4**	**4**	**4**	**4**
Outlays		O	3	3	4	4	4	4	4

Appalachian Regional Commission

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Appalachian Regional Commission:									
Appropriation, discretionary	452	BA	**77**	**71**	**66**	**67**	**69**	**70**	**72**
Spending authority from offsetting collections, discretionary		BA	**1**	......	......	......	......	......	......

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	95	109	94	78	84	84	80
Appalachian Regional Commission (gross)		BA	**78**	**71**	**66**	**67**	**69**	**70**	**72**
		O	95	109	94	78	84	84	80
Offsetting collections from non-Federal sources			–1						
Total Appalachian Regional Commission (net)		BA	**77**	**71**	**66**	**67**	**69**	**70**	**72**
		O	94	109	94	78	84	84	80
Trust funds									
Miscellaneous trust funds:									
Appropriation, mandatory	452	BA	**6**	**6**	**6**	**6**	**6**	**6**	**6**
Outlays		O	6	6	5	5	5	5	5
Summary									
Federal funds:									
(As shown in detail above)		BA	**77**	**71**	**66**	**67**	**69**	**70**	**72**
		O	94	109	94	78	84	84	80
Trust funds:									
(As shown in detail above)		BA	**6**	**6**	**6**	**6**	**6**	**6**	**6**
		O	6	6	5	5	5	5	5
Deductions for offsetting receipts:									
Proprietary receipts from the public	452	BA/O	*–3*	*–3*	*–3*	*–3*	*–3*	*–3*	*–3*
Total Trust funds		BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
		O	3	3	2	2	2	2	2
Interfund transactions	452	BA/O	*–3*	*–3*	*–3*	*–3*	*–3*	*–3*	*–3*
Total Appalachian Regional Commission		BA	**77**	**71**	**66**	**67**	**69**	**70**	**72**
		O	94	109	93	77	83	83	79
Architectural and Transportation Barriers Compliance Board									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	751	BA	**5**	**5**	**5**	**5**	**5**	**5**	**5**
Outlays		O	5	6	6	6	6	6	6
Barry Goldwater Scholarship and Excellence in Education Foundation									
Trust funds									
Barry Goldwater Scholarship and Excellence in Education Foundation:									
Appropriation, mandatory	502	BA	**4**	**4**	**4**	**4**	**4**	**4**	**4**
Outlays		O	3	3	3	3	3	3	3
Broadcasting Board of Governors									
Federal funds									
General and Special Funds:									
International broadcasting operations:									
Appropriation, discretionary	154	BA	**414**	**446**	**478**	**488**	**498**	**510**	**522**
Spending authority from offsetting collections, discretionary		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	398	478	494	486	497	509	521
International broadcasting operations (gross)		BA	**415**	**447**	**479**	**489**	**499**	**511**	**523**
		O	398	478	494	486	497	509	521
Offsetting collections from Federal sources			–1	–1	–1	–1	–1	–1	–1
Total International broadcasting operations (net)		BA	**414**	**446**	**478**	**488**	**498**	**510**	**522**
		O	397	477	493	485	496	508	520
Broadcasting capital improvements:									
Appropriation, discretionary	154	BA	**24**	**36**	**14**	**14**	**15**	**15**	**15**
Outlays		O	19	52	40	18	15	14	15
Broadcasting to Cuba:									
Appropriation, discretionary	154	BA	**23**	**26**	**26**	**27**	**27**	**28**	**28**

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	25	31	26	27	27	28	28
Trust funds									
Foreign Service national separation liability trust fund:									
Outlays	602	O	–1						
Foreign Service national separation liability trust fund (gross)		O	–1						
Change in uncollected customer payments from Federal sources		BA	**1**						
Offsetting collections from non-Federal sources			–1						
Total Foreign Service national separation liability trust fund (net)		BA							
		O	–2						
Total Federal funds Broadcasting Board of Governors		BA	**461**	**508**	**518**	**529**	**540**	**553**	**565**
		O	441	560	559	530	538	550	563
Total Trust funds Broadcasting Board of Governors		BA							
		O	–2						

Central Intelligence Agency

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Payment to Central Intelligence Agency retirement and disability system fund:									
Appropriation, mandatory	054	BA	**216**	**212**	**351**	**351**	**351**	**351**	**351**
Outlays		O	216	212	351	351	351	351	351

Chemical Safety and Hazard Investigtion Board

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Chemical Safety and Hazard Investigation Board:									
Appropriation, discretionary	304	BA	**8**	**8**	**8**	**8**	**8**	**9**	**9**
Outlays		O	7	9	8	8	8	9	9

Christopher Columbus Fellowship Foundation

Trust funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
Christopher Columbus Fellowship Foundation:									
Appropriation, mandatory	502	BA		**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	1	1	1				

Commission of Fine Arts

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	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, discretionary	503	BA	**7**	**7**	**7**	**7**	**7**	**7**	**8**
Outlays		O	7	7	7	7	7	7	8
Total Federal funds Commission of Fine Arts		BA	**8**	**8**	**8**	**8**	**8**	**8**	**9**
		O	8	8	8	8	8	8	9

Commission on Civil Rights

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	751	BA	**9**	**9**	**9**	**9**	**9**	**10**	**10**
Outlays		O	8	9	9	9	9	9	10

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Commission on Ocean Policy

Federal funds

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	306	BA	**1**	**3**	....	....	....	....	....
Outlays		O	....	5	....	....	....	....	....

Committee for Purchase from People who are Blind or Severely Disabled, activities

Federal funds

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	505	BA	**4**	**5**	**5**	**5**	**5**	**5**	**5**
Outlays		O	4	4	5	5	6	6	6

Commodity Futures Trading Commission

Federal funds

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
General and Special Funds:									
Commodity Futures Trading Commission:									
Appropriation, discretionary	376	BA	**71**	**91**	**83**	**85**	**86**	**88**	**90**
					[J] –33	**[J] –70**	**[J] –73**	**[J] –78**	**[J] –83**
Spending authority from offsetting collections, discretionary		BA			**[J] 33**	**[J] 70**	**[J] 73**	**[J] 78**	**[J] 83**
Outlays		O	68	92	82	85	86	88	91
Commodity Futures Trading Commission (gross)		BA	**71**	**91**	**83**	**85**	**86**	**88**	**90**
		O	68	92	82	85	86	88	91
Offsetting collections from non-Federal sources					[J] –33	[J] –70	[J] –73	[J] –78	[J] –83
Total Commodity Futures Trading Commission (net)		BA	**71**	**91**	**50**	**15**	**13**	**10**	**7**
		O	68	92	49	15	13	10	8

Consumer Product Safety Commission

Federal funds

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	554	BA	**55**	**58**	**60**	**61**	**62**	**64**	**65**
Spending authority from offsetting collections, discretionary		BA	**3**	**4**	**4**	**4**	**4**	**4**	**4**
Outlays		O	58	62	64	65	66	68	69
Salaries and expenses (gross)		BA	**58**	**62**	**64**	**65**	**66**	**68**	**69**
		O	58	62	64	65	66	68	69
Offsetting collections from Federal sources			–3	–4	–4	–4	–4	–4	–4
Total Salaries and expenses (net)		BA	**55**	**58**	**60**	**61**	**62**	**64**	**65**
		O	55	58	60	61	62	64	65

Corporation for National and Community Service

Federal funds

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
General and Special Funds:									
National and community service programs, operating expenses:									
Appropriation, discretionary	506	BA	**460**	**404**	**633**	**646**	**661**	**676**	**692**
Outlays		O	454	433	518	675	760	654	674
Domestic volunteer service programs, operating expenses:									
Appropriation, discretionary	506	BA	**305**	**330**	**397**	**405**	**414**	**424**	**434**
Spending authority from offsetting collections, discretionary		BA	**6**	**6**	**6**	**6**	**6**	**6**	**7**
Outlays		O	292	332	385	384	422	435	446
Domestic volunteer service programs, operating expenses (gross)		BA	**311**	**336**	**403**	**411**	**420**	**430**	**441**
		O	292	332	385	384	422	435	446
Offsetting collections from Federal sources			–2	–2	–2	–2	–2	–2	–2
Offsetting collections from non-Federal sources			–4	–4	–4	–4	–4	–4	–4
Total Domestic volunteer service programs, operating expenses (net)		BA	**305**	**330**	**397**	**405**	**414**	**424**	**435**
		O	286	326	379	378	416	429	440

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Inspector general:									
Appropriation, discretionary	506	BA	**5**	**5**	**5**	**5**	**5**	**5**	**5**
Outlays		O	5	6	5	5	5	5	5
	Trust funds								
Gifts and contributions:									
Appropriation, discretionary	506	BA	**40**	....	**57**	**58**	**59**	**61**	**62**
Appropriation, mandatory		BA	**22**	**16**	**16**	**12**	**11**	**8**	**7**
Outlays		O	84	75	80	96	54	57	68
Total Gifts and contributions		BA	**62**	**16**	**73**	**70**	**70**	**69**	**69**
		O	84	75	80	96	54	57	68
Summary									
Federal funds:									
(As shown in detail above)		BA	**770**	**739**	**1,035**	**1,056**	**1,080**	**1,105**	**1,132**
		O	745	765	902	1,058	1,181	1,088	1,119
Trust funds:									
(As shown in detail above)		BA	**62**	**16**	**73**	**70**	**70**	**69**	**69**
		O	84	75	80	96	54	57	68
Interfund transactions	506	BA/O	*–70*	....	*–57*	*–57*	*–57*	*–57*	*–57*
Total Corporation for National and Community Service		BA	**762**	**755**	**1,051**	**1,069**	**1,093**	**1,117**	**1,144**
		O	759	840	925	1,097	1,178	1,088	1,130

Corporation for Public Broadcasting

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Corporation for Public Broadcasting:									
Appropriation, discretionary	503	BA	**20**	**25**	**25**	**26**	**406**	**416**	**425**
Advance appropriation, discretionary		BA	**340**	**350**	**365**	**380**	....	....	....
Outlays		O	360	375	390	406	406	416	425
Total Corporation for Public Broadcasting		BA	**360**	**375**	**390**	**406**	**406**	**416**	**425**
		O	360	375	390	406	406	416	425

Court of Appeals for Veterans Claims

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	705	BA	**12**	**13**	**15**	**15**	**16**	**16**	**16**
Outlays		O	11	13	15	17	17	17	18

Court Services and Offender Supervision Agency for the District of Columbia

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Federal payment to Court Services and Offender Supervision Agency for the District of Columbia:									
Appropriation, discretionary	752	BA	**118**	**153**	**162**	**165**	**169**	**173**	**176**
Outlays		O	119	146	160	165	168	171	176

Defense Nuclear Facilities Safety Board

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	053	BA	**18**	**18**	**19**	**19**	**20**	**20**	**21**
Outlays		O	18	18	19	20	20	20	20

Delta Regional Authority

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Delta regional authority:									
Appropriation, discretionary	452	BA	**20**	**10**	**10**	**10**	**10**	**11**	**11**

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O		1	9	9	11	11	10

Denali Commission

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Denali Commission:									
Appropriation, discretionary	452	BA	**30**	**38**	**30**	**31**	**31**	**32**	**33**
Spending authority from offsetting collections, discretionary		BA	**25**	**53**					
Outlays		O	11	90	77	76	31	31	33
Denali Commission (gross)		BA	**55**	**91**	**30**	**31**	**31**	**32**	**33**
		O	11	90	77	76	31	31	33
Offsetting collections from Federal sources			–25	–53					
Total Denali Commission (net)		BA	**30**	**38**	**30**	**31**	**31**	**32**	**33**
		O	–14	37	77	76	31	31	33

Trust funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
Denali Commission trust fund:									
Appropriation, discretionary	452	BA	**11**	**11**	**11**	**11**	**11**	**12**	**12**
Outlays		O		11	11	11	11	12	12

District of Columbia

District of Columbia Courts

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Federal payment to the District of Columbia courts:									
Appropriation, discretionary	806	BA	**105**	**112**	**159**	**162**	**166**	**170**	**174**
Outlays		O	95	112	154	161	166	169	174
Defender services in District of Columbia courts:									
Appropriation, discretionary	806	BA	**34**	**34**	**32**	**33**	**33**	**34**	**35**
Outlays		O	28	34	32	32	33	34	34
Federal payment for family court act:									
Appropriation, discretionary	806	BA		**24**					
Outlays		O		21	3				
Crime victims compensation fund:									
Appropriation, discretionary	806	BA	**18**						
Outlays		O		18					
Federal payment to the District of Columbia judicial retirement and survivors annuity fund:									
Appropriation, mandatory	752	BA	**5**	**6**	**6**	**6**	**6**	**6**	**7**
Outlays		O	5	6	6	6	6	6	7

Trust funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
District of Columbia judicial retirement and survivors annuity fund:									
Appropriation, mandatory	602	BA	**10**	**11**	**11**	**11**	**12**	**13**	**13**
Outlays		O	6	7	7	7	7	7	8

Summary

Account			2001 actual	2002	2003	2004	2005	2006	2007
Federal funds:									
(As shown in detail above)		BA	**162**	**176**	**197**	**201**	**205**	**210**	**216**
		O	128	191	195	199	205	209	215
Trust funds:									
(As shown in detail above)		BA	**10**	**11**	**11**	**11**	**12**	**13**	**13**
		O	6	7	7	7	7	7	8
Interfund transactions	752	BA/O	*–5*	*–6*	*–6*	*–6*	*–6*	*–6*	*–7*
Total District of Columbia Courts		BA	**167**	**181**	**202**	**206**	**211**	**217**	**222**
		O	129	192	196	200	206	210	216

District of Columbia Corrections

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Payment to the District of Columbia corrections trustee, operations:									
Appropriation, discretionary	806	BA	**134**	**30**					

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	144	69					
District of Columbia General and Special Payments									
Federal funds									
General and Special Funds:									
Federal payment for resident tuition support:									
Appropriation, discretionary	502	BA	**17**	**17**	**17**	**17**	**18**	**18**	**19**
Outlays		O	17	17	17	17	18	18	19
Federal support for economic development and management reforms in the District:									
Appropriation, discretionary	806	BA	**49**	**31**	**1**	**1**	**1**	**1**	**1**
Outlays		O	22	56	1	1	1	1	1
Federal payment for emergency planning and security cost in the District of Columbia:									
Appropriation, discretionary	806	BA		**216**	**15**	**15**	**16**	**16**	**16**
Outlays		O		216	15	15	16	16	16
Federal payment to the federal supplemental District of Columbia pension fund:									
Appropriation, mandatory	601	BA	**197**	**252**	**252**	**252**	**252**	**252**	**252**
Outlays		O	197	252	252	252	252	252	252
Federal supplemental District of Columbia pension fund:									
Appropriation, mandatory	601	BA							
Outlays		O							
Intragovernmental Funds:									
Federal payment for water and sewer services:									
Spending authority from offsetting collections, mandatory	806	BA	**58**	**30**	**30**	**30**	**30**	**30**	**30**
Outlays		O	95	30	30	30	30	30	30
Federal payment for water and sewer services (gross)		BA	**58**	**30**	**30**	**30**	**30**	**30**	**30**
		O	95	30	30	30	30	30	30
Change in uncollected customer payments from Federal sources		BA	**26**						
Offsetting collections from Federal sources			–84	–30	–30	–30	–30	–30	–30
Total Federal payment for water and sewer services (net)		BA							
		O	11						
Trust funds									
District of Columbia Federal pension liability trust fund:									
Appropriation, mandatory	601	BA	**438**	**464**	**473**	**484**	**495**	**505**	**514**
Spending authority from offsetting collections, mandatory		BA	**4**						
Outlays		O	434	464	473	484	495	505	514
District of Columbia Federal pension liability trust fund (gross)		BA	**442**	**464**	**473**	**484**	**495**	**505**	**514**
		O	434	464	473	484	495	505	514
Offsetting collections from Federal sources			–4						
Total District of Columbia Federal pension liability trust fund (net)		BA	**438**	**464**	**473**	**484**	**495**	**505**	**514**
		O	430	464	473	484	495	505	514
Summary									
Federal funds:									
(As shown in detail above)		BA	**263**	**516**	**285**	**285**	**287**	**287**	**288**
		O	247	541	285	285	287	287	288
Deductions for offsetting receipts:									
Intrafund transactions	601	BA/O	*–197*	*–252*	*–252*	*–252*	*–252*	*–252*	*–252*
	908	BA/O	*–40*	*–67*	*–86*	*–106*	*–128*	*–150*	*–174*
Total Federal funds		BA	**26**	**197**	**–53**	**–73**	**–93**	**–115**	**–138**
		O	10	222	–53	–73	–93	–115	–138

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Trust funds:									
(As shown in detail above)		BA	**438**	**464**	**473**	**484**	**495**	**505**	**514**
		O	430	464	473	484	495	505	514
Total District of Columbia General and Special Payments		BA	**464**	**661**	**420**	**411**	**402**	**390**	**376**
		O	440	686	420	411	402	390	376
Total Federal funds District of Columbia		BA	**322**	**403**	**144**	**128**	**112**	**95**	**78**
		O	282	482	142	126	112	94	77
Total Trust funds District of Columbia		BA	**448**	**475**	**484**	**495**	**507**	**518**	**527**
		O	436	471	480	491	502	512	522
Interfund transactions	752	BA/O	*–5*	*–6*	*–6*	*–6*	*–6*	*–6*	*–7*
Total District of Columbia		BA	**765**	**872**	**622**	**617**	**613**	**607**	**598**
		O	713	947	616	611	608	600	592

Equal Employment Opportunity Commission

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	751	BA	**317**	**326**	**324**	**330**	**337**	**345**	**353**
Outlays		O	306	331	324	329	337	344	352
Intragovernmental Funds:									
Education, technical assistance and training revolving fund:									
Spending authority from offsetting collections, mandatory	751	BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	3	3	3	3	3	3	3
Education, technical assistance and training revolving fund (gross)		BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
		O	3	3	3	3	3	3	3
Offsetting collections from non-Federal sources			–3	–3	–3	–3	–3	–3	–3
Total Education, technical assistance and training revolving fund (net)		BA	....	....	....	....	....	....	....
		O	....	....	....	....	....	....	....
Total Federal funds Equal Employment Opportunity Commission		BA	**317**	**326**	**324**	**330**	**337**	**345**	**353**
		O	306	331	324	329	337	344	352

Export-Import Bank of the United States

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Operating expenses of the Export-Import Bank, Overseas private investment corporation, and Trade and development agency office o:									
Appropriation, discretionary	155	BA			[J] **2**	[J] **2**	[J] **2**	[J] **2**	[J] **2**
Outlays		O			[J] 2	[J] 2	[J] 2	[J] 2	[J] 2
Credit Accounts:									
Export-Import Bank loans program account:									
Appropriation, discretionary	155	BA	**928**	**792**	**611**	**623**	**638**	**653**	**667**
Appropriation, mandatory		BA	**919**	**441**	....	....	....	....	....
Spending authority from offsetting collections, discretionary		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	1,656	1,046	665	607	662	680	691
Export-Import Bank loans program account (gross)		BA	**1,848**	**1,234**	**612**	**624**	**639**	**654**	**668**
		O	1,656	1,046	665	607	662	680	691
Offsetting collections from non-Federal sources			–1	–1	–1	–1	–1	–1	–1
Total Export-Import Bank loans program account (net)		BA	**1,847**	**1,233**	**611**	**623**	**638**	**653**	**667**
		O	1,655	1,045	664	606	661	679	690
Export-Import Bank of the United States liquidating account:									
Spending authority from offsetting collections, mandatory	155	BA	**519**	**420**	**344**	**328**	**320**	**283**	**254**
Outlays		O	32	7	13	31	23	22	....
Export-Import Bank of the United States liquidating account (gross)		BA	**519**	**420**	**344**	**328**	**320**	**283**	**254**
		O	32	7	13	31	23	22	....
Offsetting collections from interest on Federal securities			–24	....	....	....	....	....	....

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Offsetting collections from non-Federal sources			–495	–420	–344	–328	–320	–283	–254
Total Export-Import Bank of the United States liquidating account (net)		BA	....	....	....	....	....	....	....
		O	–487	–413	–331	–297	–297	–261	–254
Summary									
Federal funds:									
(As shown in detail above)		BA	**1,847**	**1,233**	**613**	**625**	**640**	**655**	**669**
		O	1,168	632	335	311	366	420	438
Deductions for offsetting receipts:									
Proprietary receipts from the public	155	BA/O	*–2,915*	*–833*	*–13*	*–13*	*–13*	*–13*	*–13*
Total Export-Import Bank of the United States		BA	**–1,068**	**400**	**600**	**612**	**627**	**642**	**656**
		O	–1,747	–201	322	298	353	407	425
Farm Credit Administration									
Federal funds									
Public Enterprise Funds:									
Revolving fund for administrative expenses:									
Spending authority from offsetting collections, mandatory	351	BA	**40**	**41**	**41**	**42**	**43**	**44**	**45**
Outlays		O	38	40	40	42	43	44	45
Limitation on administrative expenses			(39)	(39)	(40)	(41)	(42)	(43)	(44)
Revolving fund for administrative expenses (gross)		BA	**40**	**41**	**41**	**42**	**43**	**44**	**45**
		O	38	40	40	42	43	44	45
Offsetting collections from Federal sources			–1	–1	–1	....	....	....	....
Offsetting collections from interest on Federal securities			–1	–1	–1	....	....	....	....
Offsetting collections from non-Federal sources			–38	–39	–39	–42	–43	–44	–45
Total Revolving fund for administrative expenses (net)		BA	....	....	....	....	....	....	....
		O	–2	–1	–1	....	....	....	....
Farm Credit System Financial Assistance Corporation									
Federal funds									
Credit Accounts:									
Financial Assistance Corporation assistance fund liquidating account:									
Spending authority from offsetting collections, mandatory	351	BA	**140**	**144**	**164**	**73**	**66**	....	....
Outlays		O	71	71	71	29	29	....	....
Financial Assistance Corporation assistance fund liquidating account (gross)		BA	**140**	**144**	**164**	**73**	**66**	....	....
		O	71	71	71	29	29	....	....
Offsetting collections from interest on Federal securities			–53	–57	–53	–44	–38	....	....
Offsetting collections from non-Federal sources			–87	–87	–111	–29	–28	....	....
Total Financial Assistance Corporation assistance fund liquidating account (net)		BA	....	....	....	....	....	....	....
		O	–69	–73	–93	–44	–37	....	....
Trust funds									
Financial assistance corporation trust fund:									
Appropriation, mandatory	351	BA	**8**	**8**	**7**	**5**	**3**	....	....
Farm Credit System Insurance Corporation									
Federal funds									
Public Enterprise Funds:									
Farm credit system insurance fund:									
Spending authority from offsetting collections, mandatory	351	BA	**78**	**102**	**119**	**109**	**116**	**112**	**119**
Outlays		O	2	2	2	2	2	2	2
Farm credit system insurance fund (gross)		BA	**78**	**102**	**119**	**109**	**116**	**112**	**119**
		O	2	2	2	2	2	2	2
Change in uncollected customer payments from Federal sources		BA	**5**	....	....	....	....	....	....
Offsetting collections from interest on Federal securities			–82	–102	–102	–109	–116	–112	–119

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Offsetting collections from non-Federal sources			–1	....	–17	–18	–18	–19	–20
Total Farm credit system insurance fund (net)		BA	....	....	....	**–18**	**–18**	**–19**	**–20**
		O	–81	–100	–117	–125	–132	–129	–137
Federal Communications Commission									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	376	BA	**31**	**27**	**30**	**31**	**31**	**32**	**33**
Spending authority from offsetting collections, discretionary		BA	**284**	**288**	**309**	**315**	**322**	**329**	**336**
Outlays		O	296	324	349	355	363	371	369
Salaries and expenses (gross)		BA	**315**	**315**	**339**	**346**	**353**	**361**	**369**
		O	296	324	349	355	363	371	369
Offsetting collections from Federal sources			–1	–1	–1	–1	–1	–1	–1
Offsetting collections from non-Federal sources			–75	–60	–60	–61	–63	–64	–65
Offsetting governmental collections (from non-Federal sources)			–208	–227	–248	–253	–258	–264	–270
Total Salaries and expenses (net)		BA	**31**	**27**	**30**	**31**	**31**	**32**	**33**
		O	12	36	40	40	41	42	33
Universal service fund:									
Appropriation, mandatory	376	BA	**5,290**	**5,801**	**6,523**	**6,703**	**6,832**	**6,970**	**7,114**
Outlays		O	4,947	5,490	6,510	6,805	7,133	7,271	7,114
Credit Accounts:									
Spectrum auction program account:									
Appropriation, mandatory	376	BA	**11,577**	**144**	**12**	**12**	**12**	**12**	**12**
Outlays		O	11,595	147	12	12	12	12	12
Spectrum auction program account (gross)		BA	**11,577**	**144**	**12**	**12**	**12**	**12**	**12**
		O	11,595	147	12	12	12	12	12
Offsetting collections from Federal sources			–12,429	–3	....	....	....	....	....
Total Spectrum auction program account (net)		BA	**–852**	**141**	**12**	**12**	**12**	**12**	**12**
		O	–834	144	12	12	12	12	12
Summary									
Federal funds:									
(As shown in detail above)		BA	**4,469**	**5,969**	**6,565**	**6,746**	**6,875**	**7,014**	**7,159**
		O	4,125	5,670	6,562	6,857	7,186	7,325	7,159
Deductions for offsetting receipts:									
Proprietary receipts from the public	376	BA/O	*–25*	*–25*	*–25*	*–25*	*–25*	*–25*	*–25*
Total Federal Communications Commission		BA	**4,444**	**5,944**	**6,540**	**6,721**	**6,850**	**6,989**	**7,134**
		O	4,100	5,645	6,537	6,832	7,161	7,300	7,134
Federal Deposit Insurance Corporation									
Bank Insurance									
Federal funds									
Public Enterprise Funds:									
Bank insurance fund:									
Spending authority from offsetting collections, mandatory	373	BA	**2,632**	**2,471**	**4,549**	**7,027**	**8,150**	**8,674**	**9,069**
Outlays		O	1,317	2,469	6,426	7,393	8,064	8,528	9,026
Bank insurance fund (gross)		BA	**2,632**	**2,471**	**4,549**	**7,027**	**8,150**	**8,674**	**9,069**
		O	1,317	2,469	6,426	7,393	8,064	8,528	9,026
Offsetting collections from interest on Federal securities			–2,046	–1,951	–1,431	–1,454	–1,479	–1,514	–1,531
Offsetting collections from non-Federal sources			–612	–546	–3,143	–5,599	–6,697	–7,186	–7,564
Total Bank insurance fund (net)		BA	**–26**	**–26**	**–25**	**–26**	**–26**	**–26**	**–26**
		O	–1,341	–28	1,852	340	–112	–172	–69
Savings association insurance fund:									
Spending authority from offsetting collections, mandatory	373	BA	**853**	**1,481**	**1,313**	**1,538**	**1,701**	**1,805**	**1,845**

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	956	1,981	1,164	1,868	2,023	2,029	1,930
Savings association insurance fund (gross)		BA	**853**	**1,481**	**1,313**	**1,538**	**1,701**	**1,805**	**1,845**
		O	956	1,981	1,164	1,868	2,023	2,029	1,930
Offsetting collections from interest on Federal securities			–749	–632	–424	–451	–449	–444	–440
Offsetting collections from non-Federal sources			–108	–853	–892	–1,090	–1,255	–1,364	–1,408
Total Savings association insurance fund (net)		BA	**–4**	**–4**	**–3**	**–3**	**–3**	**–3**	**–3**
		O	99	496	–152	327	319	221	82
FSLIC resolution fund:									
Spending authority from offsetting collections, mandatory	373	BA	**1,808**	**1,353**	**393**	**338**	**424**	**282**	**167**
Outlays		O	1,836	1,557	403	256	230	144	11
FSLIC resolution fund (gross)		BA	**1,808**	**1,353**	**393**	**338**	**424**	**282**	**167**
		O	1,836	1,557	403	256	230	144	11
Offsetting collections from interest on Federal securities			–124	–114	–129	–140	–154	–147	–157
Offsetting collections from non-Federal sources			–1,688	–1,243	–267	–201	–273	–138	–13
Total FSLIC resolution fund (net)		BA	**–4**	**–4**	**–3**	**–3**	**–3**	**–3**	**–3**
		O	24	200	7	–85	–197	–141	–159
Intragovernmental Funds:									
Office of Inspector General:									
Spending authority from offsetting collections, mandatory	373	BA	**34**	**34**	**31**	**37**	**38**	**39**	**40**
Outlays		O	30	34	31	32	33	34	35
Total Federal funds Bank Insurance		BA	....	....	....	**5**	**6**	**7**	**8**
		O	–1,188	702	1,738	614	43	–58	–111

Federal Drug Control Programs

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
High-intensity drug trafficking areas program:									
Appropriation, discretionary	754	BA	**171**	**226**	**206**	**210**	**215**	**220**	**225**
Outlays		O	136	182	218	225	212	215	220
Special forfeiture fund:									
Appropriation, discretionary	802	BA	**223**	**240**	**251**	**256**	**262**	**268**	**274**
Outlays		O	204	233	243	274	258	263	269
Counterdrug Technology Assessment Center:									
Appropriation, discretionary	754	BA	**36**	**42**	**40**	**41**	**42**	**43**	**44**
Outlays		O	36	42	40	41	42	43	44
Total Federal funds Federal Drug Control Programs		BA	**430**	**508**	**497**	**507**	**519**	**531**	**543**
		O	376	457	501	540	512	521	533

Federal Election Commission

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	808	BA	**41**	**46**	**47**	**48**	**49**	**50**	**51**
Outlays		O	42	47	47	48	49	50	52

Federal Financial Institutions Examination Council Appraisal Subcommittee

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Registry fees:									
Appropriation, mandatory	376	BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	2	2	2	2	2	2	2

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Federal Housing Finance Board									
Federal funds									
Public Enterprise Funds:									
Federal housing finance board:									
Spending authority from offsetting collections, mandatory	371	BA	**22**	**26**	**28**	**29**	**30**	**31**	**32**
Outlays		O	19	30	28	29	30	31	32
Federal housing finance board (gross)		BA	**22**	**26**	**28**	**29**	**30**	**31**	**32**
		O	19	30	28	29	30	31	32
Offsetting collections from non-Federal sources			–22	–26	–28	–29	–30	–31	–32
Total Federal housing finance board (net)		BA	....	....	....	....	....	....	....
		O	–3	4	....	....	....	....	....
Federal Labor Relations Authority									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	805	BA	**26**	**29**	**31**	**32**	**32**	**33**	**34**
Outlays		O	26	29	31	31	32	32	33
Federal Maritime Commission									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	403	BA	**16**	**17**	**18**	**18**	**19**	**19**	**20**
Outlays		O	16	18	18	18	19	19	19
Federal Mediation and Conciliation Service									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	505	BA	**39**	**41**	**42**	**43**	**44**	**45**	**46**
Spending authority from offsetting collections, discretionary		BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	41	44	44	45	46	47	48
Salaries and expenses (gross)		BA	**41**	**43**	**44**	**45**	**46**	**47**	**48**
		O	41	44	44	45	46	47	48
Offsetting collections from Federal sources			–1	–1	–1	–1	–1	–1	–1
Offsetting collections from non-Federal sources			–1	–1	–1	–1	–1	–1	–1
Total Salaries and expenses (net)		BA	**39**	**41**	**42**	**43**	**44**	**45**	**46**
		O	39	42	42	43	44	45	46
Federal Mine Safety and Health Review Commission									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	554	BA	**6**	**7**	**7**	**7**	**7**	**7**	**8**
Outlays		O	6	7	7	7	7	7	8
Federal Retirement Thrift Investment Board									
Federal funds									
General and Special Funds:									
Program expenses:									
Appropriation, mandatory	602	BA	**79**	**114**	**87**	**88**	**89**	**90**	**91**
Outlays		O	92	114	87	88	89	90	91

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Summary									
Federal funds:									
(As shown in detail above)		BA	79	114	87	88	89	90	91
		O	92	114	87	88	89	90	91
Deductions for offsetting receipts:									
Proprietary receipts from the public	602	BA/O	*–76*	*–111*	*–87*	*–88*	*–89*	*–90*	*–91*
Total Federal Retirement Thrift Investment Board		BA	3	3					
		O	16	3					
Federal Trade Commission									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	376	BA	59						
Spending authority from offsetting collections, discretionary		BA	94	162	178	179	186	191	197
Outlays		O	139	164	177	179	186	190	197
Salaries and expenses (gross)		BA	153	162	178	179	186	191	197
		O	139	164	177	179	186	190	197
Offsetting collections from Federal sources			–1	–1	–1	–1	–1	–1	–1
Offsetting collections from non-Federal sources			–91	–163	–178	–182	–187	–192	–197
Total Salaries and expenses (net)		BA	61	–2	–1	–4	–2	–2	–1
		O	47		–2	–4	–2	–3	–1
Harry S. Truman Scholarship Foundation									
Trust funds									
Harry S. Truman memorial scholarship trust fund:									
Appropriation, mandatory	502	BA	4	4	4	4	4	4	4
Outlays		O	1	4	3	3	3	3	3
Institute of American Indian and Alaska Native Culture and Arts Development									
Federal funds									
General and Special Funds:									
Payment to the institute:									
Appropriation, discretionary	502	BA	4	4	5	5	5	5	5
Outlays		O	4	4	5	5	5	5	5
Intelligence Community Management Account									
Federal funds									
General and Special Funds:									
Intelligence community management account:									
Appropriation, discretionary	054	BA	118	121	117	119	122	125	128
Outlays		O	114	141	135	109	118	123	125
International Trade Commission									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	153	BA	50	53	56	57	58	60	61
Outlays		O	49	53	56	57	58	59	60
James Madison Memorial Fellowship Foundation									
Trust funds									
James Madison Memorial Fellowship trust fund:									
Appropriation, mandatory	502	BA	3	2	3	3	3	3	3
Outlays		O	2	2	2	3	2	2	2
Japan-United States Friendship Commission									
Trust funds									
Japan-United States Friendship trust fund:									
Appropriation, mandatory	154	BA	3	3	3	3	3	3	3

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	3	3	3	3	3	3	3
Legal Services Corporation									
Federal funds									
General and Special Funds:									
Payment to Legal Services Corporation:									
Appropriation, discretionary	752	BA	**329**	**329**	**329**	**336**	**343**	**351**	**360**
Spending authority from offsetting collections, discretionary		BA	**1**						
Outlays		O	320	329	334	335	343	351	359
Payment to Legal Services Corporation (gross)		BA	**330**	**329**	**329**	**336**	**343**	**351**	**360**
		O	320	329	334	335	343	351	359
Offsetting collections from Federal sources			–1						
Total Payment to Legal Services Corporation (net)		BA	**329**	**329**	**329**	**336**	**343**	**351**	**360**
		O	319	329	334	335	343	351	359
Marine Mammal Commission									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	302	BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	1	2	2	2	2	2	2
Merit Systems Protection Board									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	805	BA	**31**	**33**	**33**	**34**	**34**	**35**	**36**
Spending authority from offsetting collections, discretionary		BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	29	38	36	37	38	38	39
Salaries and expenses (gross)		BA	**34**	**36**	**36**	**37**	**37**	**38**	**39**
		O	29	38	36	37	38	38	39
Offsetting collections from Federal sources			–3	–3	–3	–3	–3	–3	–3
Total Salaries and expenses (net)		BA	**31**	**33**	**33**	**34**	**34**	**35**	**36**
		O	26	35	33	34	35	35	36
Morris K. Udall Scholarship and Excellence in National Environmental Policy Foundation									
Federal funds									
General and Special Funds:									
Federal payment to Morris K. Udall Scholarship and Excellence in National Environmental Policy Foundation:									
Appropriation, discretionary	502	BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	2	2	2	2	2	2	2
Environmental dispute resolution fund:									
Appropriation, discretionary	306	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Appropriation, mandatory		BA	**1**	**2**	**2**	**2**	**2**	**2**	**2**
Spending authority from offsetting collections, discretionary		BA	**1**						
Outlays		O	4	2	2	2	2	2	2
Environmental dispute resolution fund (gross)		BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
		O	4	2	2	2	2	2	2
Offsetting collections from Federal sources			–1						
Total Environmental dispute resolution fund (net)		BA	**2**	**3**	**3**	**3**	**3**	**3**	**3**
		O	3	2	2	2	2	2	2
Trust funds									
Morris K. Udall Scholarship and Excellence in National Environmental Policy Foundation:									
Appropriation, mandatory	502	BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	2	2	2	2	2	2	2

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
Summary									
Federal funds:									
(As shown in detail above)		BA	**4**	**5**	**5**	**5**	**5**	**5**	**5**
		O	5	4	4	4	4	4	4
Deductions for offsetting receipts:									
Proprietary receipts from the public	306	BA/O	*–1*	*–2*	*–2*	*–2*	*–2*	*–2*	*–2*
Total Federal funds		BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
		O	4	2	2	2	2	2	2
Trust funds:									
(As shown in detail above)		BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
		O	2	2	2	2	2	2	2
Interfund transactions	502	BA/O	*–2*	*–2*	*–2*	*–2*	*–2*	*–2*	*–2*
Total Morris K. Udall Scholarship and Excellence in National Environmental Policy Foundation		BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
		O	4	2	2	2	2	2	2
National Archives and Records Administration									
Federal funds									
General and Special Funds:									
Operating expenses:									
Appropriation, discretionary	804	BA	**210**	**247**	**257**	**262**	**268**	**274**	**280**
Spending authority from offsetting collections, discretionary		BA	**7**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	202	284	245	265	270	276	282
Operating expenses (gross)		BA	**217**	**250**	**260**	**265**	**271**	**277**	**283**
		O	202	284	245	265	270	276	282
Change in uncollected customer payments from Federal sources		BA	**–1**						
Adjustment to uncollected customer payments from Federal sources		BA	**3**						
Offsetting collections from Federal sources			–9	–3	–3	–3	–3	–3	–3
Total Operating expenses (net)		BA	**210**	**247**	**257**	**262**	**268**	**274**	**280**
		O	193	281	242	262	267	273	279
Repairs and restoration:									
Appropriation, discretionary	804	BA	**102**	**40**	**10**	**10**	**10**	**11**	**11**
Outlays		O	21	86	52	11	11	11	11
National Historical Publications and Records Commission:									
Appropriation, discretionary	804	BA	**6**	**6**	**5**	**5**	**5**	**5**	**5**
Outlays		O	6	10	10	6	6	6	6
Intragovernmental Funds:									
Records center revolving fund:									
Spending authority from offsetting collections, discretionary	804	BA	**110**	**112**	**117**	**119**	**122**	**125**	**128**
Outlays		O	122	111	116	119	121	125	127
Records center revolving fund (gross)		BA	**110**	**112**	**117**	**119**	**122**	**125**	**128**
		O	122	111	116	119	121	125	127
Change in uncollected customer payments from Federal sources		BA	**13**						
Offsetting collections from Federal sources			–123	–112	–117	–119	–122	–125	–128
Total Records center revolving fund (net)		BA							
		O	–1	–1	–1		–1		–1
Trust funds									
National archives gift fund:									
Appropriation, mandatory	804	BA	**3**	**2**	**1**	**1**	**1**	**1**	**1**
Outlays		O	6	2	1				
National archives trust fund:									
Spending authority from offsetting collections, mandatory	804	BA	**16**	**16**	**15**	**16**	**17**	**17**	**17**
Outlays		O	16	17	16	16	17	17	17
National archives trust fund (gross)		BA	**16**	**16**	**15**	**16**	**17**	**17**	**17**
		O	16	17	16	16	17	17	17

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Offsetting collections from non-Federal sources			–16	–16	–15	–16	–17	–17	–17
Total National archives trust fund (net)		BA							
		O		1	1				
Total Federal funds National Archives and Records Administration		BA	**318**	**293**	**272**	**277**	**283**	**290**	**296**
		O	219	376	303	279	283	290	295
Total Trust funds National Archives and Records Administration		BA	**3**	**2**	**1**	**1**	**1**	**1**	**1**
		O	6	3	2				

National Capital Planning Commission

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	451	BA	**7**	**8**	**7**	**7**	**7**	**7**	**8**
Spending authority from offsetting collections, discretionary		BA	**1**						
Outlays		O	11	8	7	7	7	7	8
Salaries and expenses (gross)		BA	**8**	**8**	**7**	**7**	**7**	**7**	**8**
		O	11	8	7	7	7	7	8
Offsetting collections from Federal sources			–1						
Total Salaries and expenses (net)		BA	**7**	**8**	**7**	**7**	**7**	**7**	**8**
		O	10	8	7	7	7	7	8

National Commission on Libraries and Information Science

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	503	BA	**1**	**1**					
Outlays		O	–1	1					

National Council on Disability

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	506	BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	3	3	3	3	3	3	3

National Credit Union Administration

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
Public Enterprise Funds:									
Operating fund:									
Spending authority from offsetting collections, mandatory	373	BA	**100**	**150**	**149**	**155**	**160**	**165**	**170**
Outlays		O	100	150	149	155	160	165	170
Operating fund (gross)		BA	**100**	**150**	**149**	**155**	**160**	**165**	**170**
		O	100	150	149	155	160	165	170
Offsetting collections from Federal sources			–84	–100	–99	–87	–91	–94	–97
Offsetting collections from non-Federal sources			–16	–50	–50	–68	–69	–71	–73
Total Operating fund (net)		BA							
		O							
Credit union share insurance fund:									
Spending authority from offsetting collections, mandatory	373	BA	**612**	**562**	**578**	**645**	**722**	**743**	**778**
Outlays		O	412	109	212	434	491	502	560
Credit union share insurance fund (gross)		BA	**612**	**562**	**578**	**645**	**722**	**743**	**778**
		O	412	109	212	434	491	502	560
Offsetting collections from interest on Federal securities			–238	–248	–207	–222	–226	–231	–232

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Offsetting collections from non-Federal sources			–374	–314	–371	–423	–496	–512	–546
Total Credit union share insurance fund (net)		BA							
		O	–200	–453	–366	–211	–231	–241	–218
Central liquidity facility:									
Appropriation, discretionary	373	BA	1	1	1	1	1	1	1
Spending authority from offsetting collections, discretionary		BA	115	118	121	124	126	129	132
Outlays		O	115	119	121	124	126	129	132
Central liquidity facility (gross)		BA	116	119	122	125	127	130	133
		O	115	119	121	124	126	129	132
Offsetting collections from non-Federal sources			–115	–118	–121	–123	–126	–129	–131
Total Central liquidity facility (net)		BA	1	1	1	2	1	1	2
		O		1		1			1
Community development credit union revolving loan fund:									
Spending authority from offsetting collections, discretionary	373	BA	1	1	1	1	1	1	1
Spending authority from offsetting collections, mandatory		BA	3	3	4	3	3	3	3
Outlays		O	3	1	2	4	5	5	4
Community development credit union revolving loan fund (gross)		BA	4	4	5	4	4	4	4
		O	3	1	2	4	5	5	4
Offsetting collections from Federal sources			–1	–1	–1	–1	–1	–1	–1
Offsetting collections from non-Federal sources			–3	–3	–4	–3	–3	–3	–3
Total Community development credit union revolving loan fund (net)		BA							
		O	–1	–3	–3		1	1	
Total Federal funds National Credit Union Administration		BA	1	1	1	2	1	1	2
		O	–201	–455	–369	–210	–230	–240	–217

National Education Goals Panel

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
National Education Goals Panel:									
Appropriation, discretionary	503	BA	2						
Outlays		O	2	1					

National Endowment for the Arts

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
National Endowment for the Arts: grants and administration:									
Appropriation, discretionary	503	BA	99	99	100	102	104	107	109
Appropriation, mandatory		BA	1	1	1	1	1	1	1
Spending authority from offsetting collections, discretionary		BA	5	5	4	4	4	4	4
Outlays		O	108	108	107	106	111	114	116
National Endowment for the Arts (gross)		BA	105	105	105	107	109	112	114
		O	108	108	107	106	111	114	116
Offsetting collections from Federal sources			–5	–5	–4	–4	–4	–4	–4
Total National Endowment for the Arts (net)		BA	100	100	101	103	105	108	110
		O	103	103	103	102	107	110	112
Challenge America arts fund:									
Appropriation, discretionary	503	BA	7	17	17	17	18	18	19
Outlays		O	2	10	17	17	18	18	18
Total Federal funds National Endowment for the Arts		BA	107	117	118	120	123	126	129
		O	105	113	120	119	125	128	130

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
National Endowment for the Humanities									
Federal funds									
General and Special Funds:									
National Endowment for the Humanities: grants and administration:									
Appropriation, discretionary	503	BA	**121**	**126**	**127**	**130**	**133**	**136**	**139**
Appropriation, mandatory		BA	**2**	**1**	**1**	**1**	**1**	**1**	**1**
Spending authority from offsetting collections, discretionary		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	122	126	127	130	135	139	142
National Endowment for the Humanities (gross)		BA	**124**	**128**	**129**	**132**	**135**	**138**	**141**
		O	122	126	127	130	135	139	142
Offsetting collections from Federal sources			–1	–1	–1	–1	–1	–1	–1
Total National Endowment for the Humanities (net)		BA	**123**	**127**	**128**	**131**	**134**	**137**	**140**
		O	121	125	126	129	134	138	141
Institute of Museum and Library Services									
Federal funds									
General and Special Funds:									
Office of Museum Services: grants and administration:									
Appropriation, discretionary	503	BA	**25**	**27**	**29**	**30**	**30**	**31**	**32**
Outlays		O	24	36	36	35	30	31	32
Office of Library Services: grants and administration:									
Appropriation, discretionary	503	BA	**208**	**198**	**182**	**186**	**190**	**194**	**199**
Outlays		O	173	231	231	191	184	188	192
Total Federal funds Institute of Museum and Library Services		BA	**233**	**225**	**211**	**216**	**220**	**225**	**231**
		O	197	267	267	226	214	219	224
National Labor Relations Board									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	505	BA	**229**	**239**	**246**	**251**	**256**	**262**	**268**
Outlays		O	233	238	246	250	256	261	267
National Mediation Board									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	505	BA	**10**	**11**	**11**	**11**	**11**	**12**	**12**
Outlays		O	10	11	11	11	11	11	12
National Transportation Safety Board									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	407	BA	**66**	**72**	**73**	**74**	**76**	**78**	**80**
Outlays		O	66	73	73	74	76	77	79
National Veterans Business Development Corporation									
Federal funds									
General and Special Funds:									
National Veterans Business Development Corporation:									
Appropriation, discretionary	705	BA	....	**4**	**2**	**2**	**2**	**2**	**2**
Spending authority from offsetting collections, discretionary		BA	**4**	....	....	....	....	....	....
Outlays		O	4	4	2	2	2	2	2
National Veterans Business Development Corporation (gross)		BA	**4**	**4**	**2**	**2**	**2**	**2**	**2**
		O	4	4	2	2	2	2	2

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
Offsetting collections from Federal sources			–4	....	....	....	....	....	....
Total National Veterans Business Development Corporation (net)		BA	....	**4**	**2**	**2**	**2**	**2**	**2**
		O	....	4	2	2	2	2	2
Neighborhood Reinvestment Corporation									
Federal funds									
General and Special Funds:									
Payment to Neighborhood Reinvestment Corporation:									
Appropriation, discretionary	451	BA	**90**	**105**	**105**	**107**	**110**	**112**	**115**
Outlays		O	90	105	105	107	110	112	115
Nuclear Regulatory Commission									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	276	BA	**500**	**572**	**598**	**611**	**623**	**638**	**652**
Spending authority from offsetting collections, discretionary		BA	**4**	**6**	**6**	**6**	**6**	**6**	**7**
Outlays		O	499	558	598	614	626	640	655
Salaries and expenses (gross)		BA	**504**	**578**	**604**	**617**	**629**	**644**	**659**
		O	499	558	598	614	626	640	655
Offsetting collections from Federal sources			–4	–6	–6	–6	–6	–6	–7
Total Salaries and expenses (net)		BA	**500**	**572**	**598**	**611**	**623**	**638**	**652**
		O	495	552	592	608	620	634	648
Office of Inspector General:									
Appropriation, discretionary	276	BA	**6**	**6**	**7**	**7**	**7**	**7**	**8**
Outlays		O	6	6	8	7	7	7	7
Summary									
Federal funds:									
(As shown in detail above)		BA	**506**	**578**	**605**	**618**	**630**	**645**	**660**
		O	501	558	600	615	627	641	655
Deductions for offsetting receipts:									
Offsetting governmental receipts	276	BA/O	*–453*	*–479*	*–518*	*–523*	*–528*	*–545*	*–563*
Total Nuclear Regulatory Commission		BA	**53**	**99**	**87**	**95**	**102**	**100**	**97**
		O	48	79	82	92	99	96	92
Nuclear Waste Technical Review Board									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	271	BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	3	3	3	3	3	3	3
Occupational Safety and Health Review Commission									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	554	BA	**10**	**10**	**11**	**11**	**11**	**12**	**12**
Outlays		O	10	10	11	11	11	11	12
Office of Government Ethics									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	805	BA	**11**	**11**	**11**	**11**	**11**	**12**	**12**
Outlays		O	11	11	11	11	11	11	12

OTHER INDEPENDENT AGENCIES—Continued
(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Office of Navajo and Hopi Indian Relocation									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	808	BA	**15**	**15**	**15**	**15**	**16**	**16**	**16**
Outlays		O	12	19	16	15	15	16	16
Office of Special Counsel									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	805	BA	**12**	**13**	**13**	**13**	**14**	**14**	**14**
Outlays		O	13	14	13	13	13	14	14
Oklahoma City National Memorial Trust									
Federal funds									
Public Enterprise Funds:									
Oklahoma City National Memorial Trust:									
Spending authority from offsetting collections, discretionary	303	BA		**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O		1	1	1	1	1	1
Oklahoma City National Memorial Trust (gross)		BA		**1**	**1**	**1**	**1**	**1**	**1**
		O		1	1	1	1	1	1
Offsetting collections from non-Federal sources				–1	–1	–1	–1	–1	–1
Total Oklahoma City National Memorial Trust (net)		BA							
		O							
Other Commissions and Boards									
Federal funds									
General and Special Funds:									
Other commissions and boards:									
Appropriation, discretionary	808	BA	**2**						
Outlays		O	2						
Pacific Charter Commission									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	154	BA		**2**					
Outlays		O		2					
Panama Canal Commission									
Federal funds									
Public Enterprise Funds:									
Panama Canal revolving fund:									
Spending authority from offsetting collections, discretionary	403	BA	**2**						
Outlays		O	8	11					
Panama Canal revolving fund (gross)		BA	**2**						
		O	8	11					
Offsetting collections from non-Federal sources			–2						
Total Panama Canal revolving fund (net)		BA							
		O	6	11					
Panama Canal Commission dissolution fund:									
Spending authority from offsetting collections, mandatory	403	BA	**4**						

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	7						
Panama Canal Commission dissolution fund (gross)		BA	**4**						
		O	7						
Offsetting collections from Federal sources			–4						
Total Panama Canal Commission dissolution fund (net)		BA							
		O	3						
Total Federal funds Panama Canal Commission		BA							
		O	9	11					

Postal Service-Payments to the Postal Service

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Payment to Postal Service fund:									
Appropriation, discretionary	372	BA	**29**	**529**	**29**	**30**	**30**	**31**	**32**
Advance appropriation, discretionary		BA	**64**	**67**	**48**	**31**	**31**	**31**	**31**
Outlays		O	93	771	77	61	61	62	63
Total Payment to Postal Service fund		BA	**93**	**596**	**77**	**61**	**61**	**62**	**63**
		O	93	771	77	61	61	62	63

Postal Service

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
Public Enterprise Funds:									
Postal Service fund:									
Authority to borrow, mandatory	372	BA	**4,064**	**2,813**	**5,154**	**368**	**487**	**390**	**1,197**
Spending authority from offsetting collections, mandatory		BA	**65,869**	**69,499**	**74,840**	**76,946**	**79,176**	**81,196**	**83,216**
Outlays		O	68,171	71,514	73,392	77,645	79,008	80,301	82,422
Postal Service fund (gross)		BA	**69,933**	**72,312**	**79,994**	**77,314**	**79,663**	**81,586**	**84,413**
		O	68,171	71,514	73,392	77,645	79,008	80,301	82,422
Offsetting collections from Federal sources			–991	–1,701	–1,109	–1,146	–1,176	–1,196	–1,216
Offsetting collections from interest on Federal securities			–7	–4	–4	–4	–4	–4	–4
Offsetting collections from non-Federal sources			–64,871	–67,794	–73,727	–75,796	–77,996	–79,996	–81,996
Total Postal Service fund (net)		BA	**4,064**	**2,813**	**5,154**	**368**	**487**	**390**	**1,197**
		O	2,302	2,015	–1,448	699	–168	–895	–794

Presidio Trust

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
Intragovernmental Funds:									
Presidio Trust:									
Appropriation, discretionary	303	BA	**24**	**24**	**22**	**22**	**23**	**23**	**24**
Authority to borrow, discretionary		BA	**10**						
Spending authority from offsetting collections, discretionary		BA	**97**	**47**	**42**	**43**	**44**	**45**	**46**
Outlays		O	90	91	92	81	68	67	68
Presidio Trust (gross)		BA	**131**	**71**	**64**	**65**	**67**	**68**	**70**
		O	90	91	92	81	68	67	68
Change in uncollected customer payments from Federal sources		BA	**4**	**2**					
Offsetting collections from Federal sources			–63	–12	–10	–10	–10	–11	–11
Offsetting collections from non-Federal sources			–38	–37	–32	–33	–33	–34	–35
Total Presidio Trust (net)		BA	**34**	**24**	**22**	**22**	**24**	**23**	**24**
		O	–11	42	50	38	25	22	22

Railroad Retirement Board

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Federal windfall subsidy:									
Appropriation, discretionary	601	BA	**160**	**146**	**132**	**135**	**138**	**141**	**144**
Outlays		O	156	146	132	135	138	141	144

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Federal payments to the railroad retirement accounts:									
Appropriation, mandatory	601	BA	**327**	**337**	**354**	**368**	**381**	**393**	**410**
Outlays		O	327	337	354	368	381	393	410
Trust funds									
Railroad unemployment insurance trust fund:									
Appropriation, mandatory	603	BA	**93**	**102**	**101**	**103**	**102**	**100**	**98**
Spending authority from offsetting collections, mandatory		BA	**25**	**22**	**23**	**24**	**25**	**26**	**26**
Outlays		O	118	123	124	127	127	126	124
Railroad unemployment insurance trust fund (gross)		BA	**118**	**124**	**124**	**127**	**127**	**126**	**124**
		O	118	123	124	127	127	126	124
Offsetting collections from non-Federal sources			–25	–22	–23	–24	–25	–26	–26
Total Railroad unemployment insurance trust fund (net)		BA	**93**	**102**	**101**	**103**	**102**	**100**	**98**
		O	93	101	101	103	102	100	98
Rail industry pension fund:									
Appropriation, discretionary	601	BA	**107**	**110**	**110**	**112**	**114**	**117**	**120**
Appropriation, mandatory		BA	**2,993**	**3,227**	**3,150**				
Spending authority from offsetting collections, discretionary		BA	**5**	**5**	**5**	**5**	**5**	**5**	**5**
Outlays		O	3,079	3,342	3,531	117	120	122	125
Rail industry pension fund (gross)		BA	**3,105**	**3,342**	**3,265**	**117**	**119**	**122**	**125**
		O	3,079	3,342	3,531	117	120	122	125
Offsetting collections from Federal sources			–5	–5	–5	–5	–5	–5	–5
Total Rail industry pension fund (net)		BA	**3,100**	**3,337**	**3,260**	**112**	**114**	**117**	**120**
		O	3,074	3,337	3,526	112	115	117	120
National railroad retirement investment trust:									
Appropriation, mandatory	601	BA				**3,566**	**3,682**	**3,804**	**3,956**
Outlays		O				3,560	3,677	3,797	3,949
Supplemental annuity pension fund:									
Appropriation, mandatory	601	BA	**69**	**17**					
Outlays		O	69	23					
Railroad social security equivalent benefit account:									
Appropriation, mandatory	601	BA	**2,277**	**2,315**	**2,340**	**2,379**	**2,413**	**2,455**	**2,495**
Authority to borrow, mandatory		BA	**3,145**	**3,181**	**3,146**	**3,145**	**3,179**	**3,229**	**3,275**
Outlays		O	5,437	5,484	5,484	5,519	5,585	5,670	5,761
Total Railroad social security equivalent benefit account		BA	**5,422**	**5,496**	**5,486**	**5,524**	**5,592**	**5,684**	**5,770**
		O	5,437	5,484	5,484	5,519	5,585	5,670	5,761
Summary									
Federal funds:									
(As shown in detail above)		BA	**487**	**483**	**486**	**503**	**519**	**534**	**554**
		O	483	483	486	503	519	534	554
Trust funds:									
(As shown in detail above)		BA	**8,684**	**8,952**	**8,847**	**9,305**	**9,490**	**9,705**	**9,944**
		O	8,673	8,945	9,111	9,294	9,479	9,684	9,928
Deductions for offsetting receipts:									
Intrafund transactions	601	BA/O	*–3,283*	*–3,863*	*–3,854*	*–3,807*	*–3,808*	*–3,658*	*–3,911*
Proprietary receipts from the public	909	BA/O		*–374*	*–784*	*–802*	*–802*	*–810*	*–801*
Total Trust funds		BA	**5,401**	**4,715**	**4,209**	**4,696**	**4,880**	**5,237**	**5,232**
		O	5,390	4,708	4,473	4,685	4,869	5,216	5,216
Interfund transactions	601	BA/O	*–327*	*–337*	*–354*	*–368*	*–381*	*–393*	*–410*
Total Railroad Retirement Board		BA	**5,561**	**4,861**	**4,341**	**4,831**	**5,018**	**5,378**	**5,376**
		O	5,546	4,854	4,605	4,820	5,007	5,357	5,360

Securities and Exchange Commission

Federal funds

Account			2001 actual	2002	2003	2004	2005	2006	2007
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	376	BA		**–29**					
Spending authority from offsetting collections, discretionary		BA	**437**	**452**	**481**	**491**	**501**	**513**	**525**

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Outlays		O	419	451	477	489	500	511	523
Salaries and expenses (gross)		BA	**437**	**423**	**481**	**491**	**501**	**513**	**525**
		O	419	451	477	489	500	511	523
Offsetting collections from Federal sources			–1	–1	–1	–1	–1	–1	–1
Offsetting collections from non-Federal sources			–735	–1,149	–1,332	–1,542	–1,837	–2,171	–1,142
Total Salaries and expenses (net)		BA	**–299**	**–727**	**–852**	**–1,052**	**–1,337**	**–1,659**	**–618**
		O	–317	–699	–856	–1,054	–1,338	–1,661	–620
Smithsonian Institution									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, discretionary	503	BA	**406**	**440**	**455**	**464**	**474**	**485**	**496**
Spending authority from offsetting collections, discretionary		BA	**4**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	403	448	455	465	475	485	496
Salaries and expenses (gross)		BA	**410**	**442**	**457**	**466**	**476**	**487**	**498**
		O	403	448	455	465	475	485	496
Change in uncollected customer payments from Federal sources		BA	**–2**						
Offsetting collections from Federal sources			–2	–2	–2	–2	–2	–2	–2
Total Salaries and expenses (net)		BA	**406**	**440**	**455**	**464**	**474**	**485**	**496**
		O	401	446	453	463	473	483	494
Repair, restoration and alteration of facilities:									
Appropriation, discretionary	503	BA	**58**	**68**	**81**	**83**	**85**	**87**	**89**
Outlays		O	58	63	61	88	85	85	86
Construction:									
Appropriation, discretionary	503	BA	**10**	**30**	**12**	**12**	**13**	**13**	**13**
Outlays		O	10	39	14	16	15	13	13
Operations and maintenance, JFK Center for the Performing Arts:									
Appropriation, discretionary	503	BA	**14**	**19**	**16**	**16**	**17**	**17**	**17**
Outlays		O	15	18	17	16	16	17	17
Construction, JFK Center for the Performing Arts:									
Appropriation, discretionary	503	BA	**20**	**19**	**17**	**17**	**18**	**18**	**19**
Outlays		O	14	32	20	17	18	18	18
Salaries and expenses, National Gallery of Art:									
Appropriation, discretionary	503	BA	**68**	**75**	**82**	**84**	**85**	**87**	**89**
Outlays		O	66	76	82	83	85	88	89
Repair, restoration, and renovation of buildings, National Gallery of Art:									
Appropriation, discretionary	503	BA	**11**	**14**	**16**	**16**	**17**	**17**	**17**
Outlays		O	7	16	17	15	17	16	17
Salaries and expenses, Woodrow Wilson International Center for Scholars:									
Appropriation, discretionary	503	BA	**7**	**8**	**8**	**8**	**8**	**9**	**9**
Outlays		O	7	8	8	9	9	9	9
Payment to endowment fund, Woodrow Wilson international center for scholars:									
Appropriation, discretionary	503	BA	**5**						
Outlays		O	5						
Total Federal funds Smithsonian Institution		BA	**599**	**673**	**687**	**700**	**717**	**733**	**749**
		O	583	698	672	707	718	729	743
State Justice Institute									
Federal funds									
General and Special Funds:									
State Justice Institute: salaries and expenses:									
Appropriation, discretionary	752	BA	**7**	**3**					
Outlays		O	5	4	1				

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Tennessee Valley Authority

Federal funds

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
Public Enterprise Funds:									
Tennessee Valley Authority fund									
(Energy supply):									
(Authority to borrow, mandatory)	271	BA	....	**300**	....	....	....	....	....
(Spending authority from offsetting collections, mandatory)		BA	**6,733**	**7,301**	**6,979**	**6,823**	**6,957**	**7,159**	**7,271**
(Outlays)		O	6,728	7,608	6,986	6,833	6,967	7,169	7,283
Tennessee Valley Authority fund (gross)		BA	**6,733**	**7,601**	**6,979**	**6,823**	**6,957**	**7,159**	**7,271**
		O	6,728	7,608	6,986	6,833	6,967	7,169	7,283
Offsetting collections from Federal sources			–72	–82	–83	–83	–83	–83	–83
Offsetting collections from non-Federal sources			–7,326	–7,348	–7,205	–7,462	–7,674	–7,806	–8,018
Total (Energy supply) (net)		BA	**–665**	**171**	**–309**	**–722**	**–800**	**–730**	**–830**
		O	–670	178	–302	–712	–790	–720	–818
(Area and regional development):									
(Outlays)	452	O	8	2	1	1	....	....	....
Total Tennessee Valley Authority fund		BA	**–665**	**171**	**–309**	**–722**	**–800**	**–730**	**–830**
		O	–662	180	–301	–711	–790	–720	–818
Total Federal funds Tennessee Valley Authority		BA	**–665**	**171**	**–309**	**–722**	**–800**	**–730**	**–830**
		O	–662	180	–301	–711	–790	–720	–818

United Mine Workers of America Benefit Funds

Trust funds

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
United Mine Workers of America combined benefit fund:									
Appropriation, mandatory	551	BA	**301**	**202**	**176**	**170**	**164**	**159**	**153**
Outlays		O	301	202	176	170	164	159	153
United Mine Workers of America 1992 benefit plan:									
Appropriation, mandatory	551	BA	**31**	**31**	**32**	**32**	**33**	**34**	**34**
Outlays		O	31	31	32	32	33	34	34

Summary

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
Trust funds:									
(As shown in detail above)		BA	**332**	**233**	**208**	**202**	**197**	**193**	**187**
		O	332	233	208	202	197	193	187
Interfund transactions	551	BA/O	*–182*	*–90*	*–70*	*–70*	*–70*	*–70*	*–70*
Total United Mine Workers of America Benefit Funds		BA	**150**	**143**	**138**	**132**	**127**	**123**	**117**
		O	150	143	138	132	127	123	117

United States Enrichment Corporation Fund

Federal funds

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
Public Enterprise Funds:									
United States Enrichment Corporation Fund:									
Spending authority from offsetting collections, mandatory	271	BA	**37**	**67**	**71**	**75**	**79**	**83**	**88**
United States Enrichment Corporation Fund (gross)		BA	**37**	**67**	**71**	**75**	**79**	**83**	**88**
Offsetting collections from interest on Federal securities			–37	–67	–71	–75	–79	–83	–88
Total United States Enrichment Corporation Fund (net)		BA	....	....	....	....	....	....	....
		O	–37	–67	–71	–75	–79	–83	–88

United States Holocaust Memorial Museum

Federal funds

Account			2001 actual	2002 estimate	2003 estimate	2004 estimate	2005 estimate	2006 estimate	2007 estimate
General and Special Funds:									
Holocaust Memorial Museum:									
Appropriation, discretionary	808	BA	**35**	**37**	**40**	**41**	**42**	**43**	**44**
Outlays		O	31	36	38	40	41	42	43

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
United States Institute of Peace									
Federal funds									
General and Special Funds:									
Operating expenses:									
Appropriation, discretionary	153	BA	**15**	**15**	**16**	**16**	**17**	**17**	**17**
Outlays		O	15	15	16	17	17	17	18
United States-Canada Alaska Rail Commission									
Federal funds									
General and Special Funds:									
Contribution to United States-Canada Alaska Rail Commission:									
Appropriation, discretionary	401	BA	**2**	**2**	....	....	....	....	....
Outlays		O	....	4	....	....	....	....	....
Vietnam Education Foundation									
Federal funds									
General and Special Funds:									
Vietnam debt repayment fund:									
Appropriation, mandatory	154	BA	....	**5**	**5**	**5**	**5**	**5**	**5**
Outlays		O	....	1	2	5	5	5	5
Summary									
On-Budget									
Federal funds:									
(As shown in detail above)		BA	**12,733**	**15,006**	**14,013**	**13,683**	**13,625**	**13,704**	**14,991**
		O	9,685	14,646	14,917	13,767	13,345	13,246	14,183
Deductions for offsetting receipts:									
Intrafund transactions	154	BA/O	....	*–5*	*–5*	*–5*	*–5*	*–5*	*–5*
	601	BA/O	*–197*	*–252*	*–252*	*–252*	*–252*	*–252*	*–252*
	908	BA/O	*–40*	*–67*	*–86*	*–106*	*–128*	*–150*	*–174*
Proprietary receipts from the public	155	BA/O	*–2,915*	*–833*	*–13*	*–13*	*–13*	*–13*	*–13*
	306	BA/O	*–1*	*–2*	*–2*	*–2*	*–2*	*–2*	*–2*
	376	BA/O	*–25*	*–25*	*–25*	*–25*	*–25*	*–25*	*–25*
	602	BA/O	*–76*	*–111*	*–87*	*–88*	*–89*	*–90*	*–91*
Offsetting governmental receipts	276	BA/O	*–453*	*–479*	*–518*	*–523*	*–528*	*–545*	*–563*
Total Federal funds		BA	**9,026**	**13,232**	**13,025**	**12,669**	**12,583**	**12,622**	**13,866**
		O	5,978	12,872	13,929	12,753	12,303	12,164	13,058
Trust funds:									
(As shown in detail above)		BA	**9,570**	**9,719**	**9,654**	**10,112**	**10,302**	**10,521**	**10,763**
		O	9,547	9,759	9,911	10,113	10,261	10,476	10,735
Deductions for offsetting receipts:									
Intrafund transactions	601	BA/O	*–3,283*	*–3,863*	*–3,854*	*–3,807*	*–3,808*	*–3,658*	*–3,911*
Proprietary receipts from the public	452	BA/O	*–3*	*–3*	*–3*	*–3*	*–3*	*–3*	*–3*
	909	BA/O	....	*–374*	*–784*	*–802*	*–802*	*–810*	*–801*
Total Trust funds		BA	**6,284**	**5,479**	**5,013**	**5,500**	**5,689**	**6,050**	**6,048**
		O	6,261	5,519	5,270	5,501	5,648	6,005	6,020
Interfund transactions	452	BA/O	*–3*	*–3*	*–3*	*–3*	*–3*	*–3*	*–3*
	502	BA/O	*–2*	*–2*	*–2*	*–2*	*–2*	*–2*	*–2*
	506	BA/O	*–70*	....	*–57*	*–57*	*–57*	*–57*	*–57*
	551	BA/O	*–182*	*–90*	*–70*	*–70*	*–70*	*–70*	*–70*
	601	BA/O	*–327*	*–337*	*–354*	*–368*	*–381*	*–393*	*–410*
	602	BA/O	....	*–1*	*–1*	*–1*	*–1*	*–1*	*–1*
	752	BA/O	*–5*	*–6*	*–6*	*–6*	*–6*	*–6*	*–7*
Total Other Independent Agencies (on-budget)		BA	**14,721**	**18,272**	**17,545**	**17,662**	**17,752**	**18,140**	**19,364**
		O	11,650	17,952	18,706	17,747	17,431	17,637	18,528

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account		2001 actual	estimate 2002	2003	2004	2005	2006	2007
Off-Budget								
Federal funds:								
(As shown in detail above)	BA	**4,064**	**2,813**	**5,154**	**368**	**487**	**390**	**1,197**
	O	2,302	2,015	–1,448	699	–168	–895	–794
Total Other Independent Agencies (off-budget)	BA	**4,064**	**2,813**	**5,154**	**368**	**487**	**390**	**1,197**
	O	2,302	2,015	–1,448	699	–168	–895	–794
Total Other Independent Agencies	BA	**18,785**	**21,085**	**22,699**	**18,030**	**18,239**	**18,530**	**20,561**
	O	13,952	19,967	17,258	18,446	17,263	16,742	17,734

ALLOWANCES

(In millions of dollars)

Account		2001 actual	estimate 2002	2003	2004	2005	2006	2007
Allowances								
Federal funds								
General and Special Funds:								
Bipartisan economic security plan:								
Appropriation, mandatory	BA		**[B]27,000**	**[B]8,000**	**[B]1,500**			
Outlays	O		[B]27,000	[B]8,000	[B]1,500			
Adjustment to certain pass-through accounts to reflect projected enactment:								
Appropriation, discretionary	BA	....	....	**–400**	**–408**	**–417**	**–427**	**–437**
Outlays	O	....	....	–368	–405	–416	–426	–436
Offset to finance Pell grants supplemental:								
Appropriation, discretionary	BA		**[A]–1,276**					
Outlays	O			[A]–1,276				
Spectrum relocation fund:								
Spending authority from offsetting collections, mandatory	BA				**[B]315**	**[B]300**		**[B]50**
Outlays	O				[B]50	[B]200	[B]165	[B]100
Spectrum relocation fund (gross)	BA	....	....	....	**315**	**300**	....	**50**
	O	....	....	....	50	200	165	100
Offsetting collections from non-Federal sources		....	....	–100	–315	–200	....	–50
				[B]100		[B]–100		
Total Spectrum relocation fund (net)	BA	....	....	....	....	....	....	....
	O	....	....	....	–265	–100	165	50
Contingencies for:								
Relatively uncontrollable programs:								
Appropriation, discretionary	BA	....	....	0	....	....	....	....
Outlays	O	....	....	0	....	....	....	....
Other requirements:								
Appropriation, discretionary	BA	....	....	0	....	....	....	....
Outlays	O	....	....	0	....	....	....	....
Total Federal funds Allowances	BA	....	**25,724**	**7,600**	**1,092**	**–417**	**–427**	**–437**
	O	....	27,000	6,356	830	–516	–261	–386
Summary								
Federal funds:								
Total Allowances	BA	....	**25,724**	**7,600**	**1,092**	**–417**	**–427**	**–437**
	O	....	27,000	6,356	830	–516	–261	–386

Totals
(In millions of dollars)

Account			2001 actual	estimate 2002	2003	2004	2005	2006	2007
Budget Totals									
Federal funds:									
(As shown in detail above)		BA	1,494,839	1,586,793	1,719,404	1,791,750	1,865,147	1,941,724	2,025,021
		O	1,419,134	1,565,377	1,696,384	1,775,005	1,844,680	1,909,535	1,977,560
Deductions for offsetting receipts:									
(As shown in detail above):									
Intrafund transactions		BA/O	–10,597	–6,337	–34,668	–43,018	–46,731	–50,298	–53,830
Proprietary receipts from the public		BA/O	–32,757	–29,560	–33,732	–34,947	–36,222	–37,659	–38,953
					[B] 136	[B] 121	[B] 141	[B] 191	[B] 198
Offsetting governmental receipts		BA/O	–4,032	–4,557	–4,969	–3,411	–3,459	–3,521	–3,586
					[J] –313	[J] –128	[J] –130	[J] –132	[J] –135
(Undistributed by agency):									
Offsetting governmental receipts:									
Other undistributed offsetting receipts	959	BA/O	–1,024	–530	–4,510	–10,565	–8,770	–675	–680
		BA/O			[B] 4,050	[B] –3,350	[B] –2,700	[B] –4,700	[B] –500
Interfund transactions:									
Other interest	908	BA/O	–1	....	....	....	....	....	....
Rents and royalties on the Outer Continental Shelf	953	BA/O	–7,194	–3,806	–2,832	–2,952	–3,670	–3,969	–4,018
Sale of major assets	954	BA/O	....	....	....	....	–323	....	....
Other undistributed offsetting receipts	959	BA/O				[B] –2,402	[B] –2	[B] –202	[B] –2
Undistributed Federal Intrafund									
Employer share, employee retirement (on-budget)	951	BA/O	–8,219	–8,683	–24,995	–33,281	–35,291	–37,503	–39,954
Total deductions		BA/O	–63,824	–53,473	–101,833	–133,933	–137,157	–138,468	–141,460
Federal fund totals		BA	1,431,015	1,533,320	1,617,571	1,657,817	1,727,990	1,803,256	1,883,561
		O	1,355,310	1,511,904	1,594,551	1,641,072	1,707,523	1,771,067	1,836,100
Trust funds:									
(As shown in detail above)		BA	436,603	467,809	472,838	480,140	509,269	538,372	571,605
		O	425,675	458,974	468,781	477,405	499,684	528,567	562,287
Deductions for offsetting receipts:									
(As shown in detail above):									
Intrafund transactions		BA/O	–3,284	–3,864	–3,855	–3,808	–3,809	–3,659	–3,912
Proprietary receipts from the public		BA/O	–35,190	–37,489	–39,646	–41,306	–43,449	–45,779	–48,305
						[B] –117	[B] –169	[B] –193	[B] –122
Offsetting governmental receipts		BA/O	–6	–14	–13	–13	–13	–13	–13
Total deductions		BA/O	–38,480	–41,367	–43,514	–45,244	–47,440	–49,644	–52,352
Trust fund totals		BA	398,123	426,442	429,324	434,896	461,829	488,728	519,253
		O	387,195	417,607	425,267	432,161	452,244	478,923	509,935
Interfund transactions (–):									
Interest received by on-budget trust funds	902	BA/O	–75,302	–74,287	–77,254	–80,145	–83,559	–87,259	–91,793
					[J] 9	[J] 44	[J] 93	[J] 149	[J] 204
Employer share, employee retirement (on-budget)	951	BA/O	–30,883	–32,911	–36,269	–37,384	–38,653	–39,782	–40,815
Applied by agency above		BA/O	–119,387	–131,692	–144,834	–145,616	–152,180	–159,702	–167,854
Total interfund transactions		BA/O	–225,572	–238,890	–258,348	–263,101	–274,299	–286,594	–300,258
Budget totals∆		BA	1,603,566	1,720,872	1,788,547	1,829,612	1,915,520	2,005,390	2,102,556
		O	1,516,933	1,690,621	1,761,470	1,810,132	1,885,468	1,963,396	2,045,777
Off-Budget Totals									
Federal funds:									
(As shown in detail above)		BA	4,064	2,813	5,154	368	487	390	1,197
		O	2,302	2,015	–1,448	699	–168	–895	–794
Trust funds:									
(As shown in detail above)		BA	441,436	460,967	476,997	497,691	521,892	548,539	577,865
		O	434,023	459,306	475,984	495,758	519,772	546,236	575,357
Deductions for offsetting receipts:									
(As shown in detail above):									
Proprietary receipts from the public		BA/O	–83	–79	–81	–84	–86	–88	–91
Trust fund totals		BA	441,353	460,888	476,916	497,607	521,806	548,451	577,774
		O	433,940	459,227	475,903	495,674	519,686	546,148	575,266
Interfund transactions (–):									
Interest received by off-budget trust funds	903	BA/O	–68,811	–76,822	–83,849	–92,029	–101,015	–110,959	–122,109
Employer share, employee retirement (off-budget)	952	BA/O	–7,910	–9,243	–9,564	–10,232	–11,034	–11,744	–12,448

Totals—Continued

(In millions of dollars)

Account		2001 actual	estimate 2002	2003	2004	2005	2006	2007
Applied by agency above	BA/O	**–12,528**	**–13,478**	**–14,282**	**–15,149**	**–16,041**	**–16,841**	**–17,990**
Total interfund transactions	BA/O	**–89,249**	**–99,543**	**–107,695**	**–117,410**	**–128,090**	**–139,544**	**–152,547**
Off-Budget totals∆	BA	**356,168**	**364,158**	**374,375**	**380,565**	**394,203**	**409,297**	**426,424**
	O	346,993	361,699	366,760	378,963	391,428	405,709	421,925
Federal Government totals∆	BA	**1,959,734**	**2,085,030**	**2,162,922**	**2,210,177**	**2,309,723**	**2,414,687**	**2,528,980**
	O	1,863,926	2,052,320	2,128,230	2,189,095	2,276,896	2,369,105	2,467,702

Federal Government Totals

(In millions of dollars)

	2002		2003		2004	
	BA	Outlays	BA	Outlays	BA	Outlays
Federal funds:						
Enacted, pending and initial requests:						
Appropriations	1,557,966	1,536,192	1,702,576	1,676,016	1,775,166	1,759,478
Proposed in this budget:						
Supplemental proposal (A)	1,276	....	....	1,276	....	....
To be proposed separately:						
Legislative Proposals:						
Subject to PAYGO (B)	4,640	4,200	12,160	9,550	16,635	16,384
Not subject to PAYGO (J)	....	....	1,722	1,270	–1,498	–1,708
Allowances	25,724	27,000	8,100	6,824	1,815	1,550
Deductions for offsetting receipts	–53,473	–53,473	–105,706	–105,706	–128,174	–128,174
Subject to PAYGO (B)	....	....	4,186	4,186	–5,631	–5,631
Not subject to PAYGO (J)	....	....	–313	–313	–128	–128
Total Federal funds	1,536,133	1,513,919	1,622,725	1,593,103	1,658,185	1,641,771
Trust funds:						
Enacted, pending and initial requests:						
Appropriations	928,776	918,280	946,855	941,769	975,086	970,418
Proposed in this budget:						
To be proposed separately:						
Legislative Proposals:						
Subject to PAYGO (B)	....	....	403	403	940	940
Not subject to PAYGO (J)	....	....	2,577	2,593	1,805	1,805
Deductions for offsetting receipts	–41,446	–41,446	–43,595	–43,595	–45,211	–45,211
Subject to PAYGO (B)	....	....	....	....	–117	–117
Total Trust funds	887,330	876,834	906,240	901,170	932,503	927,835
Interfund transactions (–)	–338,433	–338,433	–366,043	–366,043	–380,511	–380,511
Federal Government totals	2,085,030	2,052,320	2,162,922	2,128,230	2,210,177	2,189,095

Federal Government Totals—Continued
(In millions of dollars)

	2004		2005		2006	
	BA	Outlays	BA	Outlays	BA	Outlays
Federal funds:						
Enacted, pending and initial requests:						
Appropriations	1,850,196	1,829,485	1,926,960	1,893,851	2,011,384	1,962,229
To be proposed separately:						
Legislative Proposals:						
Subject to PAYGO ([B])	17,984	17,714	19,518	19,009	21,207	20,865
Not subject to PAYGO ([J])	–2,746	–2,787	–4,364	–4,385	–6,423	–6,428
Allowances	200	100		165	50	100
Deductions for offsetting receipts	–134,466	–134,466	–133,625	–133,625	–141,021	–141,021
Subject to PAYGO ([B])	–2,561	–2,561	–4,711	–4,711	–304	–304
Not subject to PAYGO ([J])	–130	–130	–132	–132	–135	–135
Total Federal funds	1,728,477	1,707,355	1,803,646	1,770,172	1,884,758	1,835,306
Trust funds:						
Enacted, pending and initial requests:						
Appropriations	1,026,702	1,014,997	1,069,881	1,057,773	1,127,374	1,115,548
Proposed in this budget:						
To be proposed separately:						
Legislative Proposals:						
Subject to PAYGO ([B])	1,650	1,650	14,117	14,117	18,208	18,208
Not subject to PAYGO ([J])	2,809	2,809	2,913	2,913	3,888	3,888
Deductions for offsetting receipts	–47,357	–47,357	–49,539	–49,539	–52,321	–52,321
Subject to PAYGO ([B])	–169	–169	–193	–193	–122	–122
Total Trust funds	983,635	971,930	1,037,179	1,025,071	1,097,027	1,085,201
Interfund transactions (–)	–402,389	–402,389	–426,138	–426,138	–452,805	–452,805
Federal Government totals	2,309,723	2,276,896	2,414,687	2,369,105	2,528,980	2,467,702

[A] Supplemental proposal.
[B] Legislative proposal, subject to PAYGO.
[J] Legislative proposal, not subject to PAYGO.

LIST OF CHARTS AND TABLES

LIST OF CHARTS AND TABLES

LIST OF CHARTS

LIST OF TABLES

LIST OF TABLES—Continued

LIST OF TABLES—Continued

LIST OF TABLES—Continued