TECHNICAL BUDGET ANALYSES

27. CURRENT SERVICES ESTIMATES

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

Since the early 1970s, when the first requirements for the calculation of a “current services” baseline were enacted, a variety of concepts and measures have been employed. Shortly after enactment of the Budget Enforcement Act of 1990 (BEA), which provided detailed rules for calculating a baseline, there was a consensus to define the current services estimates according to those rules. However, that baseline has flaws, which compromise its ability to serve as an appropriate benchmark. This section provides detailed estimates of a baseline that corrects for some of these flaws. It also discusses alternative formulations for the baseline.

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

The Administration believes adjustments to the BEA baseline are needed to better represent the deficit outlook under current policy. For example, an appropriate benchmark should include the future costs of extending temporary tax cuts for the middle class, which are expected to

Table 27–1. CATEGORY TOTALS FOR THE ADJUSTED BASELINE

(In billions of dollars)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Receipts	2,163	2,174	2,609	2,959	3,305	3,487	3,679	3,942	4,159	4,386	4,584	4,820
Outlays:												
Discretionary:												
Defense	689	746	735	735	747	758	773	788	806	824	842	861
Non-defense	617	640	608	591	593	601	610	622	637	653	670	687
Subtotal, discretionary	1,306	1,386	1,344	1,326	1,339	1,359	1,383	1,410	1,443	1,477	1,512	1,548
Mandatory:												
Social Security	701	727	761	802	847	895	947	1,004	1,065	1,129	1,199	1,272
Medicare	446	488	468	501	529	554	601	617	637	692	742	792
Medicaid and CHIP	281	285	279	299	365	406	448	470	499	533	568	611
Other mandatory	526	676	601	547	565	600	644	659	665	707	735	774
Subtotal, mandatory	1,954	2,177	2,109	2,150	2,306	2,455	2,640	2,750	2,866	3,061	3,245	3,450
Disaster costs [1]	....	3	7	8	9	9	10	10	10	10	10	10
Net interest	196	205	240	322	421	505	584	661	730	798	863	928
Total, outlays	3,456	3,771	3,699	3,805	4,075	4,328	4,617	4,831	5,049	5,346	5,629	5,936
Unified deficit(+)/surplus(–)	1,293	1,597	1,090	846	770	841	938	890	891	960	1,045	1,116
On-budget	1,370	1,653	1,168	928	859	934	1,044	995	997	1,063	1,133	1,195
Off-budget	–77	–56	–77	–82	–89	–93	–106	–105	–107	–103	–88	–78
Memorandum:												
BEA baseline deficit	1,293	1,593	1,036	643	463	496	552	460	417	438	472	488
Adjustments to reflect current tax policies	....	1	36	180	272	294	317	342	366	393	420	449
Adjustments to reflect current spending policies and potential disaster costs	....	3	18	20	20	21	21	22	22	22	22	22
Related debt service	....	*	*	4	15	30	47	66	85	107	131	157
Adjusted baseline deficit	1,293	1,597	1,090	846	770	841	938	890	891	960	1,045	1,116

* $500 million or less.

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

be extended beyond their expiration at the end of 2012 and which are explicitly exempted from the provisions of the Statutory Pay-As-You-Go (PAYGO) Act enacted in February 2010. Omitting these costs would make the deficit outlook appear more favorable than is actually likely, masking future problems and providing an inappropriate benchmark for measuring budget proposals.

Table 27–1 shows estimates of receipts, outlays, and surpluses under the Administration's adjusted baseline for 2010 through 2021. The estimates are based on the economic assumptions described later in this chapter. They are shown on a unified budget basis; i.e., the off-budget receipts and outlays of the Social Security trust funds and the Postal Service Fund are added to the on-budget receipts and outlays to calculate the unified budget totals. The table also shows the Administration's estimates by major component. Estimates based on the BEA baseline rules are shown as a memorandum in the table. Table 27–2 shows the changes proposed in the President's Budget relative to the Administration's baseline.

Conceptual Basis for Estimates

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

Direct spending and receipts.—Direct spending includes the major entitlement programs, such as Social Security, Medicare, Medicaid, Federal employee retirement, unemployment compensation, and the Supplemental Nutrition Assistance Program (SNAP). It also includes such programs as deposit insurance and farm price and income supports, where the Government is legally obligated to make payments under certain conditions. Receipts and direct spending are alike in that they involve ongoing activities that generally operate under permanent or long-standing 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 baseline generally—but not always—assumes that receipts and direct spending programs continue in the future as specified by current law. The budgetary effects of anticipated regulatory and administrative actions that are permissible under current law are also reflected in the estimates. Exceptions to this general rule are described below:

- Consistent with the BEA, expiring excise taxes dedicated to a trust fund are assumed to be extended at current rates. During the projection period of 2011 through 2021, the only taxes affected by this exception are taxes deposited in the Airport and Airway Trust Fund, which expire on March 31, 2011; taxes deposited in the Highway Trust Fund, the Leaking Underground Storage Tank Trust Fund, and the Sport Fish Restoration and Boating Safety Trust Fund, which expire on September 30, 2011; tobacco assessments deposited in the Tobacco Trust Fund, which expire on September 30, 2014; taxes deposited in the Oil Spill Liability Trust Fund, which expire on December 31, 2017; and taxes deposited in the Patient-Centered Outcomes Research Trust Fund, which expire on September 30, 2019.
- The BEA required temporary direct spending programs that were enacted before the Balanced Budget Act of 1997 to be extended if their current year outlays exceed $50 million. For example, the Supplemental Nutrition Assistance Program is scheduled to expire at the end of 2012. The baseline estimates provided here assume continuation of this program through the projection period. For programs enacted since the Balanced Budget Act of 1997, programs that are explicitly temporary in nature expire in the baseline even if their current year outlays exceed the $50 million threshold. For example, the tobacco buyout payments enacted in the Fair and Equitable Tobacco Reform Act of 2004 are scheduled to expire in 2014 even though current year outlays are estimated to be $960 million.
- The middle class tax cuts enacted in 2001 and 2003 and extended for two years by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 are assumed to continue permanently in the Administration's baseline. Estate, gift, and generation-skipping transfer taxes are assumed to be extended at their 2009 parameters (maximum rate of 45 percent and exemption amount of $3.5 million) once the estate tax provisions enacted in the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 expire on December 31, 2012. The baseline estimates also reflect annual indexation of the alternative minimum tax (AMT) exemption amounts in effect for taxable year 2011, the income thresholds for the 28-percent AMT rate, and the income thresholds for the phase-out of the AMT exemption amounts. AMT relief for refundable personal credits is also permanently extended after it expires on December 31, 2011.

Discretionary spending.—Discretionary programs differ in one important aspect from direct spending programs: the Congress provides spending authority for almost all discretionary programs one year at a time. The spending authority is normally provided in the form of annual appropriations. Absent appropriations of additional funds in the future, discretionary programs would cease to operate after existing balances were spent. If the baseline were intended strictly to reflect current law, then a baseline would reflect only the expenditure of remaining balances from appropriations laws already enacted. Instead, the BEA baseline provides a mechanical definition to reflect the continuing costs of discretionary programs that is admittedly somewhat arbitrary. Under the

BEA, the baseline estimates for discretionary programs in the current year are equal to enacted appropriations.[1] For the budget year and beyond, the spending authority enacted in the current year is adjusted for inflation, using specified inflation rates. The definition attempts to keep discretionary spending roughly level in real terms. The Administration's baseline projection is based on the following modifications to the BEA baseline:

- The adjusted baseline reflects the costs of continuing the annually appropriated portion of the Pell grant program for all eligible students at the maximum award amount of $4,860 specified in existing appropriations. While the Pell program has traditionally been funded largely through discretionary appropriations, this baseline treatment reflects the reality that the program has effectively operated as an entitlement, in which funding is provided to meet the specified award level for all eligible students.

- The adjusted baseline removes the extension and inflation of items designated as "emergency" requirements that are clearly one-time in nature and instead substitutes an allowance for future disaster costs. There is no obvious reason that the specific non-recurring emergency costs enacted in the most current year should be the basis for the baseline in all future years, as required by the BEA. On the other hand, including no adjustment for future one-time expenditures could understate the baseline costs, and therefore the Administration's baseline projection includes a disaster cost allowance as explained below. For the 2012 Budget, the adjusted baseline makes no adjustments to remove one-time emergency funding, because no such funding had been enacted at the time the Budget was prepared.

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

The Administration's baseline uses the same inflation rates for discretionary spending as required by the BEA, despite the fact that this allows for an overcompensation for Federal pay inherent in the BEA definition. At the time the BEA was enacted, it failed to account for the nearly contemporaneous enactment of the Federal Employees Compensation Act of 1991 that shifted the effective date of Federal employee pay raises from October to January. Correcting for this error in the BEA would have only a small effect on the discretionary baseline.

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

Disaster funding.—An allowance for the possible future costs of major natural or man-made disasters during the remainder of 2011 and in subsequent years is assumed

Table 27–2. IMPACT OF BUDGET POLICY

(In billions of dollars)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Totals 2012–2016	Totals 2012–2021
Adjusted baseline deficit	1,597	1,090	846	770	841	938	890	891	960	1,045	1,116	4,486	9,387
Proposals:													
Revenue proposals [1]	1	1	–16	21	–37	–81	–34	–32	–25	–37	–33	–113	–273
Discretionary policy:													
Defense	15	–6	–66	–88	–93	–99	–103	–107	–111	–117	–124	–353	–915
Non-defense	14	2	–17	–31	–46	–47	–50	–48	–51	–48	–57	–139	–392
Subtotal, discretionary	29	–3	–84	–119	–140	–146	–152	–154	–162	–166	–181	–492	–1,307
Mandatory proposals	18	26	28	–12	–34	–31	–35	–34	–27	–30	–35	–22	–184
Surface transportation reauthorization [2]	....	–13	–6	–11	–13	–10	–7	–5	–6	–7	–9	–53	–87
Net interest	....	–1	–1	–1	–*	*	*	*	1	1	1	–3	*
Debt service	*	*	*	–3	–11	–22	–35	–46	–58	–71	–85	–36	–331
Resulting deficits in 2012 Budget	1,645	1,101	768	645	607	649	627	619	681	735	774	3,860	7,623

* $500 million or less.

[1] Includes outlay impact of revenue proposals.

[2] Affects receipts and outlays.

in the Administration's baseline in order to make budget totals more realistic. Baselines would be more meaningful if they did not project forward whatever disaster costs happen to have occurred in the current year. Rather, baselines should replace the projection of actual current-year costs—which might be unusually low or unusually high—with plausible estimates of future costs. This allowance is displayed as possible future outlays for convenience, but in practice the disaster relief could take the form of either increases in outlays or reductions in receipts.

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

Alternative Formulations of Baseline

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

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

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

- *Extend provisions affecting mandatory programs.* Currently, mandatory programs that have outlays of over $50 million in current year are generally assumed to continue, unless the programs are explicitly temporary. However, individual provisions of law that affect mandatory programs are assumed to expire as scheduled. If instead, these expiring provisions were extended, baseline outlays would be higher. For example, the cost of extending Transitional Medical Assistance (TMA), a component of the Medicaid program which is scheduled to expire at the end of 2011, would be $7.4 billion over 2012-2021.[2]
- *Do not extend any authorizing laws that expire.*[2] If all mandatory programs were assumed to expire as scheduled, deficits for 2012 through 2021 would be $1,148 billion lower than in the Administration's baseline. (See the section below on major program assumptions for details on mandatory program extensions assumed in the estimates.) If excise taxes dedicated to trust funds were assumed to expire as scheduled under current law, the deficit would be $585 billion higher over the period 2012 through 2021. If the middle class tax relief recently enacted in the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 were assumed to expire, the deficit would be $1,506 billion lower over the 10-year period. If the AMT relief enacted in that bill were assumed to expire as scheduled, the deficit would be $1,838 billion lower over the 10 years. If estate, gift, and generation-skipping

[2] Estimates include debt service.

Table 27–3. ALTERNATIVE BASELINE ASSUMPTIONS
(In billions of dollars)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Totals 2012–2016	Totals 2012–2021
Adjusted baseline deficit	1,293	1,597	1,090	846	770	841	938	890	891	960	1,045	1,116	4,486	9,387
Alternative assumptions ("+" represents deficit increase): [1]														
Do not extend any authorizing laws:														
Mandatory spending	....	1	–16	–102	–104	–108	–116	–124	–130	–141	–150	–156	–447	–1,148
Trust fund excise taxes	....	5	42	44	49	53	57	61	64	67	72	76	245	585
AMT relief	....	....	–33	–108	–114	–137	–163	–190	–220	–254	–290	–328	–555	–1,838
Estate, gift, and generation-skipping transfer tax relief	....	–1	–2	–5	–25	–28	–33	–37	–41	–45	–50	–54	–92	–319
2001 and 2003 tax cuts for middle-income taxpayers	....	....	–1	–70	–147	–156	–165	–175	–184	–193	–202	–212	–539	–1,506
Straightline appropriations	....	....	–16	–40	–68	–100	–135	–172	–213	–256	–303	–352	–359	–1,655
Account for population growth	....	....	13	27	42	58	76	95	116	139	164	191	215	921
Do not extend any appropriations	....	....	–744	–1,160	–1,354	–1,487	–1,605	–1,716	–1,827	–1,945	–2,069	–2,197	–6,350	–16,103

[1] Includes costs or savings from debt service.

transfer taxes were assumed to return to the rates and exemptions prior to the 2001 tax cuts rather than continue at 2009 parameters, the deficit would be $319 billion lower over 10 years.

- *Straightline appropriations.* If all discretionary budgetary resources in the current year that are inflated in the Administration's baseline were instead frozen throughout the projection period, total outlays would be $16 billion lower in 2012 and $1,655 billion lower over the period 2012 through 2021, which includes savings from debt service. This calculation does not include any extension of the Recovery Act and other emergency resources, which are not extended in the baseline.
- *Account for population growth*. While the baseline assumes that discretionary budgetary resources will grow with inflation, an alternative would be to assume growth with both inflation and population, so that real resources per person (or the real cost per person of funding these programs) remains constant over time. Such an alternative would increase total outlays by $13 billion in 2011 and $921 billion over the period 2012-2021 relative to the BEA baseline, which includes costs from debt service.
- *Do not extend any appropriations.* The current treatment of expiring provisions of mandatory programs is inconsistent with the treatment of discretionary spending. All discretionary spending continues whether there is authorization for the program or not and whether funds have already been provided or not. In nearly all cases, funds for discretionary programs have not been provided in advance for years beyond the current year. If rules consistent with the treatment of other expiring provisions were applied to discretionary spending, no new budgetary resources would be provided. Thus, under a strict "current law" approach, the only discretionary outlays that would be included in the baseline would be the lagged spending from budgetary resources already provided in the current year or past years. If this rule were followed, outlays in 2012 would be reduced by $744 billion relative to the Administration's baseline, which includes savings from debt service. However, clearly this would provide an unrealistic estimate of future spending and the Government's future fiscal position.

Table 27–3 provides estimates for a variety of changes in baseline definitions that could be considered.

Economic Assumptions

The estimates for the baseline are prepared using the same economic assumptions as the President's Budget. These assumptions are based on enactment of the President's Budget proposals. The economy and the

Table 27–4. SUMMARY OF ECONOMIC ASSUMPTIONS

(Fiscal years; dollar amounts in billions)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Gross Domestic Product (GDP):												
Levels, dollar amounts in billions:												
Current dollars	14,508	15,080	15,813	16,752	17,782	18,804	19,791	20,755	21,679	22,624	23,608	24,633
Real, chained (2005) dollars	13,153	13,491	13,953	14,546	15,189	15,787	16,332	16,819	17,259	17,691	18,133	18,586
Percent change, year over year:												
Current dollars	2.9	3.9	4.9	5.9	6.1	5.7	5.2	4.9	4.4	4.4	4.3	4.3
Real, chained (2005) dollars	2.2	2.6	3.4	4.3	4.4	3.9	3.4	3.0	2.6	2.5	2.5	2.5
Inflation measures (percent change, year over year):												
GDP chained price index	0.8	1.3	1.4	1.6	1.7	1.7	1.7	1.8	1.8	1.8	1.8	1.8
Consumer price index (all urban)	1.7	1.2	1.7	1.9	2.0	2.0	2.0	2.1	2.1	2.1	2.1	2.1
Unemployment rate, civilian (percent)	9.8	9.5	8.8	7.8	6.8	6.1	5.6	5.4	5.3	5.3	5.3	5.3
Interest rates (percent):												
91-day Treasury bills	0.1	0.2	0.6	2.2	3.6	4.0	4.1	4.1	4.1	4.1	4.1	4.1
10-year Treasury notes	3.4	2.9	3.5	4.1	4.5	4.9	5.2	5.3	5.3	5.3	5.3	5.3
MEMORANDUM:												
Related program assumptions:												
Automatic benefit increases (percent):												
Social security and veterans pensions	0.0	0.0	0.9	1.9	1.9	2.0	2.1	2.1	2.1	2.1	2.1	2.1
Federal employee retirement	0.0	0.0	0.9	1.9	1.9	2.0	2.1	2.1	2.1	2.1	2.1	2.1
Supplemental Nutrition Assistance Program [1]	0.0	0.0	0.0	0.0	–9.1	2.0	2.1	2.0	2.1	2.1	2.1	2.1
Insured unemployment rate	3.7	3.6	3.6	3.5	3.1	2.7	2.5	2.3	2.3	2.3	2.3	2.3

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

budget interact. Changes in economic conditions significantly alter the estimates of tax receipts, unemployment benefits, entitlement payments that are automatically adjusted for changes in cost-of-living (COLAs), income support programs for low-income individuals, and interest on the Federal debt. In turn, Government tax and spending policies influence prices, economic growth, consumption, savings, and investment. Because of these interactions, it would be reasonable, from an economic perspective, to assume different economic paths for the baseline projection and the President's Budget. However, this would diminish the value of the baseline estimates as a benchmark for measuring proposed policy changes, because it would then be difficult to separate the effects of proposed policy changes from the effects of different economic assumptions. By using the same economic assumptions for the baseline and the President's Budget, this potential source of confusion is eliminated. The economic assumptions underlying both the Budget and the Administration's baseline are summarized in Table 27–4. The economic outlook underlying these assumptions is discussed in greater detail in Chapter 2 of this volume.

Major Programmatic Assumptions

A number of programmatic assumptions must be made in order to calculate the baseline estimates. These include assumptions about annual cost-of-living adjustments in the indexed programs and the number of beneficiaries who will receive payments from the major benefit programs. Assumptions about various automatic cost-of-living-adjustments are shown in Table 27–4, and assumptions about baseline caseload projections for the major benefit programs are shown in Table 27–5. These assumptions affect baseline estimates of direct spending for each of these programs, and they also affect estimates of the discretionary baseline for a limited number of programs. For Pell Grants and the administrative expenses for Medicare, Railroad Retirement, and unemployment insurance, the discretionary baseline is increased (or decreased) for changes in the number of beneficiaries in addition to the adjustments for inflation described earlier.

It is also necessary to make assumptions about the continuation of expiring programs and provisions. As explained above, in the baseline estimates provided here, expiring excise taxes dedicated to a trust fund are extended at current rates. Certain tax reductions enacted in 2001 and 2003 are assumed to be permanent for purposes of calculating revenue estimates. In general, mandatory programs with spending of at least $50 million in the current year are also assumed to continue, unless the programs are explicitly temporary in nature For example, under the Fair and Equitable Tobacco Reform Act of 2004, tobacco buyout payments will expire in 2014, even though current year outlays are $960 million. Table 27–6 provides a listing of mandatory programs and taxes assumed to continue in the baseline after their expiration. All discretionary programs with enacted non-emergency appropriations in the current year and the 2011 costs for overseas contingency operations in Iraq and Afghanistan and other recurring international activities are assumed to continue.

Many other important assumptions must be made in order to calculate the baseline estimates. These include assumptions about the timing and substance of regulations that will be issued over the projection period, the use of administrative discretion provided under current law, and other assumptions about the way programs operate. Table 27–6 lists many of these assumptions and their effects on the baseline estimates. It is not intended to be an exhaustive listing; the variety and complexity of Government programs are too great to provide a complete list. Instead, some of the more important assumptions are shown.

Current Services Receipts, Outlays, and Budget Authority

Receipts.—Table 27–7 shows the Administration's baseline receipts by major source. Total receipts are projected to increase by $434 billion from 2011 to 2012, by $1,070 billion from 2012 to 2016, and by $1,141 billion from 2016 to 2021. These increases are largely due to assumed increases in incomes resulting from both real economic growth and inflation.

Individual income taxes are estimated to increase by $189 billion from 2011 to 2012, by $621 billion from 2012 to 2016, and by $639 billion from 2016 to 2021 under baseline assumptions. This average annual rate of growth of 8.6 percent between 2012 and 2021 is primarily the effect of increased collections resulting from rising aggregate personal incomes.

Corporation income taxes are estimated to increase by $128 billion from 2011 to 2012, by $76 billion from 2012 to 2016, and by $99 billion from 2016 to 2021 under baseline assumptions. This average annual rate of growth of 4.9 percent between 2012 and 2021 is primarily attributable to growth in corporate profits.

Social insurance and retirement receipts are estimated to increase by $120 billion from 2011 to 2012, by an additional $297 billion between 2012 and 2016, and by an additional $313 billion between 2016 and 2021. These baseline estimates reflect the expiration of the one-year payroll tax holiday for calendar year 2011 enacted in the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010, increases in total wages and salaries paid, and scheduled increases in the Social Security taxable earnings base from $106,800, in 2011 to $128,700 in 2016 and to $161,100 in 2021, as shown in Table 27-8.

Other baseline receipts (excise taxes, estate and gift taxes, customs duties and miscellaneous receipts) are projected to decrease by $3 billion between 2011 and 2012, and to rise to $377 billion by 2021.

Outlays.—Outlays in the Administration's baseline are estimated to decrease from $3,771 billion in 2011 to $3,699 billion in 2012, a 1.9 percent decrease. Between 2011 and 2016, the baseline outlays are projected to increase at an average annual rate of 4.1 percent and between 2011 and 2021, the baseline outlays are projected to increase at an average annual rate of 4.6 percent. Table 27–9 shows the growth from 2011 to 2012 and average annual growth over the five-year and ten-year periods for certain discretionary and major mandatory programs.

While most discretionary budget authority is assumed to grow with inflation, outlays for discretionary programs decrease by 3.1 percent from $1,386 billion in 2011 to $1,344 billion in 2012, largely due to the spending of remaining Recovery Act funds. Entitlement and other mandatory programs are estimated to decrease from $2,177 billion in 2011 to $2,109 billion in 2012, largely due to reduced spending on unemployment compensation in 2012 and to retroactive veterans compensation payments for disability claims related to Agent Orange exposure, which resulted in a one-time increase in outlays for veterans' programs in 2011. While several programs show some outlay growth between 2011 and 2012, including Medicaid (2.8 percent) and Social Security (4.6 percent), most programs show significant outlay decreases, including farm programs (32.7 percent), and other health care (34.2 percent). The outlay growth for other mandatory programs is due to significant downward reestimates of credit subsidies in 2011 for the Troubled Asset Relief Program (TARP) and student loan programs, which reduce 2011 outlays relative to 2012. Mandatory outlays generally increase after 2012, reaching $3,450 billion in 2021, due mostly to increased spending on Medicaid and other health care programs, followed by more modest increases in Social Security and Medicare. Medicaid outlays grow from $261 billion in 2011 to $605 billion in 2021, an average annual rate of 8.8 percent; over the same period, Medicaid and Children's Health Insurance Program (CHIP) beneficiaries grow at a lower average annual rate of 3.5 percent. Social Security (OASDI) outlays grow at an average annual rate of 5.8 percent, but grow faster than Social Security beneficiary projections over the same period (2.7 percent). Medicare outlays grow at an average annual rate of 5.0 percent, but faster than the growth in Medicare beneficiaries (2.7 percent). Veterans programs grow at an average annual rate of 4.0 percent over ten years, while outlays for unemployment compensation decline by 6.6 percent over the same period. Net interest payments are projected to increase by 16.8 percent from $205 billion in 2011 to $240 billion in 2012 due to increased interest rates, and are projected to increase to $928 billion in 2021, an average annual rate of 16.3 percent, due to increases in the amount of debt outstanding and to the average interest rate on the debt.

Tables 27–10 and 27–11 show the Administration's baseline outlays by function and by agency, respectively. A more detailed presentation of outlays (by function, category, subfunction, and program) is available as Table 27–14 online and on the CD-ROM enclosed with the printed version of this *Analytical Perspectives* volume.

Budget authority.—Tables 27–12 and 27–13 show estimates of budget authority in the Administration's baseline by function and by agency, respectively. A more detailed presentation of budget authority with program level estimates is also part of Table 27–14 on the Internet and on the CD-ROM enclosed with the printed version of this *Analytical Perspectives* volume.

Table 27–5. BASELINE BENEFICIARY PROJECTIONS FOR MAJOR BENEFIT PROGRAMS
(Annual average, in thousands)

	Actual 2010	Estimate 2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Farmers receiving Federal payments	1,402	1,395	1,388	1,381	1,374	1,367	1,360	1,353	1,346	1,339	1,332	1,325
Federal family education loans	2,885	....	....	....	....	....	....	....	....	....	....	....
Federal direct student loans	8,880	11,941	12,666	13,268	13,905	14,500	15,128	15,792	16,495	17,238	18,024	18,857
Federal Pell Grants	8,873	9,413	9,481	9,547	9,786	10,042	10,296	10,546	10,767	10,978	11,192	11,396
Medicaid/State Childrens' Health Insurance Program [1]	59,339	61,743	62,948	63,366	78,024	84,708	87,418	85,249	85,206	85,682	86,196	86,705
Medicare-eligible military retiree health benefits	2,055	2,087	2,137	2,234	2,282	2,322	2,356	2,387	2,420	2,454	2,489	2,524
Medicare:												
Hospital insurance	46,906	48,174	49,763	51,498	53,120	54,658	56,177	57,729	59,336	61,003	62,729	64,501
Supplementary medical insurance:												
Part B	43,569	44,730	46,147	47,734	49,171	50,533	51,874	53,249	54,674	56,159	57,744	59,345
Part D	34,222	35,316	36,727	37,939	38,972	39,997	41,062	42,212	43,387	44,583	46,096	47,499
Prescription Drug Plans and Medicare Advantage Prescription Drug Plans	27,559	28,976	31,771	34,776	36,712	38,365	40,096	41,397	42,548	43,721	45,209	46,586
Retiree Drug Subsidy	6,663	6,339	4,956	3,164	2,260	1,632	966	814	838	863	888	913
Managed Care Enrollment [2]	11,467	11,849	12,210	12,501	12,405	11,871	10,944	9,992	9,348	9,095	9,169	9,410
Total, Medicare	170,386	175,384	181,574	187,612	192,639	197,056	201,120	205,394	210,131	215,424	221,834	228,254
Railroad retirement	549	545	541	538	534	531	528	524	519	514	508	500
Federal civil service retirement	2,523	2,549	2,575	2,600	2,623	2,646	2,668	2,688	2,707	2,726	2,745	2,763
Military retirement	2,212	2,230	2,244	2,276	2,283	2,290	2,296	2,303	2,309	2,316	2,324	2,331
Unemployment insurance	11,429	12,287	12,539	12,060	11,081	10,263	9,686	9,430	9,367	9,409	9,455	9,501
Supplemental Nutrition Assistance Program (formerly Food Stamps)	40,302	45,005	44,981	43,558	41,689	38,675	35,538	33,499	32,028	31,079	30,548	30,334
Child nutrition	34,899	35,472	36,094	36,641	37,075	37,454	37,838	38,228	38,624	39,025	39,432	39,845
Commodity Supplemental Food Program	519	605	605	605	605	605	605	605	605	605	605	605
Foster care, Adoption Assistance and Guardianship Assistance	611	628	651	680	709	733	754	780	810	839	870	901
Supplemental security income (SSI):												
Aged	1,105	1,102	1,104	1,113	1,127	1,144	1,162	1,184	1,208	1,236	1,268	1,301
Blind/disabled	6,417	6,665	6,942	7,165	7,276	7,345	7,393	7,417	7,437	7,469	7,521	7,558
Total, SSI	7,522	7,767	8,046	8,278	8,403	8,489	8,555	8,601	8,645	8,705	8,789	8,859
Child care and development fund [3]	2,626	2,442	2,552	2,499	2,451	2,363	2,297	2,231	2,168	2,107	2,047	1,989
Social Security (OASDI):												
Old age and survivor insurance	43,110	44,220	45,386	46,703	48,127	49,586	51,099	52,666	54,276	55,932	57,618	59,285
Disability insurance	9,822	10,299	10,748	11,073	11,249	11,376	11,469	11,553	11,634	11,719	11,809	11,954
Total, OASDI	52,932	54,519	56,134	57,776	59,376	60,962	62,568	64,219	65,910	67,651	69,427	71,239
Veterans compensation:												
Veterans	3,155	3,459	3,588	3,748	3,902	4,052	4,198	4,339	4,476	4,609	4,739	4,873
Survivors (non-veterans)	343	386	388	396	404	414	424	435	447	459	472	485
Total, Veterans compensation	3,498	3,845	3,977	4,144	4,307	4,466	4,622	4,774	4,923	5,068	5,211	5,358
Veterans pensions:												
Veterans	312	308	304	300	296	292	289	285	281	278	274	271
Survivors (non-veterans)	195	200	203	206	209	212	216	219	222	226	229	232
Total, Veterans pensions	506	508	507	506	505	504	504	504	504	503	503	503

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

Table 27–6. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE
(Outlays in millions of dollars)

	Estimate										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
REGULATIONS											
Finalized											
Old Age and Survivors Insurance (OASI), Disability Insurance (DI) and Supplemental Security Income (SSI):											
Reduction of Title II Benefits Under Family Maximum in Cases of Dual Entitlement (OASDI)	23	23	23	23	23	23	23	23	23	23	23
Title XVI Cross Program Recovery (SSI)	–20	–20	–20	–20	–20	–20	–20	–20	–20	–20	–20
Student Earned Income Exclusion (SSI)	5	5	5	5	5	5	5	5	5	5	5
Continuing Disability Review Failure to Cooperate Process(OASDI)	–13	–14	–15	–16	–17	–17	–17	–17	–17	–17	–17
60 Month Government Pension Offset Exemption (OASDI)	–7	8	–10	–10	–10	–10	–10	–10	–10	–10	–10
Exemption of Work Activity as a Basis for a Continuing Disability Review (OASDI and SSI):											
OASDI	70	87	105	124	142	142	142	142	142	142	142
SSI	2	2	3	3	3	3	3	3	3	3	3
Amendments to the Quick Disability Determination Process (OASDI and SSI):											
OASDI	–4	–5	–8	–9	–12	–16	–1	–1	–1	–1	–1
SSI	–1	–1	–1	–2	–2	–2	....	....	....	....	....
Revised Medical Criteria for Evaluating Digestive Disorders (OASDI and SSI):											
OASDI	–35	–42	–50	–58	–67	–75	–83	–83	–83	–83	–83
SSI	–8	–8	–11	–12	–14	–17	–17	–17	–17	–17	–17
Attorney Advisors (OASDI and SSI):											
OASDI	26	6	6	5	5	5	4	4	4	4	4
SSI	8	2	2	2	2	2	2	2	2	2	2
Revised Medical Criteria for Evaluating Immune System Disorders (OASDI and SSI):											
OASDI	5	6	7	9	10	11	12	12	12	12	12
SSI	1	1	2	2	2	2	2	2	2	2	2
Ticket to Work (OASDI and SSI):											
OASDI	92	134	174	189	195	173	158	134	134	134	134
SSI	–11	–3	–8	–11	–8	–20	–13	–4	–4	–4	–4
Revised Medical Criteria for Evaluating Malignant Neoplastic Diseases (OASDI and SSI):											
OASDI	–2	–3	–4	–5	–6	–7	–8	–9	9	–9	–9
SSI	–	–1	–1	–1	–1	–1	–1	–1	–1	–1	–1
Revised Medical Criteria for Evaluating Hearing Loss (OASDI and SSI):											
OASDI	10	10	10	10	10	10	5	5	5	5	5
SSI	1	1	1	1	1	1	1	1	1	1	1
Additional Presumptions for Agent Orange Exposure for Vietnam Veterans	12,474	1,994	2,099	2,209	2,320	2,433	2,549	2,666	2,786	2,907	3,034
Cellulosic Biofuel Waiver Credits, Renewable Fuel Program (EPA):											
Collection of waiver credits beginning in 2011, per RFS rule	10	10	10	10	11	11	11	11	11	12	12
Not Finalized											
Adoption and Foster Care Analysis and Reporting System (AFCARS)	....	....	1	6	3	2	....	–2	–4	–4	–4
Federal Funding for Medicaid Eligibility Determination and Enrollment Activities	560	906	1,070	524	254	–195	–199	–200	–202	–203	–205
EXPIRING AUTHORIZATIONS											
Programs Extended in the Adjusted Baseline											

Table 27–6. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—Continued

(Outlays in millions of dollars)

	Estimate										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Spending:											
Agriculture:											
National Institute of Food and Agriculture (Formerly CSREES, Cooperative State Research, Education, and Extension Service):											
Specialty Crop Research Initiative	....	....	3	20	38	50	50	50	50	50	50
DM/Office of Advocacy and Outreach:											
Outreach and Technical Assistance for Socially Disadvantaged Farmers and Ranchers	....	....	21	22	23	24	24	24	26	27	27
Forest Service (FS):											
Federal Land and Facility Enhancement Fund	....	30	30	30	30	31	32	33	34	35	36
Administration of Rights-of-Way and Other Land Uses Fund	....	....	4	4	4	4	5	5	5	5	5
Federal Lands Recreation Enhancement Fund	....	....	....	....	75	77	80	83	86	89	92
Sect. 420 Sale of botanical products pilot program	....	....	....	....	3	3	3	3	3	3	3
Natural Resources Conservation Service (NRCS):											
Environmental Quality Incentives Program	....	....	546	978	1,241	1,381	1,510	1,639	1,756	1,753	1,751
Agricultural Water Enhancement Program	....	....	28	46	54	57	60	60	60	60	60
Wildlife Habitat Incentives Program	....	....	21	40	53	62	68	73	80	85	85
Farm and Ranch Land Protection Program	....	....	10	63	123	155	182	201	201	201	201
Conservation Stewardship Program.	....	....	....	....	....	....	....	105	2,354	2,582	2,366
Chesapeake Bay Watershed Initiative	....	....	20	31	37	41	44	47	50	50	50
Conservation Reserve Program			124	124	124	124	124	124	124	124	124
Farm Service Agency (FSA):											
Agricultural Commodity Marketing Loans	....	....	–27	28	–8	–1	....	10	12	1	3
Dairy Product Price Support Program	....	....	83	79	75	71	67	63	59	55	51
Agricultural Commodity Counter-Cyclical Program.	....	....	....	....	20	15	12	9	7	5	4
Average Crop Revenue Election (ACRE) Program	....	....	....	....	182	57	34	30	30	17	22
Direct Crop Payments	....	....	....	4,972	4,968	4,963	4,959	4,955	4,994	4,990	4,985
Conservation Reserve Program	....	....	29	92	309	434	544	632	764	838	869
Milk Income Loss Contract Program	....	....	47	39	32	24	14	11	8	5	5
Market Access Program — FAS	....	....	40	200	200	200	200	200	200	200	200
Child Nutrition Programs:											
State Administrative Expenses	....	....	....	....	....	269	273	278	283	291	300
Summer Food Service Program	....	....	....	....	....	493	519	546	575	604	635
Supplemental Nutrition Assistance Program (SNAP) (formerly Food Stamps) [1]	....	....	77,926	67,563	63,786	60,711	59,091	58,371	58,352	58,885	57,146
Health and Human Services:											
CMS:											
Children's Health Insurance Program	....	....	....	....	....	3,900	6,000	5,800	5,700	5,700	5,700
Administration for Children and Families:											
Child Care Entitlements to States	....	2,258	2,789	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917
Promoting safe and stable families	....	76	266	325	342	358	363	365	365	365	365
TANF	....	13,378	16,221	16,473	16,639	16,724	16,724	16,724	16,724	16,724	16,724
Contingency Fund	....	....	600	612	612	612	612	612	612	612	612
Homeland Security:											
National Flood Insurance Fund	–855	–361	–215	–275	–122	–75	–61	–58	–57	–58	–60
Interior:											
Sport Fish Restoration and Boating Trust Fund	245	505	505	505	505	505	505	515	524	534	544
Labor:											
Trade Adjustment Assistance for Workers	....	83	605	831	832	802	806	823	852	882	912
Veterans Affairs:											
Veterans Compensation Cost of Living Adjustment	....	329	1,162	2,192	3,359	4,675	6,106	7,645	9,488	11,246	13,124

Table 27–6. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—Continued

(Outlays in millions of dollars)

	Estimate										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues:											
Airport and Airway Trust Fund Taxes	4,874	9,895	10,238	10,752	11,204	11,718	12,117	12,514	12,959	13,389	13,712
Highway Trust Fund Taxes	....	31,047	31,960	32,925	33,703	34,139	34,375	34,394	34,521	34,840	35,280
Leaking Underground Storage Tank (LUST) Trust Fund Taxes	....	181	183	187	190	191	192	190	190	190	192
Oil Spill Liability Trust Fund Taxes	....	....	....	....	....	....	404	552	552	555	555
Sport Fish Restoration and Boating Safety Trust Fund Taxes	....	491	499	507	515	523	530	539	547	556	564
Tobacco Assessment	....	....	....	....	960	960	960	960	960	960	960
Fee on Insured and Self Insured Plans	....	....	....	....	....	....	....	....	....	579	613
Programs and Provisions Not Extended in the Adjusted Baseline											
Spending:											
Agriculture:											
Animal and Plant Health Inspection Service:											
National Clean Plant Network (2008 Farm Bill, Section 10202)	....	....	2	5	5	5	5	5	5	5	5
Child Nutrition:											
NSLP Commodity Support (Bonus - Section 6(e)(1)(B) of NSLA)	....	....	....	....	....	....	....	....	....	....	100
Farm Service Agency (FSA):											
Agricultural Disaster Relief Fund	....	....	....	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Biomass Crop Assistance Program (BCAP)	....	....	215	222	264	310	359	409	460	515	572
Tobacco buyout payments	....	....	....	....	960	960	960	960	960	960	960
Voluntary Public Access	....	....	17	17	17	17	17	17	17	17	17
National Institute of Food and Agriculture (Formerly CSREES, Cooperative State Research, Education, and Extension Service):											
Biomass research and development	....	....	5	21	31	37	40	40	40	40	40
Healthy Urban Food Enterprise Development Center	....	....	1	1	1	1	1	1	1	1	1
Beginning Farmer and Rancher Program	....	....	2	10	19	19	19	19	19	19	19
Organic Research Initiative	....	....	1	8	15	20	20	20	20	20	20
Natural Resources Conservation Service (NRCS):											
Healthy Forests Reserve Program	....	....	10	10	10	10	10	10	10	10	10
Agricultural Marketing Service:											
Farmers Market Promotion Program (2008 Farm Bill, Sec. 10106)	....	....	10	10	10	10	10	10	10	10	10
Wool Research, Development, and Promotion Trust Fund Program	....	....	....	....	....	3	3	3	3	3	3
Specialty Crop Block Grants Program (2008 Farm Bill, Sec. 10109)	....	....	55	55	55	55	55	55	55	55	55
Agricultural Management Assistance Organic Cerification Cost Share Program	....	....	2	2	2	2	2	2	2	2	2
Rural Business-Cooperative Service:											
Rural Energy for America Program	....	....	2	26	42	54	67	70	70	70	70
Bioenergy Program for Advanced Biofuels	....	....	26	105	105	105	105	105	105	105	105
Value Added Agricultural Market Development Program	10	13	14	15	15	15	15	15	15	15	15
Repowering Assistance Program	35	35	35	35	35	35	35	35	35	35	35
Biorefinery Assistance Program	12	135	245	245	245	245	245	245	245	245	245
Rural Microentrepreneur Assistance Program	....	....	2	3	4	4	4	4	4	4	4
Trade Assistance Programs:											
Foreign Market Development (Cooperator) Program	....	....	35	35	35	35	35	35	35	35	35
Technical Assistance Specialty Crops	....	....	9	9	9	9	9	9	9	9	9
Emerging Markets	....	....	10	10	10	10	10	10	10	10	10
Trade Adjustment Assistance for Farmers	....	10	10	10	10	10	10	10	10	10	10
Forest Service (FS):											
Forest County Safety Net Payments (Departments of Agriculture and the Interior)	....	....	328	295	265	238	214	193	174	167	141
Health and Human Services:											

Table 27–6. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—Continued

(Outlays in millions of dollars)

	Estimate										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
TANF Supplemental Grants	....	251	315	319	319	319	319	319	319	319	319
Medicaid:											
Transitional Medical Assistance	....	240	670	700	730	760	790	820	860	890	930
Medicare Low-Income Premium Assistance	....	495	720	800	885	985	1,095	1,225	1,360	1,525	1,710
Interior:											
Oil and Gas Permit Processing Improvement Fund	....	....	....	....	....	16	15	14	13	12	11
Payments in Lieu of Taxes	369	380	392	403	416	428	441	454	467	482	496
Labor:											
Alternative Trade Adjustment Assistance	....	4	14	23	30	32	32	32	32	33	35
Veterans Affairs											
Veterans Compensation:											
National Directory for New Hires (NDNH) Data Matches	....	4	2	1	*	–1	–2	–3	–4	–5	–5
Veterans Pension:											
Income Verification Match	....	26	–7	–13	–20	–27	–36	–45	–55	–65	–76
Veterans Housing:											
Increase in Maximum Loan Guaranty Amount	....	1	1	2	2	3	3	3	3	3	3
Adjustable Rate Mortgages (ARM)/ Hybrid Adjustable Rate Mortages	–*	6	*	6	6	1	7	*	*	1	1
Guaranteed Loan Funding Fees Extension	....	–322	–326	–419	–418	–424	–423	–429	–434	–434	–433
Environmental Protection Agency:											
Pesticide maintenance fee	....	....	–22	–22	–22	–22	–22	–22	–22	–22	–22
Pesticide registration service fee	....	....	–6	–11	–15	–15	–15	–15	–15	–15	–15
OTHER IMPORTANT PROGRAM ASSUMPTIONS											
Defense:											
Medicare-Eligible Retiree Health Care Trust Fund:											
Pharmacy Co-Pays	....	–285	–315	–348	–382	–419	–458	–499	–543	–589	–638
Health and Human Services:											
Children's Health Insurance Program (Title XXI):											
State allotments	8,800	9,600	10,500	11,300	12,100	17,100	8,600	6,300	5,800	5,700	5,700
Contingency fund	100	200	200	200	200	....	....	....	....	....	....
Performance bonus	221	130	40	....	....	....	....	....	....	....	....
Child health quality activities	48	51	47	36	35	....	....	....	....	....	....
Medicaid:											
Financial management recoveries	–274	–290	–306	–324	–345	–369	–396	–426	–458	–492	–528
Vaccines for Children, total program costs	3,906	4,031	4,120	4,521	4,630	4,726	4,750	4,905	5,061	5,229	5,399
Institutional long-term care [2]	40,262	36,537	37,469	39,034	40,691	42,599	44,789	47,530	50,384	53,511	56,950
Home and community based institutional alternatives [2]	35,362	35,816	39,395	43,741	47,668	52,708	57,790	63,456	69,350	75,732	82,584
Pharmaceuticals (FFS, net of rebates) [2]	4,641	7,249	7,497	9,055	10,035	10,771	11,333	11,985	12,618	13,127	13,849
Managed care (including Medicaid MCOs, PHPs, and PCCM) [2]	70,398	67,855	72,938	101,346	121,186	137,223	149,746	162,761	175,839	186,652	199,953
Medicare:											
Contracting Reform	–580	–620	–660	–730	–780	–840	–910	–990	–1,080	–1,180	–1,290
DME Competitive Bidding [3]	....	–190	–900	–1,360	–1,460	–2,360	–2,990	–3,220	–3,470	–3,740	–4,030
Administrative Savings	....	–1,000	–1,000	–1,000	–1,000	–1,000	–1,000	–1,000	–1,000	–1,000	–1,000
State Grants and Demonstrations: [4]											
Ticket to Work Health Grant Programs:											
Infrastructure Grant Program	65	65	6	....	....	....	....	....	....	....	....
High-Risk Pools:											
Initial Seed Grants and Operation of Pools	3	....	....	....	....	....	....	....	....	....	....
Emergency Health Services for Undocumented Aliens	75	50	55	28	....	....	....	....	....	....	....
Katrina Relief	10	....	....	....	....	....	....	....	....	....	....
Funding for PACE Outliers	*	....	....	....	....	....	....	....	....	....	....

Table 27–6. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—Continued

(Outlays in millions of dollars)

	Estimate										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Drug Surveys and Reports	*	....	....	....	....	....	....	....	....	....	....
Partnerships for Long-Term Care	4	3	3	3	3	3	3	3	2	....	....
Alternate Non-Emergency Care	16	....	....	....	....	....	....	....	....	....	....
Psychiatric Residential Treatment Demonstration	19	19	19	18	....	....	....	....	....	....	....
Money Follows the Person (MFP) Demonstration	250	250	250	300	300	340	340	340	340	333	....
MFP Evaluation and Support	2	2	2	2	1	1	1	....	....	....	....
Medicaid Transformation Grants	42	....	....	....	....	....	....	....	....	....	....
Medicaid Integrity Program	92	77	79	80	82	83	85	87	88	90	92
Grants to Improve Outreach and Enrollment	35	34	17	17	22	....	....	....	....	....	....
Application of Prospective Payment System	2	3	....	....	....	....	....	....	....	....	....
Medicaid Emergency Psychiatric Demonstration	....	5	15	15	15	15	10	....	....	....	....
Incentives for Prevention of Chronic Diseases in Medicaid	....	10	20	20	20	20	10	....	....	....	....
Approved and Implemented Demonstrations and Pilot Programs: [5]											
Medicare, HI:											
Premier:											
Baseline estimate	....	....	....	....	....	....	....	....	....	....	....
Demonstration estimate	12	....	....	....	....	....	....	....	....	....	....
Rural Community Hospital: [6]											
Baseline estimate	126	....	....	....	....	....	....	....	....	....	....
Demonstration estimate	179	....	....	....	....	....	....	....	....	....	....
Medicare, SMI:											
Medicare Health Support Program: [7]											
Baseline estimate	TBD	....	....	....	....	....	....	....	....	....	....
Program Estimate	TBD	....	....	....	....	....	....	....	....	....	....
Coordinated Care Disease Management Demonstration:											
Baseline estimate	14	14	14	....	....	....	....	....	....	....	....
Demonstration estimate	14	14	14	....	....	....	....	....	....	....	....
Low-Vision Rehabilitation:											
Baseline estimate	3	....	....	....	....	....	....	....	....	....	....
Demonstration estimate	3	....	....	....	....	....	....	....	....	....	....
Cancer Prevention and Treatment for Ethnic and Racial Minorities:											
Baseline estimate	2	....	....	....	....	....	....	....	....	....	....
Demonstration estimate	2	....	....	....	....	....	....	....	....	....	....
Demonstration to Transition Enrollment of Low-Income Subsidy Beneficiaries:											
Baseline estimate	....	....	....	....	....	....	....	....	....	....	....
Demonstration estimate	20	....	....	....	....	....	....	....	....	....	....
Frontier Extended Stay Clinic Demonstration:											
Baseline estimate	2	2	1	....	....	....	....	....	....	....	....
Demonstration estimate	1	1	1	....	....	....	....	....	....	....	....
Part D Retroactive & Immediate Coverage for New Dual Eligible Individuals:											
Baseline estimate	TBD	TBD	TBD	TBD	....	....	....	....	....	....	....
Demonstration estimate	TBD	TBD	TBD	TBD	....	....	....	....	....	....	....
Multi-Payer Advanced Primary Care Demo:											
Baseline estimate	TBD	....	....	....	....	....	....	....	....	....	....
Demonstration estimate	TBD	....	....	....	....	....	....	....	....	....	....
Assess Appropriate Use of Imaging Services (MIPPA sec. 135):											
Baseline estimate	3	4	2	....	....	....	....	....	....	....	....
Demonstration estimate	3	4	2	....	....	....	....	....	....	....	....
Medicare, HI and SMI:											
Acute Care Episode Bundling Demonstration:											
Baseline estimate	168	175	76	8	....	....	....	....	....	....	....
Demonstration estimate	161	167	73	8	....	....	....	....	....	....	....
Electronic Health Records Demonstration:											

Table 27–6. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—Continued

(Outlays in millions of dollars)

	Estimate										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Baseline estimate	1,286	1,263	1,306	896	....	....	....	....	....	....	....
Demonstration estimate	1,286	1,263	1,306	896	4	....	....	....	....	....	....
Physician Hospital Collaboration Demonstration:											
Baseline estimate	2,611	1,358	....	....	....	....	....	....	....	....	....
Demonstration estimate	2,611	1,358	....	....	....	....	....	....	....	....	....
Senior Risk Reduction Demonstration:											
Baseline estimate	3	1	....	....	....	....	....	....	....	....	....
Demonstration estimate	3	1	....	....	....	....	....	....	....	....	....
ESRD Disease Management Demonstration:											
Baseline estimate	48	....	....	....	....	....	....	....	....	....	....
Demonstration estimate	48	....	....	....	....	....	....	....	....	....	....
Home Health Third-Party Liability Demonstration:											
Baseline estimate	210	203	105	....	....	....	....	....	....	....	....
Demonstration estimate	200	193	100	....	....	....	....	....	....	....	....
Medicare+Choice Phase II Demonstration:											
Baseline estimate	....	....	....	....	....	....	....	....	....	....	....
Demonstration estimate	29	....	....	....	....	....	....	....	....	....	....
S/HMO I Demonstration:											
Baseline estimate	374	....	....	....	....	....	....	....	....	....	....
Demonstration estimate	374	....	....	....	....	....	....	....	....	....	....
S/HMO II Demonstration:											
Baseline estimate	167	....	....	....	....	....	....	....	....	....	....
Demonstration estimate	167	....	....	....	....	....	....	....	....	....	....
Minnesota-Dual Eligibles:											
Baseline estimate	198	....	....	....	....	....	....	....	....	....	....
Demonstration estimate	198	....	....	....	....	....	....	....	....	....	....
Wisconsin Health Partnership Dual Eligible Demonstration:											
Baseline estimate	101	32	....	....	....	....	....	....	....	....	....
Demonstration estimate	105	32	....	....	....	....	....	....	....	....	....
Massachusetts SCO Dual Eligible Demonstration:											
Baseline estimate	342	108	....	....	....	....	....	....	....	....	....
Demonstration estimate	347	109	....	....	....	....	....	....	....	....	....
Physician Group Practice Demonstration:											
Baseline estimate	....	....	....	....	....	....	....	....	....	....	....
Demonstration estimate	98	....	....	....	....	....	....	....	....	....	....
Home Health Pay for Performance:											
Baseline estimate	....	....	....	....	....	....	....	....	....	....	....
Demonstration estimate	16	....	....	....	....	....	....	....	....	....	....
PACE for Profit:											
Baseline estimate	6	....	....	....	....	....	....	....	....	....	....
Demonstration estimate	6	....	....	....	....	....	....	....	....	....	....
DRA 5007 Medicare Hospital Gainsharing Demonstration:											
Baseline estimate	287	....	....	....	....	....	....	....	....	....	....
Demonstration estimate	287	....	....	....	....	....	....	....	....	....	....
Medicare Care Management Performance:											
Baseline estimate		....	....	....	....	....	....	....	....	....	....
Demonstration estimate	24	....	....	....	....	....	....	....	....	....	....
Care Management for High-Cost Beneficiaries:											
Baseline estimate	477	201	....	....	....	....	....	....	....	....	....
Demonstration estimate	477	201	....	....	....	....	....	....	....	....	....
Medicare Health Care Quality Demonstration Programs:											
Baseline estimate	2,739	4,612	4,913	3,917	....	....	....	....	....	....	....
Demonstration estimate	2,671	4,488	4,753	3,810	153	....	....	....	....	....	....
Nursing Home Value Based Purchasing Demonstration:											
Baseline estimate	534	416	....	....	....	....	....	....	....	....	....
Demonstration estimate	510	400	17	....	....	....	....	....	....	....	....

Table 27–6. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—Continued

(Outlays in millions of dollars)

	Estimate										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Medicare Advantage Quality Bonus Payment Demonstration:											
Baseline estimate	....	....	....	....	....	....	....	....	....	....	....
Demonstration estimate	....	600	1,100	1,300	....	....	....	....	....	....	....
Medicaid: [8]											
Alabama Family Planning:											
Baseline estimate	189	....	....	....	....	....	....	....	....	....	....
Arizona AHCCCS:											
Baseline estimate	6,571	....	....	....	....	....	....	....	....	....	....
Arkansas Family Planning:											
Baseline estimate	277	96	....	....	....	....	....	....	....	....	....
Arkansas TEFRA:											
Baseline estimate	44	50	55	14	....	....	....	....	....	....	....
California Family Planning: [9]											
Baseline estimate	TBD	....	....	....	....	....	....	....	....	....	....
California Bridge to Reform:											
Baseline estimate	8,432	8,649	9,914	9,607	7,868	656	....	....	....	....	....
Delaware Diamond State Health Plan: [10]											
Baseline estimate	TBD	....	....	....	....	....	....	....	....	....	....
District of Columbia Childless Adults II:											
Baseline estimate	16	29	43	13	....	....	....	....	....	....	....
District of Columbia HIV: [11]											
Baseline estimate	TBD	....	....	....	....	....	....	....	....	....	....
Florida Family Planning: [10]											
Baseline estimate	TBD	....	....	....	....	....	....	....	....	....	....
Florida MEDS-AD Program: [12]											
Baseline estimate	TBD	....	....	....	....	....	....	....	....	....	....
Florida Medicaid Reform:											
Baseline estimate	4,137	....	....	....	....	....	....	....	....	....	....
Georgia Planning for Healthy Babies:											
Baseline estimate	390	522	526	132	....	....	....	....	....	....	....
Hawaii Health QUEST:											
Baseline estimate	870	961	777	....	....	....	....	....	....	....	....
Healthy Indiana Plan:											
Baseline estimate	1,404	1,541	394	....	....	....	....	....	....	....	....
Idaho Adult Access Card: [13]											
Baseline estimate	....	....	....	....	....	....	....	....	....	....	....
Illinois Family Planning:											
Baseline estimate	662	345	....	....	....	....	....	....	....	....	....
IowaCare:											
Baseline estimate	93	99	106	28	....	....	....	....	....	....	....
Iowa Family Planning: [14]											
Baseline estimate	TBD	....	....	....	....	....	....	....	....	....	....
Kentucky Health Care Partnership Program:											
Baseline estimate	691	58	....	....	....	....	....	....	....	....	....
Louisiana Family Planning:											
Baseline estimate	522	....	....	....	....	....	....	....	....	....	....
Louisiana GNO Community Health Connection:											
Baseline estimate	20	20	20	5	....	....	....	....	....	....	....
Maine HIV:											
Baseline estimate	8	10	11	3	....	....	....	....	....	....	....
MaineCare Childless Adults:											
Baseline estimate	58	58	58	15	....	....	....	....	....	....	....
Maryland Health Choice:											
Baseline estimate	1,361	....	....	....	....	....	....	....	....	....	....
Massachusetts MassHealth:											

Table 27–6. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—Continued

(Outlays in millions of dollars)

	Estimate										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Baseline estimate	2,855	....	....	....	....	....	....	....	....	....	....
Michigan Adult Benefits:											
Baseline estimate	143	149	157	166	....	....	....	....	....	....	....
Michigan Family Planning:											
Baseline estimate	285	....	....	....	....	....	....	....	....	....	....
Minnesota Prepaid Med. Assist. Project Plus:											
Baseline estimate	695	....	....	....	....	....	....	....	....	....	....
Minnesota Family Planning:											
Baseline estimate	88	....	....	....	....	....	....	....	....	....	....
Mississippi Family Planning:											
Baseline estimate	521	....	....	....	....	....	....	....	....	....	....
Mississippi - Healthier Mississippi:											
Baseline estimate	79	83	70	18	....	....	....	....	....	....	....
Montana Basic Medicaid for Able-Bodied Adults:											
Baseline estimate	31	33	48	10	....	....	....	....	....	....	....
Missouri Family Planning: [10]											
Baseline estimate	TBD	....	....	....	....	....	....	....	....	....	....
Missouri Gateway to Better Health:											
Baseline estimate	19	19	19	5	....	....	....	....	....	....	....
New Mexico Family Planning: [10]											
Baseline estimate	TBD	....	....	....	....	....	....	....	....	....	....
New Mexico State Coverage Insurance:											
Baseline estimate	184	193	203	214	....	....	....	....	....	....	....
New York Partnership Plan: [15]											
Baseline estimate	TBD	....	....	....	....	....	....	....	....	....	....
New York Federal-State Health Reform Partnership:											
Baseline estimate	13,153	....	....	....	....	....	....	....	....	....	....
North Carolina Family Planning: [16]											
Baseline estimate	TBD	....	....	....	....	....	....	....	....	....	....
Oklahoma Family Planning: [10]											
Baseline estimate	TBD	....	....	....	....	....	....	....	....	....	....
Oregon Family Planning:											
Baseline estimate	170	206	18	....	....	....	....	....	....	....	....
Pennsylvania Family Planning:											
Baseline estimate	354	271	....	....	....	....	....	....	....	....	....
Rhode Island Global:											
Baseline estimate	1,250	1,224	1,572	625	....	....	....	....	....	....	....
South Carolina Family Planning: [10]											
Baseline estimate	TBD	....	....	....	....	....	....	....	....	....	....
TennCare II:											
Baseline estimate	6,455	6,818	5,329	....	....	....	....	....	....	....	....
Texas Family Planning:											
Baseline estimate	2,026	....	....	....	....	....	....	....	....	....	....
Utah Primary Care Network:											
Baseline estimate	136	145	114	....	....	....	....	....	....	....	....
Vermont Long Term Care Plan:											
Baseline estimate	180	195	210	227	245	....	....	....	....	....	....
Vermont Global Commitment to Health:											
Baseline estimate	701	766	837	229	....	....	....	....	....	....	....
Virginia Family Planning: [16]											
Baseline estimate	TBD	....	....	....	....	....	....	....	....	....	....
Washington Take Charge/Family Planning: [17]											
Baseline estimate	5	....	....	....	....	....	....	....	....	....	....
Wisconsin BadgerCare:											
Baseline estimate	15	....	....	....	....	....	....	....	....	....	....
Wisconsin BadgerCare Plus:											

Table 27–6. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—Continued
(Outlays in millions of dollars)

	Estimate										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Baseline estimate	100	104	108	28	....	....	....	....	....	....	....
Wisconsin Family Planning:											
Baseline estimate	95	....	....	....	....	....	....	....	....	....	....
Wyoming Family Planning:											
Baseline estimate	37	39	39	....	....	....	....	....	....	....	....
Pharmacy Plus:											
Wisconsin Pharmacy Plus: [18]											
Demonstration estimate	42	46	12	....	....	....	....	....	....	....	....
Children's Health Insurance Program (CHIP)/Medicaid Demonstrations: [19]											
Arkansas ARKids B:											
Baseline estimate (CHIP)	88	82	87	91	....	....	....	....	....	....	....
Baseline estimate (Medicaid)	2	....	....	....	....	....	....	....	....	....	....
Arkansas Safety Net Benefit Program:											
Demonstration estimate (CHIP funds)	31	....	....	....	....	....	....	....	....	....	....
Baseline estimate (Medicaid funds)	2,318	....	....	....	....	....	....	....	....	....	....
Colorado: [20]											
Demonstration estimate (CHIP funds)	TBD	....	....	....	....	....	....	....	....	....	....
Idaho:											
Demonstration estimate (CHIP funds)	48	52	57	....	....	....	....	....	....	....	....
Nevada:											
Demonstration estimate (CHIP funds)	17	....	....	....	....	....	....	....	....	....	....
New Jersey FamilyCare: [21]											
Demonstration estimate (CHIP funds)	375	417	478	....	....	....	....	....	....	....	....
New Mexico:											
Demonstration estimate (CHIP funds)	110	....	....	....	....	....	....	....	....	....	....
Oklahoma Sooner Care Demo:											
Baseline estimate (CHIP funds)	129	139	....	....	....	....	....	....	....	....	....
Oregon Health Plan 2:											
Demonstration estimate (CHIP funds)	6	6	5	....	....	....	....	....	....	....	....
Baseline estimate (Medicaid funds)	2,802	3,174	3,578	301	....	....	....	....	....	....	....
Virginia:											
Demonstration estimate (CHIP funds)	10	11	9	....	....	....	....	....	....	....	....
Old Age and Survivors Insurance (OASI), Disability Insurance (DI) and Supplemental Security Income (SSI):											
Performance of CDRs in 2011 and Subsequent Years (OASDI and SSI):											
OASDI	–31	–134	–193	–220	–245	–266	–286	–304	–321	–337	–354
SSI	–11	–141	–362	–587	–808	–1,106	–1,226	–1,293	–1,567	–1,729	–1,880
Collection of Overpayments (OASI, DI, and SSI):											
OASI	–1,149	–1,178	–1,223	–1,281	–1,349	–1,425	–1,425	–1,425	–1,425	–1,425	–1,425
DI	–874	–912	–950	–988	–1,026	–1,064	–1,064	–1,064	–1,064	–1,064	–1,064
SSI	–1,140	–1,218	–1,306	–1,394	–1,478	–1,561	–1,561	–1,561	–1,561	–1,561	–1,561
Debts Written off as Uncollectible (no effect on outlays—OASI, DI and SSI):											
OASI	168	172	178	187	197	208	208	208	208	208	208
DI	479	500	521	542	562	583	583	583	583	583	583
SSI (Federal)	353	377	404	431	457	483	483	483	483	483	483
Payments to States for Vocational Rehabilitation (excludes ticket payments - OASDI and SSI):											
OASDI	77	84	91	100	108	115	119	125	130	136	140
SSI	48	50	54	58	62	66	70	73	76	78	81
Research and Demonstration Projects (OASDI and SSI):											
OASDI	22	26	14	....	....	....	....	....	....	....	....
SSI	40	43	43	37	38	38	39	40	40	41	43
State Supplementation Benefit Payments (SSI)											
Payments from States	–3,650	–3,835	–4,017	–4,161	–4,291	–4,420	–4,540	–4,666	–4,803	–4,952	–5,098

Table 27–6. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—Continued
(Outlays in millions of dollars)

	Estimate										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Benefit Payments	3,895	3,560	4,005	4,150	4,280	4,720	4,540	4,335	4,790	4,940	5,085
Fees for Federal Administration of SSI State Supplemental Benefit Payments:											
Treasury Share	–159	–139	–156	–158	–160	–175	–162	–150	–165	–166	–168
SSA Share	–160	–163	–185	–194	–203	–231	–222	–212	–242	–253	–264
Performance of Non-Disability SSI Redeterminations (SSI)	459	–910	–435	–59	–43	–52	–30	8	–15	–10	12

* $500 million or less.

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

[2] Reflects the temporary FMAP adjustments included in the American Recovery and Reinvestment Act, P.L. 111–5 and P.L. 111–226.

[3] Projected without premium offset.

[4] State Grants and Demonstrations estimates do not reflect temporary FMAP adjustments included in the American Recovery and Reinvestment Act, P.L. 111–5 and P.L. 111–226.

[5] Baseline estimates reflect costs absent the demonstration; demonstration estimate reflects costs of the demonstration. The differences represent the net impact of the demonstration. Any demonstrations are implicitly assumed in the current services baseline. The demonstrations listed are only those that were approved and implemented by release of the 2012 President's Budget.

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

[7] Demonstration ended in 2008, but costs reflected as $0 pending final settlement agreements.

[8] Medicaid demonstration estimates do not reflect temporary FMAP adjustments included in the American Recovery and Reinvestment Act, P.L. 111–5 or P.L. 111–226.

[9] The Federal Government does not have current estimates for California; the State has been operating under a temporary extension for six years. The current temporary extension is through 1/31/2011.

[10] Demonstration on temporary extension through January 31, 2011.

[11] Demonstration was on temporary extension through December 30, 2010, and will not be extended.

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

[13] Baseline estimates round to zero.

[14] Demonstration on temporary extension through July 1, 2011.

[15] An extension request is under review. Demonstration on temporary extension through January 31, 2011.

[16] Demonstration on temporary extension through March 31, 2011.

[17] Demonstration on temporary extension through February 28, 2011.

[18] Demonstration extended through 12/31/2012. Estimate for FY 2012 is for one calendar quarter only.

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

[20] Demonstration on temporary extension through January 31, 2011.

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

Table 27–7. RECEIPTS BY SOURCE IN THE ADJUSTED BASELINE

(In billions of dollars)

	2010	Estimate										
	Actual	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Individual income taxes	898.5	955.8	1,144.6	1,338.7	1,491.0	1,628.3	1,765.1	1,898.2	2,028.0	2,156.5	2,281.5	2,404.0
Corporation income taxes	191.4	198.4	326.8	396.6	477.9	435.4	402.7	462.3	466.9	477.8	479.5	501.8
Social insurance and retirement receipts	864.8	806.8	927.1	1,020.8	1,087.7	1,149.6	1,224.0	1,279.8	1,345.0	1,410.4	1,464.3	1,537.3
(On-budget)	(233.1)	(247.4)	(267.1)	(289.1)	(312.2)	(330.0)	(349.6)	(360.5)	(377.0)	(393.3)	(405.3)	(425.3)
(Off-budget)	(631.7)	(559.4)	(660.1)	(731.8)	(775.5)	(819.6)	(874.4)	(919.3)	(968.0)	(1,017.0)	(1,059.0)	(1,112.0)
Excise taxes	66.9	74.1	80.0	87.4	97.8	103.0	104.6	109.1	114.6	124.8	128.7	134.3
Estate and gift taxes	18.9	12.2	12.7	13.5	23.2	25.8	28.1	30.4	32.6	35.1	37.6	40.3
Customs duties	25.3	28.5	31.2	33.9	36.4	38.6	40.4	42.6	45.2	47.9	50.5	53.1
Miscellaneous receipts	96.8	98.4	86.1	67.8	91.0	106.1	113.8	119.4	126.2	133.6	141.7	149.3
Total, receipts	2,162.7	2,174.3	2,608.5	2,958.9	3,305.0	3,487.0	3,678.7	3,941.8	4,158.5	4,386.0	4,583.8	4,820.1
On-budget	1,531.0	1,614.9	1,948.5	2,227.1	2,529.5	2,667.3	2,804.3	3,022.5	3,190.6	3,368.9	3,524.8	3,708.1
Off-budget	631.7	559.4	660.1	731.8	775.5	819.6	874.4	919.3	968.0	1,017.0	1,059.0	1,112.0

Table 27–8. EFFECT ON RECEIPTS OF CHANGES IN THE SOCIAL SECURITY TAXABLE EARNINGS BASE

(In billions of dollars)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Social security (OASDI) taxable earnings base increases:										
$106,800 to $110,100 on Jan. 1, 2012 [1]	1.5	4.0	4.5	5.1	5.8	5.9	5.3	5.9	6.8	7.7
$110,100 to $113,100 on Jan. 1, 2013	....	1.5	3.9	4.3	4.9	5.5	4.8	4.9	5.6	6.4
$113,100 to $117,600 on Jan. 1, 2014	....	....	2.3	6.1	6.8	7.6	8.5	7.1	7.4	8.5
$117,600 to $122,700 on Jan. 1, 2015	....	....	....	2.7	7.1	7.9	8.8	9.8	8.3	8.3
$122,700 to $128,700 on Jan. 1, 2016	....	....	....	....	3.2	8.4	9.3	10.3	11.4	10.5
$128,700 to $135,000 on Jan. 1, 2017	....	....	....	....	....	3.4	8.8	9.8	10.7	11.8
$135,000 to $141,300 on Jan. 1, 2018	....	....	....	....	....	....	3.4	8.8	9.6	10.6
$141,300 to $147,900 on Jan. 1, 2019	....	....	....	....	....	....	....	3.6	9.1	10.0
$147,900 to $154,500 on Jan. 1, 2020	....	....	....	....	....	....	....	....	3.5	9.1
$154,500 to $161,100 on Jan. 1, 2021	....	....	....	....	....	....	....	....	....	3.4

[1] The taxable earnings base for 2011 is $106,800, the same as in 2009 and 2010.

Table 27–9. CHANGE IN OUTLAY ESTIMATES BY CATEGORY IN THE ADJUSTED BASELINE
(Dollar amounts in billions)

	2011	2012	2016	2021	Change 2011 to 2012		Change 2011 to 2016		Change 2011 to 2021	
					Amount	Percent	Amount	Annual average rate	Amount	Annual average rate
Outlays:										
Discretionary:										
Defense	746	735	773	861	–11	–1.4%	26	0.7%	115	1.4%
Non-defense	640	608	610	687	–32	–5.0%	–30	–1.0%	47	0.7%
Subtotal, discretionary	1,386	1,344	1,383	1,548	–43	–3.1%	–4	–0.1%	162	1.1%
Mandatory:										
Farm programs	18	12	14	15	–6	–32.7%	–4	–4.8%	–3	–2.1%
Medicaid	261	268	429	605	7	2.8%	168	10.5%	344	8.8%
Other health care	59	39	108	149	–20	–34.2%	50	13.1%	91	9.8%
Medicare	488	468	601	792	–20	–4.2%	112	4.2%	304	5.0%
Federal employee retirement and disability	126	122	149	170	–4	–3.4%	23	3.4%	44	3.0%
Unemployment compensation	131	93	57	67	–38	–29.3%	–74	–15.3%	–65	–6.6%
Other income security programs	290	268	259	275	–23	–7.8%	–31	–2.2%	–15	–0.5%
Social Security	727	761	947	1,272	33	4.6%	220	5.4%	545	5.8%
Veterans programs	85	66	99	126	–19	–22.3%	14	3.1%	41	4.0%
Other mandatory programs	78	110	78	104	33	42.4%	1	0.2%	26	3.0%
Undistributed offsetting receipts	–87	–97	–102	–125	–11	12.4%	–15	3.3%	–39	3.8%
Subtotal, mandatory	2,177	2,109	2,640	3,450	–68	–3.1%	464	3.9%	1,273	4.7%
Disaster costs [1]	3	7	10	10	4	160.0%	7	30.6%	8	14.9%
Net interest	205	240	584	928	35	16.8%	379	23.3%	722	16.3%
Total, outlays	3,771	3,699	4,617	5,936	–72	–1.9%	846	4.1%	2,165	4.6%

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

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

Function	2010 Actual	Estimate										
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
National Defense:												
Department of Defense—Military	666.7	725.5	713.4	714.3	725.5	737.1	750.6	766.0	782.9	800.3	818.2	836.5
Other	26.9	28.0	29.7	27.6	27.7	28.0	28.6	29.1	29.8	30.4	31.1	31.6
Total, National Defense	693.6	753.5	743.1	741.9	753.2	765.1	779.1	795.1	812.7	830.7	849.2	868.1
International Affairs	45.2	52.9	56.2	54.7	53.5	54.8	57.0	60.0	61.3	62.5	63.9	66.6
General Science, Space, and Technology	31.0	33.5	32.3	33.4	32.4	32.8	33.2	34.0	35.0	35.7	36.5	37.2
Energy	11.6	27.2	20.3	10.9	8.1	6.8	4.6	4.3	4.6	4.8	5.0	5.0
Natural Resources and Environment	43.7	49.0	44.3	42.1	42.3	43.0	44.3	44.9	46.9	48.1	49.9	50.9
Agriculture	21.4	25.5	19.8	23.9	23.0	22.0	22.1	22.4	22.8	23.2	23.5	23.8
Commerce and Housing Credit	–82.3	11.2	18.3	–20.4	–24.7	–20.2	–14.8	–14.1	–16.9	–19.7	–21.5	–9.2
On-Budget	(–87.0)	(7.4)	(18.3)	(–20.4)	(–24.7)	(–20.2)	(–14.8)	(–14.1)	(–16.9)	(–19.7)	(–21.5)	(–9.2)
Off-Budget	(4.7)	(3.8)	....	(–*)	(–*)	(–*)	(–*)	(–*)	(–*)	(–*)	(–*)	....
Transportation	92.0	94.1	98.0	92.1	100.1	102.4	102.5	104.9	108.6	111.6	114.0	116.0
Community and Regional Development	23.8	25.5	25.9	21.9	18.0	17.5	17.6	17.9	18.1	18.0	18.1	18.5
Education, Training, Employment, and Social Services	127.7	113.5	110.9	109.0	111.4	118.4	123.8	130.0	133.7	136.4	138.8	141.0
Health	369.1	384.8	371.0	385.1	480.8	546.0	601.3	638.7	677.5	722.9	769.5	825.0
Medicare	451.6	494.3	474.2	507.6	535.9	560.5	608.0	625.2	645.0	700.3	750.8	802.0
Income Security	622.2	620.4	552.6	538.3	525.2	525.2	536.4	534.9	536.6	560.1	575.9	589.9
Social Security	706.7	733.7	766.5	808.1	853.5	902.0	954.1	1,011.2	1,071.8	1,137.0	1,206.7	1,280.5
On-Budget	(23.3)	(102.8)	(55.0)	(29.3)	(34.8)	(38.8)	(42.6)	(46.8)	(50.7)	(54.5)	(58.6)	(63.0)
Off-Budget	(683.4)	(630.9)	(711.5)	(778.7)	(818.7)	(863.3)	(911.6)	(964.4)	(1,021.2)	(1,082.5)	(1,148.1)	(1,217.6)
Veterans Benefits and Services	108.4	141.5	124.0	134.5	142.6	150.2	163.8	166.4	167.7	183.6	192.6	201.9
Administration of Justice	53.4	58.2	62.4	61.5	61.5	61.9	65.5	65.9	67.9	70.1	74.4	76.8
General Government	23.0	31.0	30.1	25.7	25.8	26.4	26.6	27.3	28.1	29.0	29.9	30.0
Net Interest	196.2	205.4	240.0	321.5	421.1	505.2	584.3	660.9	730.1	797.8	862.6	927.6
On-Budget	(314.7)	(321.2)	(353.4)	(434.7)	(536.7)	(624.7)	(709.1)	(791.9)	(869.8)	(945.0)	(1,017.4)	(1,088.3)
Off-Budget	(–118.5)	(–115.7)	(–113.3)	(–113.2)	(–115.5)	(–119.5)	(–124.8)	(–131.0)	(–139.7)	(–147.2)	(–154.8)	(–160.7)
Allowances	....	2.5	6.5	8.0	8.5	9.0	9.5	10.0	10.0	10.0	10.0	10.0
Undistributed Offsetting Receipts:												
Employer share, employee retirement (on-budget)	–62.1	–64.0	–65.8	–66.5	–68.5	–70.6	–72.6	–79.5	–82.7	–86.0	–89.3	–92.8
Employer share, employee retirement (off-budget)	–14.9	–15.1	–15.2	–15.8	–16.5	–17.4	–18.4	–19.3	–20.1	–21.2	–22.2	–23.3
Rents and royalties on the Outer Continental Shelf	–4.9	–5.2	–7.3	–7.2	–8.0	–8.5	–9.0	–9.5	–9.7	–9.4	–9.4	–9.4
Sale of major assets	....	–2.0	–4.0	–4.0	–4.0	–4.4	–2.0	....	....	....	....	....
Other undistributed offsetting receipts	–0.2	–0.2	–5.0	–0.8	....	....	....	....	....	....	....	....
Total, Undistributed Offsetting Receipts	–82.1	–86.6	–97.3	–94.4	–97.0	–100.9	–102.0	–108.2	–112.4	–116.6	–120.9	–125.5
On-Budget	(–67.2)	(–71.4)	(–82.1)	(–78.5)	(–80.5)	(–83.5)	(–83.6)	(–89.0)	(–92.3)	(–95.4)	(–98.7)	(–102.2)
Off-Budget	(–14.9)	(–15.1)	(–15.2)	(–15.8)	(–16.5)	(–17.4)	(–18.4)	(–19.3)	(–20.1)	(–21.2)	(–22.2)	(–23.3)
Total	3,456.2	3,771.2	3,699.0	3,805.3	4,075.1	4,328.1	4,616.9	4,831.4	5,049.1	5,345.7	5,628.8	5,936.2
On-Budget	(2,901.5)	(3,267.4)	(3,116.1)	(3,155.5)	(3,388.4)	(3,601.7)	(3,848.6)	(4,017.4)	(4,187.8)	(4,431.6)	(4,657.7)	(4,902.6)
Off-Budget	(554.7)	(503.8)	(582.9)	(649.8)	(686.6)	(726.4)	(768.3)	(814.1)	(861.4)	(914.2)	(971.1)	(1,033.6)

* $50 million or less.

Table 27–11. OUTLAYS BY AGENCY IN THE ADJUSTED BASELINE

(In billions of dollars)

Agency	2010 Actual	Estimate										
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Legislative Branch	5.8	4.9	5.3	5.4	5.4	5.4	5.6	5.8	6.0	6.2	6.4	6.7
Judicial Branch	7.2	7.4	7.5	7.7	8.0	8.2	8.5	8.8	9.1	9.4	9.7	10.0
Agriculture	129.5	151.8	145.6	147.7	137.0	132.9	131.3	131.3	132.4	134.3	136.8	136.4
Commerce	13.2	11.1	11.3	9.1	9.0	9.0	9.2	9.4	9.6	9.9	10.1	10.5
Defense—Military Programs	666.7	725.5	713.4	714.3	725.5	737.1	750.6	766.0	782.9	800.3	818.2	836.5
Education	92.9	78.7	76.7	73.7	80.9	87.4	92.7	98.5	101.7	103.8	105.6	107.2
Energy	30.8	43.5	37.8	30.1	27.9	27.3	25.7	25.9	26.3	26.7	27.2	27.6
Health and Human Services	854.1	909.0	873.5	920.0	1,026.6	1,098.5	1,189.2	1,232.4	1,285.8	1,380.3	1,472.7	1,573.1
Homeland Security	44.5	47.5	46.7	46.8	46.8	48.5	50.0	51.6	53.2	54.9	58.7	60.5
Housing and Urban Development	60.1	56.7	48.1	46.2	45.6	45.0	45.1	44.9	45.5	45.9	46.5	47.3
Interior	13.2	12.9	14.3	13.9	13.9	13.9	14.0	14.2	14.8	14.9	15.4	15.9
Justice	29.6	31.1	37.2	35.2	34.3	34.2	36.9	36.3	37.3	38.4	39.6	40.8
Labor	173.1	146.2	107.1	83.4	78.5	75.2	73.0	73.7	76.2	79.4	82.9	86.3
State	23.8	27.9	29.8	31.0	30.6	30.2	30.4	30.9	31.5	32.1	32.8	33.6
Transportation	77.8	79.7	82.9	75.6	83.4	85.1	84.7	86.5	89.6	92.0	93.7	95.1
Treasury	444.3	531.8	561.5	618.7	722.0	837.5	941.7	1,042.8	1,138.1	1,232.8	1,324.5	1,415.0
Veterans Affairs	108.3	141.3	123.7	134.2	142.2	149.9	163.5	166.0	167.3	183.2	192.2	201.5
Corps of Engineers—Civil Works	9.9	11.1	8.6	8.0	7.0	6.6	6.6	6.0	6.2	6.4	6.5	6.7
Other Defense Civil Programs	54.0	59.2	51.5	57.3	59.1	60.6	67.0	64.3	61.4	68.0	70.1	72.3
Environmental Protection Agency	11.0	11.2	10.3	8.3	8.9	9.5	10.1	10.6	11.3	11.7	12.2	12.5
Executive Office of the President	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6
General Services Administration	0.9	2.6	2.2	0.9	0.2	*	–0.2	–0.5	–0.5	–0.5	–0.5	–0.5
International Assistance Programs	20.0	23.8	25.3	22.8	22.0	23.6	25.6	28.1	28.7	29.2	29.9	31.8
National Aeronautics and Space Administration	18.9	19.5	18.9	19.4	19.7	20.1	20.5	21.0	21.4	21.9	22.4	22.9
National Science Foundation	6.7	8.5	7.4	7.1	7.0	7.1	6.9	7.1	7.6	7.8	7.9	8.1
Office of Personnel Management	69.9	73.0	76.4	79.8	83.1	86.7	90.0	101.1	105.1	109.7	114.6	119.8
Small Business Administration	6.1	6.1	1.0	0.9	0.9	0.9	0.9	1.0	1.0	1.0	1.0	1.1
Social Security Administration	754.2	786.5	814.3	863.2	911.0	961.4	1,020.1	1,074.7	1,132.5	1,204.5	1,276.4	1,352.5
On-Budget	(70.8)	(155.6)	(102.8)	(84.5)	(92.3)	(98.1)	(108.5)	(110.3)	(111.3)	(122.0)	(128.3)	(134.9)
Off-Budget	(683.4)	(630.9)	(711.5)	(778.7)	(818.7)	(863.3)	(911.6)	(964.4)	(1,021.2)	(1,082.5)	(1,148.1)	(1,217.6)
Other Independent Agencies	–2.8	26.6	31.8	14.1	16.2	19.3	22.5	20.3	17.8	15.7	12.8	25.7
On-Budget	(–7.5)	(22.8)	(31.8)	(14.1)	(16.2)	(19.3)	(22.5)	(20.3)	(17.7)	(15.7)	(12.8)	(25.7)
Off-Budget	(4.7)	(3.8)	....	(–*)	(–*)	(–*)	(–*)	(–*)	(–*)	(–*)	(–*)	....
Allowances	....	2.5	6.5	8.0	8.5	9.0	9.5	10.0	10.0	10.0	10.0	10.0
Undistributed Offsetting Receipts	–267.9	–266.7	–277.9	–277.7	–286.5	–302.5	–315.1	–337.6	–361.3	–384.9	–408.1	–431.1
On-Budget	(–134.4)	(–135.8)	(–149.4)	(–148.7)	(–154.4)	(–165.6)	(–171.9)	(–187.3)	(–201.5)	(–216.5)	(–231.1)	(–247.1)
Off-Budget	(–133.4)	(–130.9)	(–128.5)	(–129.0)	(–132.1)	(–136.9)	(–143.2)	(–150.3)	(–159.8)	(–168.4)	(–177.0)	(–184.0)
Total	3,456.2	3,771.2	3,699.0	3,805.3	4,075.1	4,328.1	4,616.9	4,831.4	5,049.1	5,345.7	5,628.8	5,936.2
On-Budget	(2,901.5)	(3,267.4)	(3,116.1)	(3,155.5)	(3,388.4)	(3,601.7)	(3,848.6)	(4,017.4)	(4,187.8)	(4,431.6)	(4,657.7)	(4,902.6)
Off-Budget	(554.7)	(503.8)	(582.9)	(649.8)	(686.6)	(726.4)	(768.3)	(814.1)	(861.4)	(914.2)	(971.1)	(1,033.6)

* $50 million or less.

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

(In billions of dollars)

Function	2010 Actual	Estimate 2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
National Defense:												
Department of Defense—Military	695.6	689.6	701.9	715.9	730.9	746.1	761.5	778.2	795.4	813.0	831.1	849.7
Other	25.7	25.9	26.5	27.3	27.8	28.4	28.9	29.5	30.1	30.8	31.4	32.0
Total, National Defense	721.3	715.5	728.4	743.2	758.7	774.5	790.4	807.8	825.6	843.8	862.6	881.8
International Affairs	60.6	69.7	66.8	56.5	53.1	50.6	53.7	57.2	58.9	60.6	62.3	65.5
General Science, Space, and Technology	31.1	31.0	31.5	32.1	32.8	33.4	34.0	34.8	35.5	36.2	37.0	37.7
Energy	7.7	9.1	11.7	9.8	9.8	9.1	7.2	6.7	7.1	7.3	7.3	7.4
Natural Resources and Environment	39.7	38.5	41.0	41.0	42.1	43.2	44.6	45.9	47.8	49.0	50.5	51.4
Agriculture	19.8	25.6	18.2	23.6	22.9	22.1	22.2	22.6	23.0	23.4	23.7	24.1
Commerce and Housing Credit	–119.0	–44.4	–3.7	–1.7	–3.5	0.1	5.1	10.4	11.7	12.0	12.9	13.0
On-Budget	(–123.7)	(–49.6)	(–9.9)	(–1.7)	(–3.5)	(0.1)	(5.1)	(10.4)	(11.7)	(12.0)	(12.9)	(13.0)
Off-Budget	(4.7)	(5.2)	(6.2)	(–*)	(–*)	(–*)	(–*)	(–*)	(–*)	(–*)	(–*)	....
Transportation	100.1	92.7	94.4	96.4	98.3	100.4	102.6	104.9	107.2	109.6	112.1	114.7
Community and Regional Development	21.1	16.2	16.0	16.1	16.4	16.8	17.1	17.5	17.9	18.4	18.8	19.2
Education, Training, Employment, and Social Services	95.2	78.8	112.7	110.3	113.3	119.6	125.6	132.2	135.2	137.9	140.0	142.6
Health	406.2	373.6	367.5	389.6	487.4	555.9	588.2	635.2	677.2	723.0	780.1	826.1
Medicare	452.6	494.8	474.3	507.6	536.1	560.8	608.0	625.5	645.5	700.5	751.3	802.6
Income Security	624.0	602.0	543.7	535.4	526.6	527.8	540.7	540.5	543.2	566.4	582.0	595.5
Social Security	706.8	735.5	769.6	811.6	857.2	906.1	958.6	1,016.0	1,077.0	1,142.6	1,212.7	1,286.8
On-Budget	(22.9)	(102.4)	(55.0)	(29.3)	(34.7)	(38.8)	(42.6)	(46.8)	(50.7)	(54.5)	(58.6)	(63.0)
Off-Budget	(683.9)	(633.2)	(714.5)	(782.3)	(822.5)	(867.4)	(916.0)	(969.2)	(1,026.4)	(1,088.1)	(1,154.1)	(1,223.8)
Veterans Benefits and Services	124.4	123.9	129.4	136.1	143.9	151.6	159.7	167.9	176.4	185.2	194.3	203.7
Administration of Justice	55.2	54.8	64.2	58.7	60.4	62.2	66.0	66.3	68.4	70.6	74.9	77.4
General Government	23.7	29.0	27.7	25.7	26.4	27.0	27.7	28.5	29.3	30.3	31.0	32.0
Net Interest	196.2	205.4	240.0	321.5	421.1	505.2	584.3	660.9	730.1	797.8	862.6	927.6
On-Budget	(314.7)	(321.2)	(353.4)	(434.7)	(536.7)	(624.7)	(709.1)	(791.9)	(869.8)	(945.0)	(1,017.4)	(1,088.3)
Off-Budget	(–118.5)	(–115.7)	(–113.3)	(–113.2)	(–115.5)	(–119.5)	(–124.8)	(–131.0)	(–139.7)	(–147.2)	(–154.8)	(–160.7)
Allowances	....	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Undistributed Offsetting Receipts:												
Employer share, employee retirement (on-budget)	–62.1	–64.0	–65.8	–66.5	–68.5	–70.6	–72.6	–79.5	–82.7	–86.0	–89.3	–92.8
Employer share, employee retirement (off-budget)	–14.9	–15.1	–15.2	–15.8	–16.5	–17.4	–18.4	–19.3	–20.1	–21.2	–22.2	–23.3
Rents and royalties on the Outer Continental Shelf	–4.9	–5.2	–7.3	–7.2	–8.0	–8.5	–9.0	–9.5	–9.7	–9.4	–9.4	–9.4
Sale of major assets	....	–2.0	–4.0	–4.0	–4.0	–4.4	–2.0	....	....	....	....	....
Other undistributed offsetting receipts	–0.2	–0.2	–5.0	–0.8	....	....	....	....	....	....	....	....
Total, Undistributed Offsetting Receipts	–82.1	–86.6	–97.3	–94.4	–97.0	–100.9	–102.0	–108.2	–112.4	–116.6	–120.9	–125.5
On-Budget	(–67.2)	(–71.4)	(–82.1)	(–78.5)	(–80.5)	(–83.5)	(–83.6)	(–89.0)	(–92.3)	(–95.4)	(–98.7)	(–102.2)
Off-Budget	(–14.9)	(–15.1)	(–15.2)	(–15.8)	(–16.5)	(–17.4)	(–18.4)	(–19.3)	(–20.1)	(–21.2)	(–22.2)	(–23.3)
Total	3,484.6	3,575.1	3,646.1	3,829.3	4,116.0	4,375.6	4,643.9	4,882.4	5,114.4	5,408.0	5,705.2	5,993.5
On-Budget	(2,929.4)	(3,067.7)	(3,053.9)	(3,175.9)	(3,425.6)	(3,645.1)	(3,871.1)	(4,063.5)	(4,247.8)	(4,488.2)	(4,728.2)	(4,953.6)
Off-Budget	(555.2)	(507.4)	(592.2)	(653.3)	(690.4)	(730.5)	(772.8)	(818.9)	(866.6)	(919.7)	(977.0)	(1,039.8)
MEMORANDUM												
Discretionary budget authority:												
National Defense	714.2	709.5	721.7	736.8	752.2	767.9	783.9	801.1	818.8	836.9	855.5	874.7
International affairs	57.0	52.6	53.2	54.2	55.3	56.3	57.4	58.6	59.8	61.0	62.2	63.6
Domestic	486.4	468.4	512.5	516.3	529.2	541.4	554.5	568.0	582.8	598.3	614.1	630.9
Total, discretionary	1,257.6	1,230.6	1,287.4	1,307.3	1,336.7	1,365.7	1,395.7	1,427.7	1,461.4	1,496.2	1,531.9	1,569.1

* $50 million or less.

Table 27–13. BUDGET AUTHORITY BY AGENCY IN THE ADJUSTED BASELINE

(In billions of dollars)

Agency	2010 Actual	Estimate										
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Legislative Branch	4.9	4.8	5.0	5.1	5.3	5.5	5.7	5.9	6.1	6.3	6.5	6.7
Judicial Branch	7.2	7.3	7.6	7.8	8.1	8.4	8.7	9.0	9.3	9.6	9.9	10.3
Agriculture	131.0	147.7	148.7	152.3	142.4	138.9	137.1	137.1	138.7	140.8	142.9	142.6
Commerce	13.7	7.9	8.4	8.6	8.8	9.0	9.3	9.5	9.8	10.0	10.3	10.6
Defense—Military Programs	695.6	689.6	701.9	715.9	730.9	746.1	761.5	778.2	795.4	813.0	831.1	849.7
Education	62.9	46.1	78.6	74.6	82.5	89.0	94.4	100.5	102.8	104.9	106.5	108.4
Energy	23.0	23.8	25.1	26.2	27.3	27.9	27.0	27.2	27.6	28.1	28.5	29.0
Health and Human Services	889.6	893.2	869.1	923.6	1,032.9	1,108.1	1,175.6	1,228.7	1,285.3	1,380.4	1,483.0	1,573.7
Homeland Security	45.4	42.5	44.8	46.3	47.7	49.1	50.6	52.2	53.9	55.6	59.4	61.3
Housing and Urban Development	45.1	50.3	46.3	47.4	48.5	49.7	50.7	51.8	52.9	54.1	55.4	55.8
Interior	12.8	12.3	12.5	12.4	12.7	12.8	13.2	13.5	14.5	14.8	15.4	15.6
Justice	30.2	29.9	38.3	32.7	33.5	34.4	37.2	36.5	37.6	38.7	39.9	41.2
Labor	179.2	147.3	107.6	83.7	78.3	74.0	71.6	72.0	74.1	76.8	80.0	83.1
State	30.3	27.7	28.2	28.7	29.3	30.0	30.6	31.2	31.9	32.6	33.3	34.1
Transportation	84.3	77.2	78.4	79.8	81.4	82.9	84.6	86.3	88.0	89.8	91.7	93.6
Treasury	392.2	466.7	519.9	598.8	718.0	834.3	940.9	1,042.7	1,138.8	1,233.8	1,325.4	1,416.8
Veterans Affairs	124.3	123.6	129.1	135.8	143.5	151.2	159.3	167.5	176.0	184.8	193.9	203.3
Corps of Engineers—Civil Works	5.7	5.4	5.4	5.5	5.7	5.8	6.0	6.2	6.4	6.5	6.7	6.9
Other Defense Civil Programs	54.8	59.4	51.7	57.5	59.4	60.8	67.2	64.6	61.6	68.0	70.1	72.3
Environmental Protection Agency	10.2	10.2	10.4	10.6	10.9	11.2	11.4	11.7	12.0	12.3	12.6	12.9
Executive Office of the President	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6
General Services Administration	0.3	–*	–*	–*	*	*	*	*	*	*	*	*
International Assistance Programs	28.1	40.6	37.4	26.4	22.4	19.3	21.7	24.5	25.4	26.4	27.4	29.7
National Aeronautics and Space Administration	18.7	18.7	19.0	19.4	19.8	20.2	20.7	21.1	21.6	22.1	22.6	23.1
National Science Foundation	7.0	7.0	7.1	7.2	7.3	7.4	7.6	7.7	7.8	8.0	8.1	8.3
Office of Personnel Management	72.4	75.1	78.2	82.0	85.7	89.6	93.2	104.4	108.8	113.5	118.6	123.9
Small Business Administration	6.5	5.5	0.8	0.9	0.9	0.9	0.9	1.0	1.0	1.0	1.1	1.1
Social Security Administration	754.1	788.1	817.6	866.8	914.7	965.5	1,024.2	1,079.5	1,138.0	1,210.2	1,282.5	1,358.7
On-Budget	(70.2)	(154.9)	(103.1)	(84.5)	(92.2)	(98.1)	(108.2)	(110.3)	(111.6)	(122.1)	(128.4)	(134.9)
Off-Budget	(683.9)	(633.2)	(714.5)	(782.3)	(822.5)	(867.4)	(916.0)	(969.2)	(1,026.4)	(1,088.1)	(1,154.1)	(1,223.8)
Other Independent Agencies	22.6	23.3	36.7	40.5	34.1	35.5	37.5	38.9	39.9	40.0	40.0	41.2
On-Budget	(17.9)	(18.2)	(30.5)	(40.5)	(34.1)	(35.5)	(37.5)	(38.9)	(39.8)	(40.0)	(40.0)	(41.2)
Off-Budget	(4.7)	(5.2)	(6.2)	(–*)	(–*)	(–*)	(–*)	(–*)	(–*)	(–*)	(–*)	....
Allowances	....	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Undistributed Offsetting Receipts	–267.9	–266.7	–277.9	–277.7	–286.5	–302.5	–315.1	–337.6	–361.3	–384.9	–408.1	–431.1
On-Budget	(–134.4)	(–135.8)	(–149.4)	(–148.7)	(–154.4)	(–165.6)	(–171.9)	(–187.3)	(–201.5)	(–216.5)	(–231.1)	(–247.1)
Off-Budget	(–133.4)	(–130.9)	(–128.5)	(–129.0)	(–132.1)	(–136.9)	(–143.2)	(–150.3)	(–159.8)	(–168.4)	(–177.0)	(–184.0)
Total	3,484.6	3,575.1	3,646.1	3,829.3	4,116.0	4,375.6	4,643.9	4,882.4	5,114.4	5,408.0	5,705.2	5,993.5
On-Budget	(2,929.4)	(3,067.7)	(3,053.9)	(3,175.9)	(3,425.6)	(3,645.1)	(3,871.1)	(4,063.5)	(4,247.8)	(4,488.2)	(4,728.2)	(4,953.6)
Off-Budget	(555.2)	(507.4)	(592.2)	(653.3)	(690.4)	(730.5)	(772.8)	(818.9)	(866.6)	(919.7)	(977.0)	(1,039.8)

* $50 million or less.

28. TRUST FUNDS AND FEDERAL FUNDS

As is common for State and local government budgets, the budget for the Federal Government presents information about collections and expenditures for different types of funds. This chapter presents summary information about the transactions of the two major fund groups used by the Federal Government – trust funds and Federal funds. It also presents information about the income and outgo of the major trust funds and a number of Federal funds that are financed by dedicated collections in a manner similar to trust funds.

The Federal Funds Group

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

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

The Federal funds group also includes special funds and revolving funds, both of which receive collections that are dedicated by law for specific purposes. Where the law requires that Federal fund collections be dedicated to a particular program, the collections and associated disbursements are recorded in special fund receipt and expenditure accounts.[1] An example is the portion of the Outer Continental Shelf mineral leasing receipts deposited into the Land and Water Conservation Fund. Money in special fund receipt accounts must be appropriated before it can be obligated and spent. The majority of special fund collections are derived from the Government's power to impose taxes or fines, or otherwise compel payment, as in the case of the Nuclear Waste Disposal Fund. In addition, a significant amount of collections credited to special funds is derived from business-like activity, such as the receipts from Outer Continental Shelf mineral leasing.

Revolving funds are used to conduct continuing cycles of business-like activity. Revolving funds receive proceeds from the sale of products or services, and these proceeds finance ongoing activities that continue to provide products or services. Instead of being deposited in receipt accounts, the proceeds are recorded in revolving fund expenditure accounts. The proceeds are generally available for obligation and expenditure without further legislative action. Outlays for programs with revolving funds are reported net of these proceeds; program outlays are derived by subtracting the proceeds from gross outlays. Because the proceeds of these sales are recorded as offsets to outlays within expenditure accounts rather than as governmental receipts, the proceeds are known as "offsetting collections." There are two classes of revolving funds in the Federal funds group. Public enterprise funds, such as the Postal Service Fund, conduct business-like operations mainly with the public. Intragovernmental funds, such as the Federal Buildings Fund, conduct business-like operations mainly within and between Government agencies.

The Trust Funds Group

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

There is no substantive difference between special funds in the Federal funds group and trust funds or between revolving funds in the Federal funds group and trust revolving funds. Whether a particular fund is designated in law as a trust fund is, in many cases, arbitrary. For example, the National Service Life Insurance Fund is a trust fund, but the Servicemen's Group Life Insurance Fund is a Federal fund, even though both receive dedicated collections from veterans and both provide life insurance payments to veterans' beneficiaries.[2]

The Federal Government uses the term "trust fund" very differently than the private sector. The beneficiary of a private trust owns the trust's income and may own the trust's assets. A custodian or trustee manages the assets on behalf of the beneficiary according to the stipulations of the trust, which is set up by a trustor and which neither the trustee nor the beneficiary can change; only the trustor can change the terms of the trust agreement. In con-

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

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

trast, the Federal Government owns and manages the assets and the earnings of most Federal trust funds, and can unilaterally change the law to raise or lower future trust fund collections and payments or change the purpose for which the collections are used. Only a few small Federal trust funds are managed pursuant to a trust agreement whereby the Government acts as the trustee, and even then the Government generally owns the funds and has some ability to alter the amount deposited into or paid out of the funds.

By contrast, deposit funds, which are funds held by the Government as a custodian on behalf of individuals or a non-Federal entity, are similar to private-sector trust funds. The Government makes no decisions about the amount of money placed in deposit funds or about how the proceeds are spent. For this reason, these funds are not classified as Federal trust funds, but are instead considered to be non-budgetary and excluded from the Federal budget.[3]

The income of a Federal Government trust fund must be used for the purposes specified in law. The income of some trust funds, such as the Federal Employees Health Benefits fund, is spent almost as quickly as it is collected. In other cases, such as the Social Security and the Federal civilian employees' retirement trust funds, less income is currently spent each year than is collected. A surplus of income over outgo adds to the trust fund's balance, which is available for future expenditures. The balances are generally required by law to be invested in Federal securities issued by the Department of the Treasury.[4] The National Railroad Retirement Investment Trust is a rare example of a Government trust fund authorized to invest balances in equity markets.

A trust fund normally consists of one or more receipt accounts (to record income) and an expenditure account (to record outgo). However, a few trust funds, such as the Veterans Special Life Insurance fund, are established by law as trust revolving funds. Such a fund is similar to a revolving fund in the Federal funds group in that it may consist of a single account to record both income and outgo. Trust revolving funds are used to conduct a cycle of business-type operations; offsetting collections are credited to the funds (which are also expenditure accounts) and the funds' outlays are displayed net of the offsetting collections.

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

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

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

(In billions of dollars)

	2010 Actual	Estimate 2011	2012	2013	2014	2015	2016
Receipts:							
Federal funds cash income:							
From the public	1,485.2	1,524.3	1,771.5	2,048.2	2,289.3	2,466.3	2,617.2
From trust funds	2.0	2.8	3.0	3.2	3.4	3.6	3.6
Total, Federal funds cash income	1,487.2	1,527.2	1,774.5	2,051.4	2,292.8	2,469.9	2,620.9
Trust funds cash income:							
From the public	1,018.8	972.4	1,132.5	1,249.2	1,340.3	1,419.7	1,500.1
From Federal funds:							
Interest	185.8	180.1	180.2	182.1	187.0	197.7	207.3
Other	509.0	561.3	495.1	478.5	511.9	544.5	586.0
Total, trust funds cash income	1,713.6	1,713.8	1,807.8	1,909.8	2,039.2	2,161.9	2,293.4
Offsetting receipts	–1,038.0	–1,067.2	–954.9	–957.9	–999.4	–1,048.8	–1,095.2
Total, unified budget receipts	2,162.7	2,173.7	2,627.4	3,003.3	3,332.6	3,583.0	3,819.1
Outlays:							
Federal funds cash outgo	2,904.0	3,218.4	3,001.1	2,964.7	3,126.4	3,305.0	3,508.9
Trust funds cash outgo	1,590.2	1,667.6	1,682.4	1,764.0	1,850.1	1,933.6	2,054.1
Offsetting receipts	–1,038.0	–1,067.2	–954.9	–957.9	–999.4	–1,048.8	–1,095.2
Total, unified budget outlays	3,456.2	3,818.8	3,728.7	3,770.9	3,977.1	4,189.8	4,467.8
Surplus or deficit(–):							
Federal funds	–1,416.8	–1,691.2	–1,226.6	–913.4	–833.6	–835.0	–888.0
Trust funds	123.3	46.1	125.4	145.8	189.0	228.3	239.3
Total, unified surplus/deficit(–)	–1,293.5	–1,645.1	–1,101.2	–767.5	–644.6	–606.7	–648.7

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

Income and Outgo by Fund Group

Table 28–1 shows income, outgo, and the surplus or deficit by fund group and in the aggregate (netted to avoid double-counting) from which the total unified budget receipts, outlays, and surplus or deficit are derived. Income consists mostly of governmental receipts (derived from governmental activity, primarily income, payroll, and excise taxes). Income also consists of offsetting receipts, which include proprietary receipts (derived from business-like transactions with the public), interfund collections (derived from payments from a fund in one fund group to a fund in the other fund group), and gifts. Outgo consists of payments made to the public or to a fund in the other fund group.

Two types of transactions are treated specially in the table. First, income and outgo for each fund group net out all transactions that occur between funds within the same fund group.[5] These intrafund transactions constitute outgo and income for the individual funds that make and collect the payments, but they are offsetting within the fund group as a whole. The totals for each fund group measure only the group's transactions with the public and the other fund group. Second, outgo is calculated net of the collections that are credited to expenditure accounts (which, as noted above, are referred to as offsetting collections); the collections are added to and subsequently subtracted from outgo.[6] Although it would be conceptually correct to add interfund offsetting collections to income for a particular fund, this cannot be done at the present time because the budget data do not provide this type of detail. As a result, both interfund and intrafund offsetting collections are offset against outgo in Table 28–1 and are not shown separately.

The vast majority of the interfund transactions in the table are payments by the Federal funds to the trust funds. These payments include interest payments from the general fund to the trust funds for interest earned on trust fund balances invested in interest-bearing Treasury securities. The payments also include payments by Federal agencies to Federal employee benefits and Social Security trust funds on behalf of current employees, and general fund payments to employee retirement trust funds to

[5] For example, the railroad retirement trust funds pay the equivalent of Social Security benefits to railroad retirees in addition to the regular railroad pension. These benefits are financed by a payment from the Federal Old-Age and Survivors Insurance trust fund to the railroad retirement trust funds. The payment and collection are not included in Table 28–1 so that the total trust fund income and outgo shown in the table reflect disbursements to the public and to Federal funds.

[6] For example, postage stamp fees are deposited as offsetting collections in the Postal Service Fund. As a result, the Fund's outgo reported in Table 28–1 is gross disbursements less collections.

Table 28–2. INCOME, OUTGO, AND BALANCES OF TRUST FUNDS GROUP

(In billions of dollars)

	2010 Actual	Estimate					
		2011	2012	2013	2014	2015	2016
Balance, start of year	4,088.6	4,238.7	4,308.9	4,453.1	4,598.9	4,787.9	5,016.3
Adjustments	–0.3	–2.5	....	....	....	....	....
Total balance, start of year	4,088.3	4,236.2	4,308.9	4,453.1	4,598.9	4,787.9	5,016.3
Income:							
Governmental receipts	916.2	862.1	1,009.8	1,114.8	1,197.2	1,269.0	1,343.4
Offsetting governmental receipts	*	*	*	*	*	*	*
Proprietary receipts	119.5	127.6	141.0	153.7	163.6	172.4	179.8
Receipts from Federal funds:							
Interest	187.2	181.7	182.1	184.2	189.3	200.1	209.9
Other	550.2	604.5	540.6	525.8	561.9	597.5	642.2
Subtotal, income	1,773.0	1,776.0	1,873.5	1,978.5	2,112.0	2,239.0	2,375.3
Outgo (–):							
To the public	–1,648.7	–1,728.6	–1,747.0	–1,831.5	–1,921.8	–2,009.5	–2,134.7
To Federal funds	–1.0	–1.3	–1.2	–1.2	–1.2	–1.2	–1.3
Subtotal, outgo	–1,649.7	–1,729.9	–1,748.2	–1,832.7	–1,922.9	–2,010.7	–2,136.0
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	–63.8	–135.6	–56.8	–38.4	–0.3	28.2	29.4
Interest from Federal funds	187.2	181.7	182.1	184.2	189.3	200.1	209.9
Subtotal, surplus or deficit (–)	123.3	46.1	125.4	145.8	189.0	228.3	239.3
Borrowing/transfers/lapses (net)	27.0	26.6	18.8	....	....	....	....
Subtotal, change in fund balance	150.4	72.7	144.1	145.8	189.0	228.3	239.3
Balance, end of year	4,238.7	4,308.9	4,453.1	4,598.9	4,787.9	5,016.3	5,255.5

* $50 million or less.

NOTE: In contrast to table 28-1, income in Table 28-2 includes income that is recorded in expenditure accounts as offsetting collections, instead of being deposited in receipt accounts.

amortize the unfunded liabilities of these funds. In addition, the payments include general fund payments to the Medicare trust funds for the cost of Parts B and D that is not covered by premiums. For 2011 and 2012, general fund payments will be made to the Social Security trust funds to hold the funds harmless for the one-year (2 percentage point) reduction in the Social Security tax payroll rate enacted in the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010.

In addition to investing their balances with Treasury, some funds in the Federal funds group and most trust funds[7] are authorized to borrow from the general fund of the Treasury.[8] Similar to the treatment of funds invested with Treasury, borrowed funds are not recorded as receipts of the fund or included in the income of the fund. Rather, the borrowed funds finance outlays by the fund in excess of available receipts. Subsequently, any excess fund receipts are transferred from the fund to the general fund in repayment of the borrowing. The repayment is not recorded as an outlay of the fund or included in fund outgo. This treatment is consistent with the broad principle that borrowing and debt redemption are not budgetary transactions but rather a means of financing deficits or disposing of surpluses.[9]

Some income in both Federal funds and trust funds consists of offsetting receipts.[10] Offsetting receipts are not considered governmental receipts (such as taxes) but instead are subtracted from gross outlays. There are two reasons for this treatment:

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

Because the income for Federal funds and trust funds recorded in Table 28–1 includes offsetting receipts, offsetting receipts must be deducted from the two fund groups' combined gross income in order to reconcile to total (net) unified budget receipts. Similarly, because the outgo for Federal funds and trust funds in Table 28–1 consists of

[7] For example, the Unemployment trust fund borrowed $26 billion from the general fund in 2010 for unemployment benefits.

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

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

[10] Interest on borrowed funds is an example of an offsetting receipt.

Table 28–3. COMPARISON OF TOTAL FEDERAL FUND AND TRUST FUND RECEIPTS TO UNIFIED BUDGET RECEIPTS, FISCAL YEAR 2010

(In billions of dollars)

Gross trust fund receipts	1,719.9
Gross Federal fund receipts	1,525.3
Total, gross receipts	3,245.2
Deduct intrafund receipts (from funds within same fund group):	
Trust fund intrafund receipts	–6.4
Federal fund intrafund receipts	–38.1
Subtotal, intrafund receipts	–44.5
Total trust funds and Federal funds cash income	3,200.7
Deduct other offsetting receipts:	
Trust fund receipts from Federal funds:	
Interest in receipt accounts	–185.8
General fund payments to Medicare Parts B and D	–213.7
Employing agencies' payments for pensions, Social Security, and Medicare	–65.9
General fund payments for unfunded liabilities of Federal employees' retirement funds	–92.2
Transfer of taxation of Social Security and RRB benefits to OASDI, HI, and RRB	–37.1
Other receipts from Federal funds	–100.1
Subtotal, trust fund receipts from Federal funds	–694.7
Federal fund receipts from trust funds	–2.0
Proprietary receipts	–333.9
Offsetting governmental receipts	–7.3
Subtotal, offsetting receipts	–1,038.0
Unified budget receipts	2,162.7

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

outlays gross of offsetting receipts, the amount of the offsetting receipts must be deducted from the sum of the Federal funds' and the trust funds' gross outgo in order to reconcile to total (net) unified budget outlays. Table 28–3 reconciles, for fiscal year 2010, the gross total of all trust fund and Federal fund receipts with the net total of the cash income of the Federal fund group and the trust fund group (as shown in Table 28–1), and with the receipt total of the unified budget.

Income, Outgo, and Balances of Trust Funds

Table 28–2 shows, for the trust funds group as a whole, the funds' balance at the start of each year, income and outgo during the year, and the end-of-year balance. Income and outgo are divided between transactions with the public and transactions with Federal funds. Receipts from Federal funds are divided between interest and other interfund receipts.

The definitions of income and outgo in this table differ from those in Table 28–1 in one important way. Trust fund collections that are offset against outgo (as offsetting collections) within expenditure accounts instead of being deposited in separate receipt accounts are classified as income in this table, but not in Table 28–1. This classification is consistent with the definitions of income and outgo for trust funds used elsewhere in the budget. It has the effect of increasing both income and outgo by the amount of the offsetting collections. The difference was approximately $59 billion in 2010. Table 28–2, 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, continuing a trend that has persisted over the past several decades.[11] The size of the anticipated balances is unprecedented and results mainly from changes in the way some trust funds (primarily Social Security and the Federal retirement funds) are financed.

Because of these changes and economic growth (both real and inflationary), trust fund balances increased from $205 billion in 1982 to $4.2 trillion in 2010. The current balances are estimated to increase by more than 20 percent by the year 2016, rising to $5.3 trillion. Almost all of these balances are invested in Treasury securities and earn interest. The balances represent the value, in current dollars, of (1) taxes and user fees received by the Government and dedicated to particular programs that have not yet been spent and (2) intragovernmental payments (from the general fund and from agencies) to the trust funds that have not yet been spent.

Until the 1980s, most trust funds operated on a pay-as-you-go basis as distinct from a pre-funded basis. Taxes and user fees were set at levels sufficient to finance current program expenditures and administrative expenses, and to maintain balances generally equal to one year's worth of expenditures (to provide for unexpected events). As a result, trust fund balances tended to grow at about the same rate as the fund's annual expenditures.

For some of the larger trust funds, pay-as-you-go financing was replaced in the 1980s by full or partial advance funding. The Social Security Amendments of 1983 raised payroll taxes above the levels necessary to finance current expenditures. Similarly, in 1985, a new system took effect that funded military retirement benefits on a full accrual basis and, in 1986, full accrual funding of retirement benefits was mandated for Federal civilian employees hired after December 31, 1983. The two retirement programs now require Federal agencies and employees together to pay the trust funds that disburse Federal civilian and military retirement benefits an amount equal to those accruing retirement benefits. Since many years will pass between the time when benefits are earned (or accrued) and when they are paid, the trust funds will accumulate substantial balances over time.

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

In contrast, from the perspective of the unified budget, the trust fund balances do not represent net resources. The trust fund balances are assets of the trust fund program agencies and liabilities of the Treasury, which net each other out in the unified budget. From a cash perspective, when trust fund holdings are redeemed to fund the payment of benefits, the Department of the Treasury finances the expenditure in the same way as any other Federal expenditure—by using current receipts if the unified budget is in surplus or by borrowing from the public if it is in deficit. Therefore, the existence of large trust fund balances, while representing a claim on the Treasury, does not, by itself, determine the Government's ability to pay benefits. From an economic standpoint, the Government is able to pre-fund benefits only by increasing saving and investment in the economy as a whole, which increases future national income and, as a result, strengthens the Nation's ability to support future benefits. This can be accomplished by simultaneously running trust fund surpluses while maintaining an unchanged Federal fund surplus or deficit, so that the trust fund surplus reduces the unified budget deficit or increases the unified budget surplus.

This demonstrates the need to follow a fiscal policy that is consistent with the Government's obligation to repay the bonds when needed to pay benefits in the future. This means saving more now before the obligations become due and pursuing policies that will increase long-run growth and national income. Otherwise, the Nation will be left with fewer resources available to meet its obligations and

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

will face more difficult choices among cutting spending, raising taxes, or borrowing from private credit markets.

Table 28–4 shows estimates of income, outgo, and balances for 2010 through 2016 for the major trust funds. With the exception of transactions between trust funds, the data for the individual trust funds are conceptually the same as the data in Table 28–2 for the trust funds group. As explained previously, transactions between trust funds are shown as outgo of the fund that makes the payment and as income of the fund that collects it in the data for an individual trust fund, but the collections are offset against outgo in the data for the trust fund group as a whole. A brief description of the funding sources for the major trust funds is given below; additional information for these and other trust funds can be found in the Status of Funds tables in the *Budget Appendix*.

- Social Security Trust Funds: The Social Security trust funds are funded by payroll taxes from employers and employees, interest earnings on trust fund balances, Federal agency payments as employers, and a portion of the income taxes paid on Social Security benefits.
- Medicare Trust Funds: Like the Social Security trust funds, the Medicare Hospital Insurance (HI) trust fund is funded by payroll taxes from employers and employees, interest earnings on trust fund balances, Federal agency payments as employers, and a portion of the income taxes paid on Social Security benefits. In addition, the HI trust fund receives transfers from the general fund of the Treasury for certain HI benefits. The other Medicare trust funds are for Part B (Supplementary Medical Insurance) and Part D (prescription drug benefits). These two trust funds receive premium payments from covered individuals and transfers from the general fund of the Treasury for that portion of Part B and Part D costs not covered by premiums. In addition, like the Social Security and all trust funds, these two trust funds receive interest earnings on any trust fund balances.
- Unemployment Trust Fund: The Unemployment trust fund is funded by taxes on employers, payments from Federal agencies, taxes on certain employees, and interest earnings on trust fund balances. In addition, as noted above, some trust funds have the authority to borrow from the general fund of the Treasury and in 2010 the Unemployment trust fund borrowed $26 billion from the general fund. This borrowed amount is repayable with interest and allowed the trust fund to meet its legal obligations to pay benefits and make repayable advances to States.
- Civilian and military retirement trust funds: The Civil Service Retirement and Disability Fund is funded by employee and agency payments, general fund transfers for the unfunded portion of retirement costs, and interest earnings on trust fund balances. The Military Retirement Fund is funded by payments from the Department of Defense, general fund transfers for unfunded retirement costs, and interest earnings on trust fund balances.

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

Table 28–5 shows income, outgo, and balances of five Federal funds–three revolving funds and two special funds. These five funds are similar to trust funds in that they are financed by dedicated receipts, the excess of income over outgo is invested in Treasury securities, the interest earnings add to fund balances, and the balances remain available to cover future expenditures. The table is illustrative of the Federal funds group, which includes many other revolving funds and special funds.

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

(In billions of dollars)

	2010 Actual	Estimate					
		2011	2012	2013	2014	2015	2016
Airport and Airway Trust Fund							
Balance, start of year	8.8	9.4	9.1	7.6	7.3	8.1	9.7
Adjustments	*	....	....	....	....	....	....
Total balance, start of year	8.8	9.4	9.1	7.6	7.3	8.1	9.7
Income:	....	....	....	....	....	....	....
Governmental receipts	10.6	10.1	10.2	10.6	11.2	11.7	12.2
Offsetting governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Receipts from Federal funds:							
Interest	0.2	0.2	0.2	0.2	0.2	0.3	0.4
Other	*	0.1	0.1	0.1	0.1	0.1	0.1
Receipts from trust funds	....	....	....	....	....	....	....
Subtotal, income	10.9	10.5	10.6	11.0	11.5	12.1	12.7
Outgo (–):							
To the public	–10.3	–10.8	–12.1	–11.3	–10.7	–10.5	–10.5
Payments to other funds	....	....	....	....	....	....	....
Subtotal, outgo	–10.3	–10.8	–12.1	–11.3	–10.7	–10.5	–10.5
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	0.4	–0.5	–1.7	–0.5	0.6	1.3	1.8
Interest	0.2	0.2	0.2	0.2	0.2	0.3	0.4
Subtotal, surplus or deficit(–)	0.6	–0.3	–1.5	–0.3	0.8	1.6	2.2
Borrowing/transfers/lapses (net)	....	....	....	....	....	....	....
Total, change in fund balance	0.6	–0.3	–1.5	–0.3	0.8	1.6	2.2
Balance, end of year	9.4	9.1	7.6	7.3	8.1	9.7	11.8
Civil Service Retirement and Disability Fund							
Balance, start of year	754.3	780.4	803.4	823.8	841.8	858.4	873.8
Adjustments	....	....	....	....	....	....	....
Total balance, start of year	754.3	780.4	803.4	823.8	841.8	858.4	873.8
Income:							
Governmental receipts	4.0	4.3	4.0	3.8	3.6	3.4	3.4
Offsetting governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	....	....	....	....	....	....	....
Receipts from Federal funds:							
Interest	36.6	34.7	34.6	34.7	35.3	36.2	37.5
Other	55.0	56.3	56.5	57.5	58.7	60.1	62.0
Receipts from trust funds	....	....	....	....	....	....	....
Subtotal, income	95.7	95.3	95.1	95.9	97.6	99.7	102.9
Outgo (–):							
To the public	–69.5	–72.2	–74.8	–77.9	–81.1	–84.3	–87.6
Payments to other funds	-*	-*	-*	-*	-*	-*	-*
Subtotal, outgo	–69.5	–72.2	–74.8	–77.9	–81.1	–84.3	–87.6
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	–10.5	–11.7	–14.3	–16.6	–18.8	–20.8	–22.3
Interest	36.6	34.7	34.6	34.7	35.3	36.2	37.5
Subtotal, surplus or deficit(–)	26.1	23.0	20.4	18.1	16.6	15.4	15.2
Borrowing/transfers/lapses (net)	....	....	....	....	....	....	....
Total, change in fund balance	26.1	23.0	20.4	18.1	16.6	15.4	15.2
Balance, end of year	780.4	803.4	823.8	841.8	858.4	873.8	889.0

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

	2010 Actual	Estimate 2011	2012	2013	2014	2015	2016
Federal Employees Health Benefits Fund							
Balance, start of year	15.3	16.2	16.3	16.1	16.1	16.5	16.8
Adjustments	....	....	....	....	....	....	....
Total balance, start of year	15.3	16.2	16.3	16.1	16.1	16.5	16.8
Income:							
Governmental receipts	....	....	....	....	....	....	....
Offsetting governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	11.6	12.5	13.2	14.2	15.2	16.4	17.6
Receipts from Federal funds:							
Interest	0.3	0.4	0.5	0.6	0.7	0.7	0.8
Other	28.0	30.1	31.8	34.0	36.6	39.2	42.1
Receipts from trust funds	....	....	....	....	....	....	....
Subtotal, income	39.8	43.1	45.5	48.8	52.5	56.3	60.5
Outgo (–):							
To the public	–39.0	–42.9	–45.8	–48.7	–52.1	–55.9	–59.9
Payments to other funds	....	....	....	....	....	....	....
Subtotal, outgo	–39.0	–42.9	–45.8	–48.7	–52.1	–55.9	–59.9
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	0.6	–0.3	–0.8	–0.5	–0.3	–0.4	–0.2
Interest	0.3	0.4	0.5	0.6	0.7	0.7	0.8
Subtotal, surplus or deficit(–)	0.9	0.1	–0.3	0.1	0.4	0.3	0.5
Borrowing/transfers/lapses (net)	....	....	....	....	....	....	....
Total, change in fund balance	0.9	0.1	–0.3	0.1	0.4	0.3	0.5
Balance, end of year	16.2	16.3	16.1	16.1	16.5	16.8	17.4
Foreign Military Sales Trust Fund							
Balance, start of year	17.2	17.6	18.7	19.0	20.3	21.8	22.5
Adjustments	....	....	....	....	....	....	....
Total balance, start of year	17.2	17.6	18.7	19.0	20.3	21.8	22.5
Income:							
Governmental receipts	....	....	....	....	....	....	....
Offsetting governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	24.0	28.0	27.7	27.2	26.6	25.3	23.4
Receipts from Federal funds:							
Interest	....	....	....	....	....	....	....
Other	....	....	....	....	....	....	....
Receipts from trust funds	....	....	....	....	....	....	....
Subtotal, income	24.0	28.0	27.7	27.2	26.6	25.3	23.4
Outgo (–):							
To the public	–23.6	–26.9	–27.4	–25.9	–25.1	–24.7	–24.3
Payments to other funds	....	....	....	....	....	....	....
Subtotal, outgo	–23.6	–26.9	–27.4	–25.9	–25.1	–24.7	–24.3
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	0.4	1.1	0.3	1.3	1.5	0.6	–0.9
Interest	....	....	....	....	....	....	....
Subtotal, surplus or deficit(–)	0.4	1.1	0.3	1.3	1.5	0.6	–0.9
Borrowing/transfers/lapses (net)	....	....	....	....	....	....	....
Total, change in fund balance	0.4	1.1	0.3	1.3	1.5	0.6	–0.9
Balance, end of year	17.6	18.7	19.0	20.3	21.8	22.5	21.6

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

(In billions of dollars)

	2010 Actual	Estimate					
		2011	2012	2013	2014	2015	2016
Medicare: Hospital Insurance (HI) Trust Fund							
Balance, start of year	309.8	280.1	240.7	212.2	185.3	165.9	155.7
Adjustments	*	....	....	....	....	....	....
Total balance, start of year	309.9	280.1	240.7	212.2	185.3	165.9	155.7
Income:							
Governmental receipts	180.7	187.5	201.6	217.3	235.5	250.4	268.1
Offsetting governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	8.1	9.1	9.3	9.6	9.9	10.0	10.2
Receipts from Federal funds:							
Interest	14.6	13.0	11.3	9.6	8.2	7.2	6.7
Other	19.5	20.1	20.7	23.5	27.3	30.8	33.7
Receipts from trust funds	....	....	....	....	....	....	....
Subtotal, income	222.9	229.8	243.0	260.0	280.8	298.4	318.7
Outgo (–):							
To the public	–253.9	–269.2	–271.4	–286.8	–300.2	–308.5	–326.4
Payments to other funds	....	....	....	....	....	....	....
Subtotal, outgo	–253.9	–269.2	–271.4	–286.8	–300.2	–308.5	–326.4
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	–45.6	–52.5	–39.8	–36.5	–27.6	–17.4	–14.4
Interest	14.6	13.0	11.3	9.6	8.2	7.2	6.7
Subtotal, surplus or deficit(–)	–31.0	–39.5	–28.5	–26.9	–19.4	–10.2	–7.6
Borrowing/transfers/lapses (net)	1.3	....	....	....	....	....	....
Total, change in fund balance	–29.7	–39.5	–28.5	–26.9	–19.4	–10.2	–7.6
Balance, end of year	280.1	240.7	212.2	185.3	165.9	155.7	148.1
Medicare: Supplementary Medical Insurance SMI Trust Fund							
Balance, start of year	61.4	72.0	64.5	69.9	74.0	81.5	92.3
Adjustments	....	....	....	....	....	....	....
Total balance, start of year	61.4	72.0	64.5	69.9	74.0	81.5	92.3
Income:							
Governmental receipts	....	2.2	2.8	2.8	3.0	3.0	3.0
Offsetting governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	65.9	70.4	77.6	84.6	91.7	99.1	107.1
Receipts from Federal funds:							
Interest	3.0	3.2	3.3	3.5	3.9	4.5	5.2
Other	214.2	221.3	229.5	255.0	274.1	294.0	322.8
Receipts from trust funds	....	....	....	....	....	....	....
Subtotal, income	283.1	297.1	313.2	346.0	372.7	400.5	438.1
Outgo (–):							
To the public	–272.5	–304.6	–307.8	–341.8	–365.2	–389.8	–429.3
Payments to other funds	....	....	....	....	....	....	....
Subtotal, outgo	–272.5	–304.6	–307.8	–341.8	–365.2	–389.8	–429.3
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	7.6	–10.7	2.1	0.6	3.6	6.3	3.6
Interest	3.0	3.2	3.3	3.5	3.9	4.5	5.2
Subtotal, surplus or deficit(–)	10.6	–7.5	5.4	4.1	7.5	10.7	8.8
Borrowing/transfers/lapses (net)	....	....	....	....	....	....	....
Total, change in fund balance	10.6	–7.5	5.4	4.1	7.5	10.7	8.8
Balance, end of year	72.0	64.5	69.9	74.0	81.5	92.3	101.1

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

(In billions of dollars)

	2010 Actual	Estimate					
		2011	2012	2013	2014	2015	2016
Military Retirement Fund							
Balance, start of year	276.1	318.6	361.5	419.7	477.1	538.3	606.4
Adjustments	–0.6	....	....	....	....	....	....
Total balance, start of year	275.5	318.6	361.5	419.7	477.1	538.3	606.4
Income:							
Governmental receipts	....	....	....	....	....	....	....
Offsetting governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	....	....	....	....	....	....	....
Receipts from Federal funds:							
Interest	10.2	10.9	15.2	18.4	20.6	26.0	27.9
Other	83.5	87.4	91.2	92.9	96.1	99.0	101.9
Receipts from trust funds	....	....	....	....	....	....	....
Subtotal, income	93.7	98.2	106.4	111.3	116.7	125.0	129.7
Outgo:							
To the public	–50.6	–55.3	–48.3	–53.8	–55.5	–57.0	–62.9
Payments to other funds	....	....	....	....	....	....	....
Subtotal, outgo	–50.6	–55.3	–48.3	–53.8	–55.5	–57.0	–62.9
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	32.9	32.1	42.9	39.0	40.6	42.0	39.0
Interest	10.2	10.9	15.2	18.4	20.6	26.0	27.9
Subtotal, surplus or deficit(–)	43.1	43.0	58.1	57.5	61.2	68.0	66.8
Borrowing/transfers/lapses (net)	....	....	....	....	....	....	....
Total, change in fund balance	43.1	43.0	58.1	57.5	61.2	68.0	66.8
Balance, end of year	318.6	361.5	419.7	477.1	538.3	606.4	673.2
Railroad Retirement Trust Funds							
Balance, start of year	21.2	21.6	20.5	19.2	18.0	16.8	15.6
Adjustments	....	....	....	....	....	....	....
Total balance, start of year	21.2	21.6	20.5	19.2	18.0	16.8	15.6
Income:							
Governmental receipts	4.1	4.0	4.3	4.6	4.8	5.1	5.3
Offsetting governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	2.4	0.9	0.7	0.8	0.8	0.8	0.8
Receipts from Federal funds:							
Interest	*	0.1	*	0.1	0.1	0.1	0.1
Other	0.6	0.8	0.7	0.7	0.7	0.7	0.8
Receipts from trust funds	4.4	4.4	4.5	4.6	4.7	4.8	4.5
Subtotal, income	11.6	10.2	10.2	10.7	11.0	11.5	11.4
Outgo:							
To the public	–11.0	–11.2	–11.4	–11.7	–12.1	–12.4	–12.8
Payments to other funds	–0.1	–0.1	–0.1	–0.1	–0.2	–0.2	–0.2
Subtotal, outgo	–11.2	–11.3	–11.6	–11.9	–12.3	–12.6	–13.0
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	0.4	–1.2	–1.4	–1.2	–1.3	–1.2	–1.7
Interest	*	0.1	*	0.1	0.1	0.1	0.1
Subtotal, surplus or deficit(–)	0.4	–1.1	–1.3	–1.2	–1.2	–1.1	–1.6
Borrowing/transfers/lapses (net)	-*	*	*	....	....	....	....
Total, change in fund balance	0.4	–1.1	–1.3	–1.2	–1.2	–1.1	–1.6
Balance, end of year	21.6	20.5	19.2	18.0	16.8	15.6	14.0

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

(In billions of dollars)

	2010 Actual	Estimate					
		2011	2012	2013	2014	2015	2016
Social Security: Old-Age, Survivors and Disability Insurance (OASDI) Trust Funds							
Balance, start of year	2,503.8	2,585.5	2,644.9	2,720.6	2,800.9	2,886.4	2,976.3
Adjustments	*	....	....	....	....	....	....
Total balance, start of year	2,503.8	2,585.5	2,644.9	2,720.6	2,800.9	2,886.4	2,976.3
Income:							
Governmental receipts	631.7	559.4	658.7	730.0	771.5	814.9	869.9
Offsetting governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Receipts from Federal funds:							
Interest	118.5	115.7	113.3	113.2	115.5	119.5	124.8
Other	49.1	129.6	82.9	57.3	63.6	68.8	74.0
Receipts from trust funds	....	....	....	....	....	....	....
Subtotal, income	799.4	804.8	855.1	900.6	950.8	1,003.3	1,068.8
Outgo:							
To the public	–712.5	–739.9	–773.9	–814.7	–859.6	–907.6	–959.5
Payments to other funds	–5.2	–5.5	–5.5	–5.6	–5.7	–5.8	–5.5
Subtotal, outgo	–717.7	–745.4	–779.4	–820.3	–865.4	–913.4	–965.1
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	–36.8	–56.3	–37.7	–32.8	–30.1	–29.6	–21.1
Interest	118.5	115.7	113.3	113.2	115.5	119.5	124.8
Subtotal, surplus or deficit(–)	81.7	59.4	75.7	80.4	85.4	89.9	103.7
Borrowing/transfers/lapses (net)	....	....	....	....	....	....	....
Total, change in fund balance	81.7	59.4	75.7	80.4	85.4	89.9	103.7
Balance, end of year	2,585.5	2,644.9	2,720.6	2,800.9	2,886.4	2,976.3	3,080.0
Transportation Trust Fund [1]							
Balance, start of year	14.1	29.2	22.0	26.4	33.7	37.9	41.9
Adjustments	....	....	....	....	....	....	....
Total balance, start of year	14.1	29.2	22.0	26.4	33.7	37.9	41.9
Income:							
Governmental receipts	35.0	37.5	64.4	76.4	79.5	82.4	84.8
Offsetting governmental receipts	*	*	*	*	*	*	*
Proprietary receipts	*	*	....	....	....	....	....
Receipts from Federal funds:							
Interest	*	....	....	....	....	....	....
Other	19.8	0.3	0.3	0.3	0.2	0.2	0.2
Receipts from trust funds	....	....	....	....	....	....	....
Subtotal, income	54.8	37.8	64.7	76.7	79.8	82.6	85.1
Outgo:							
To the public	–39.7	–45.0	–60.3	–69.4	–75.5	–78.6	–83.6
Payments to other funds	....	....	....	....	....	....	....
Subtotal, outgo	–39.7	–45.0	–60.3	–69.4	–75.5	–78.6	–83.6
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	15.1	–7.2	4.4	7.3	4.2	4.0	1.6
Interest	*	....	....	....	....	....	....
Subtotal, surplus or deficit(–)	15.1	–7.2	4.4	7.3	4.2	4.0	1.6
Borrowing/transfers/lapses (net)	-*	-*	-*	....	....	....	....
Total, change in fund balance	15.1	–7.2	4.3	7.3	4.2	4.0	1.6
Balance, end of year	29.2	22.0	26.4	33.7	37.9	41.9	43.5

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

	2010 Actual	Estimate 2011	2012	2013	2014	2015	2016
Unemployment Trust Fund							
Balance, start of year	22.8	20.0	17.0	19.5	10.6	25.7	54.6
Adjustments	....	–2.1	....	....	....	....	....
Total balance, start of year	22.8	17.9	17.0	19.5	10.6	25.7	54.6
Income:							
Governmental receipts	44.8	51.8	56.8	61.1	79.5	89.5	87.8
Offsetting governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	*	*	0.3	1.9	2.5	2.5	2.4
Receipts from Federal funds:							
Interest	0.8	0.4	0.3	0.2	0.3	0.4	0.6
Other	76.6	54.9	23.4	1.1	1.1	1.1	1.0
Receipts from trust funds	....	....	....	....	....	....	....
Subtotal, income	122.3	107.2	80.8	64.4	83.4	93.5	91.9
Outgo:							
To the public	–151.3	–134.7	–97.7	–73.2	–68.2	–64.6	–62.2
Payments to Federal funds	....	....	....	....	....	....	....
Subtotal, outgo	–151.3	–134.7	–97.7	–73.2	–68.2	–64.6	–62.2
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	–29.9	–28.0	–17.2	–9.1	14.8	28.4	29.1
Interest	0.8	0.4	0.3	0.2	0.3	0.4	0.6
Subtotal, surplus or deficit(–)	–29.0	–27.6	–16.9	–8.9	15.1	28.8	29.7
Borrowing/transfers/lapses (net)	26.2	26.7	19.4	....	....	....	....
Total, change in fund balance	–2.8	–0.9	2.5	–8.9	15.1	28.8	29.7
Balance, end of year	20.0	17.0	19.5	10.6	25.7	54.6	84.3
Veterans Life Insurance Funds							
Balance, start of year	10.8	10.2	9.5	8.8	8.0	7.2	6.5
Adjustments	....	....	....	....	....	....	....
Total balance, start of year	10.8	10.2	9.5	8.8	8.0	7.2	6.5
Income:							
Governmental receipts	....	....	....	....	....	....	....
Offsetting governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	0.4	0.4	0.3	0.3	0.3	0.2	0.2
Receipts from Federal funds:							
Interest	0.6	0.5	0.5	0.4	0.4	0.3	0.3
Other	....	....	....	....	....	....	....
Receipts from trust funds	....	....	....	....	....	....	....
Subtotal, income	1.0	0.9	0.8	0.7	0.6	0.5	0.5
Outgo:							
To the public	–1.6	–1.6	–1.5	–1.4	–1.4	–1.3	–1.3
Payments to other funds	....	....	....	....	....	....	....
Subtotal, outgo	–1.6	–1.6	–1.5	–1.4	–1.4	–1.3	–1.3
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	–1.2	–1.2	–1.2	–1.2	–1.1	–1.1	–1.1
Interest	0.6	0.5	0.5	0.4	0.4	0.3	0.3
Subtotal, surplus or deficit(–)	–0.6	–0.7	–0.7	–0.7	–0.8	–0.8	–0.8
Borrowing/transfers/lapses (net)	....	....	....	....	....	....	....
Total, change in fund balance	–0.6	–0.7	–0.7	–0.7	–0.8	–0.8	–0.8
Balance, end of year	10.2	9.5	8.8	8.0	7.2	6.5	5.7

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

(In billions of dollars)

	2010 Actual	Estimate					
		2011	2012	2013	2014	2015	2016
Other Trust Funds							
Balance, start of year	73.0	78.0	80.8	90.6	105.7	123.3	144.2
Adjustments	0.3	–0.4	....	....	....	....	....
Total balance, start of year	73.3	77.6	80.8	90.6	105.7	123.3	144.2
Income:							
Governmental receipts	5.2	5.1	6.9	8.1	8.5	8.7	8.8
Offsetting governmental receipts	*	*	*	*	*	*	*
Proprietary receipts	6.9	6.2	11.6	15.0	16.4	17.9	17.9
Receipts from Federal funds:							
Interest	2.3	2.5	2.8	3.3	4.0	4.8	5.7
Other	3.9	3.7	3.6	3.5	3.5	3.5	3.6
Receipts from trust funds	*	*	*	0.1	0.1	0.1	0.1
Subtotal, income	18.2	17.5	24.9	30.0	32.6	35.1	36.3
Outgo:							
To the public	–13.2	–14.2	–14.6	–14.8	–14.9	–14.1	–14.5
Payments to other funds	-*	-*	-*	–0.1	–0.1	–0.1	–0.1
Subtotal, outgo	–13.2	–14.3	–14.6	–14.9	–15.0	–14.2	–14.6
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	2.7	0.8	7.5	11.8	13.6	16.1	15.9
Interest	2.3	2.5	2.8	3.3	4.0	4.8	5.7
Subtotal, surplus or deficit(–)	5.0	3.3	10.3	15.1	17.6	20.9	21.7
Borrowing/transfers/lapses (net)	–0.4	–0.1	–0.5	....	....	....	....
Total, change in fund balance	4.6	3.2	9.8	15.1	17.6	20.9	21.7
Balance, end of year	78.0	80.8	90.6	105.7	123.3	144.2	165.9

* $50 million or less.

[1] This table does not reflect $434 million in Transportation Trust Fund outlays from 2013 to 2016 that were inadvertently excluded from the account level data in the budget database.

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

	2010 Actual	Estimate					
		2011	2012	2013	2014	2015	2016
Abandoned Mine Reclamation Fund							
Balance, start of year	2.5	2.6	2.7	2.8	2.8	2.9	2.9
Adjustments	....	....	....	....	....	....	....
Total balance, start of year	2.5	2.6	2.7	2.8	2.8	2.9	2.9
Income:							
Governmental receipts	0.3	0.3	0.3	0.2	0.3	0.2	0.2
Proprietary receipts	....	....	....	....	....	....	....
Receipts from Federal funds:							
Interest	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other	....	....	....	....	....	....	....
Receipts from trust funds	....	....	....	....	....	....	....
Subtotal, income	0.3	0.3	0.3	0.3	0.4	0.4	0.4
Outgo (–):							
To the public	–0.2	–0.2	–0.2	–0.3	–0.4	–0.4	–0.4
Payments to other funds	....	....	....	....	....	....	....
Subtotal, outgo	–0.2	–0.2	–0.2	–0.3	–0.4	–0.4	–0.4
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	*	*	*	–0.1	–0.1	–0.1	–0.1
Interest	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Subtotal, surplus or deficit(–)	0.1	0.1	0.1	*	*	*	....
Borrowing/transfers/lapses (net)	....	....	....	....	....	....	....
Total, change in fund balance	0.1	0.1	0.1	*	*	*	....
Balance, end of year	2.6	2.7	2.8	2.8	2.9	2.9	2.9
Credit Union Share Insurance Fund							
Balance, start of year	7.6	9.3	10.2	11.1	11.4	11.9	12.5
Adjustments	....	....	....	....	....	....	....
Total balance, start of year	7.6	9.3	10.2	11.1	11.4	11.9	12.5
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	2.0	11.3	1.2	0.4	0.4	0.4	0.5
Receipts from Federal funds:							
Interest	0.2	0.2	0.2	0.3	0.4	0.4	0.4
Other	....	....	....	....	....	....	....
Receipts from trust funds	....	....	....	....	....	....	....
Subtotal, income	2.2	11.6	1.4	0.7	0.8	0.8	0.9
Outgo (–):							
To the public	–0.5	–10.6	–0.5	–0.4	–0.3	–0.3	–0.3
Payments to other funds	....	....	....	....	....	....	....
Subtotal, outgo	–0.5	–10.6	–0.5	–0.4	–0.3	–0.3	–0.3
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	1.4	0.7	0.7	*	0.1	0.2	0.2
Interest	0.2	0.2	0.2	0.3	0.4	0.4	0.4
Subtotal, surplus or deficit(–)	1.6	0.9	0.9	0.4	0.5	0.6	0.6
Borrowing/transfers/lapses (net)	....	....	....	....	....	....	....
Total, change in fund balance	1.6	0.9	0.9	0.4	0.5	0.6	0.6
Balance, end of year	9.3	10.2	11.1	11.4	11.9	12.5	13.1

Table 28–5. INCOME, OUTGO, AND BALANCE OF MAJOR FEDERAL FUNDS—Continued

(In billions of dollars)

	2010 Actual	Estimate					
		2011	2012	2013	2014	2015	2016
Department of Defense Medicare-Eligible Retiree Health Care Fund							
Balance, start of year	146.8	164.6	182.1	200.5	217.9	236.2	255.5
Adjustments	....	....	....	....	....	....	....
Total balance, start of year	146.8	164.6	182.1	200.5	217.9	236.2	255.5
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	....	....	....	....	....	....	....
Receipts from Federal funds:							
Interest	5.1	5.8	7.0	7.6	8.2	9.1	9.5
Other	....	....	....	....	....	....	....
Receipts from trust funds	21.1	21.1	21.3	20.6	21.6	22.6	23.6
Subtotal, income	26.2	26.9	28.3	28.2	29.8	31.7	33.1
Outgo (–):							
To the public	–8.4	–9.5	–9.9	–10.7	–11.5	–12.4	–13.3
Payments to other funds	....	....	....	....	....	....	....
Subtotal, outgo	–8.4	–9.5	–9.9	–10.7	–11.5	–12.4	–13.3
Change in fund balance:							
Surplus or deficit(–):	....	....	....	....	....	....	....
Excluding interest	12.7	11.6	11.4	9.9	10.1	10.2	10.3
Interest	5.1	5.8	7.0	7.6	8.2	9.1	9.5
Subtotal, surplus or deficit(–)	17.8	17.4	18.4	17.5	18.3	19.3	19.8
Borrowing/transfers/lapses (net)	....	....	....	....	....	....	....
Total, change in fund balance	17.8	17.4	18.4	17.5	18.3	19.3	19.8
Balance, end of year	164.6	182.1	200.5	217.9	236.2	255.5	275.3
Overseas Private Investment Corporation Noncredit Account							
Balance, start of year	4.8	4.9	5.1	5.2	5.4	5.6	5.8
Adjustments	....	....	....	....	....	....	....
Total balance, start of year	4.8	4.9	5.1	5.2	5.4	5.6	5.8
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	*	*	*	*	*	*	*
Receipts from Federal funds:							
Interest	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Other	*	*	*	*	*	*	*
Receipts from trust funds	....	....	....	....	....	....	....
Subtotal, income	0.3	0.2	0.2	0.3	0.3	0.3	0.3
Outgo (–):							
To the public	–0.1	–0.1	–0.1	–0.1	–0.1	–0.1	–0.1
Payments to other funds	....	....	....	....	....	....	....
Subtotal, outgo	–0.1	–0.1	–0.1	–0.1	–0.1	–0.1	–0.1
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	*	*	*	*	*	*	*
Interest	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Subtotal, surplus or deficit(–)	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Borrowing/transfers/lapses (net)	–0.1	–0.1	–0.1	....	....	....	....
Total, change in fund balance	0.2	0.1	0.1	0.2	0.2	0.2	0.2
Balance, end of year	4.9	5.1	5.2	5.4	5.6	5.8	6.0

Table 28–5. INCOME, OUTGO, AND BALANCE OF MAJOR FEDERAL FUNDS—Continued

(In billions of dollars)

	2010 Actual	Estimate					
		2011	2012	2013	2014	2015	2016
Pension Benefit Guaranty Corporation Fund							
Balance, start of year	13.1	14.4	15.0	15.8	16.0	16.9	18.6
Adjustments	....	....	....	....	....	....	....
Total balance, start of year	13.1	14.4	15.0	15.8	16.0	16.9	18.6
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	5.3	6.4	7.3	7.5	9.0	10.8	10.9
Receipts from Federal funds:							
Interest	1.6	0.8	0.8	0.9	0.9	0.9	1.0
Other	....	....	....	....	....	....	....
Receipts from trust funds	....	....	....	....	....	....	....
Subtotal, income	6.9	7.2	8.1	8.3	9.9	11.7	11.9
Outgo (–):							
To the public	–5.6	–6.6	–7.3	–8.1	–9.0	–10.0	–10.9
Payments to other funds	....	....	....	....	....	....	....
Subtotal, outgo	–5.6	–6.6	–7.3	–8.1	–9.0	–10.0	–10.9
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	–0.2	–0.2	–0.1	–0.6	–*	0.8	0.1
Interest	1.6	0.8	0.8	0.9	0.9	0.9	1.0
Subtotal, surplus or deficit(–)	1.3	0.6	0.8	0.2	0.8	1.7	1.1
Borrowing/transfers/lapses (net)	....	....	....	....	....	....	....
Total, change in fund balance	1.3	0.6	0.8	0.2	0.8	1.7	1.1
Balance, end of year	14.4	15.0	15.8	16.0	16.9	18.6	19.6

* $50 million or less.

29. NATIONAL INCOME AND PRODUCT ACCOUNTS

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

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

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

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

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

Differences between the NIPAs and the Budget

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

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

In the budget, any intragovernmental income paid from one account to another is offset against outlays rather than being recorded as a receipt so that total outlays and receipts measure only transactions with the public. For example, Government contributions for Federal employee social insurance (such as Social Security) are offset against outlays. In contrast, the NIPAs treat the Federal Government like any other employer and show

[2] Over the period 1994–2009, NIPA current expenditures averaged 3.6 percent higher than budget outlays, while NIPA current receipts averaged 2.9 percent higher than budget receipts. Including capital transfers and net investment, NIPA total expenditures averaged 6.0 percent higher than budget outlays, while NIPA total receipts averaged 4.2 percent higher than budget receipts.

contributions for Federal employee social insurance as expenditures by the employing agencies and as current receipts, rather than offsets against outlays. The NIPAs also display certain transactions that are not recorded explicitly in the budget. For example, unemployment benefits for Federal employees are financed by direct appropriations rather than social insurance contributions. The NIPAs impute the social insurance contributions to the expenditures of employing agencies—again, treating the Federal Government like any other employer.

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

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

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

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

Financial transactions such as loan disbursements, loan repayments, loan asset sales, and loan guarantees are excluded from the NIPA current accounts on the grounds that such transactions simply involve an exchange of assets rather than current production, income, or consumption. In contrast, under the Federal Credit Reform Act of 1990, the budget records the estimated subsidy cost of the direct loan or loan guarantee as an outlay at the time when the loan is disbursed. The cash flows with the public are recorded in nonbudgetary accounts as a means of financing the budget rather than as budgetary transactions. This treatment recognizes that a Federal direct loan is an exchange of assets with equal value after allowing for the subsidy to the borrower implied by the terms of the loan. It also recognizes the subsidy element in loan guarantees. In the NIPAs current accounts, these subsidies are not recognized. Exclusion from the NIPA current accounts of asset purchases, direct loans, and loan guarantees under the Troubled Asset Relief Program (TARP) and other financial stabilization measures gave rise to the largest differences between budget and NIPA expenditures totals in 2009 and 2010.[3]

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

Similarly to loan transactions, deposit insurance outlays for resolving failed banks and thrift institutions are excluded from the NIPAs on the grounds that there are no offsetting current income flows from these transactions. This exclusion created a particularly large difference in 2009, because of large outlays to liquidate failed bank

[3] The budgetary treatment of financial stabilization efforts is discussed further in Chapter 4 of this volume, "Financial Stabilization Efforts and Their Budgetary Effects," and is contrasted with the NIPA treatment in the box on the next page.

TREATMENT OF FINANCIAL STABILIZATION PROGRAMS

U.S. financial stabilization efforts include programs administered by Executive Branch agencies (principally Treasury, the Federal Deposit Insurance Corporation (FDIC), and the National Credit Union Administration (NCUA)); and by the Federal Reserve. The Troubled Assets Relief Program (TARP), administered by Treasury, has injected capital into banks and other financial institutions by purchasing preferred stock, guaranteed assets of financial institutions, and provided loans and other support to the auto industry. Treasury has also provided support for the major Government Sponsored Enterprises (GSEs) in the housing area, the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac), which have been placed under conservatorship by the Federal Housing Finance Administration, including purchasing GSE preferred stock and purchasing mortgage-backed securities issued by GSEs. The FDIC and NCUA have taken steps to provide liquidity to the banking industry.

The Executive Branch actions in support of financial stabilization give rise to a number of differences between the budget and the NIPAs. As mentioned in the main text, deposit insurance transactions of the FDIC and NCUA are recorded on a cash basis in the budget but only premiums are included in the NIPAs. Likewise, purchase of GSE preferred stock is recorded in the budget on a cash basis, but is excluded from the NIPA current accounts; GSE preferred stock purchases, however, are shown as capital transfers.

Many of the Treasury's financial stabilization programs, including TARP equity purchases, are recorded in the budget on a credit basis, in which the budget recognizes the estimated subsidy value of direct loans, loan guarantees, and equity purchases at the time the loan or purchase is made. Under the Emergency Economic Stabilization Act of 2008, this credit treatment was extended to equity purchases under the Troubled Asset Relief Program, as well as loans. As mentioned in the text, the NIPAs normally exclude the principal disbursements and repayments of credit transactions as exchanges of assets with no current production involved; the interest and dividend receipts, however, are included in NIPA current receipts as receipts on assets. For certain transactions, the NIPAs recognize the subsidy conveyed by these transactions by recording capital transfers, calculated as the difference between the actual price paid for the financial asset and an estimate of its market value. This capital transfer treatment applies to preferred stock purchases and purchases of warrants for common stock.

Both the Budget and the NIPAs treat the Federal Reserve System (the Fed) as if it were a nonfederal entity; thus, those financial stabilization efforts undertaken by the Federal Reserve (assistance to AIG for example) are not recorded in either the Budget or NIPA current expenditures. Both the budget and the NIPAs treat GSEs in a similar way to their treatment of the Fed, and they continue to treat the two GSEs in conservatorship in the same manner.

deposits. In a similar episode in 1991, this exclusion was the largest difference between the NIPAs and the budget and made NIPA net Government saving a significantly smaller negative number than the budget deficit that year. In subsequent years, as assets acquired from failed financial institutions were sold, these collections tended to make the budget deficit a smaller negative figure than NIPA net Federal Government saving.

Federal Sector Current Receipts

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

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

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

The income receipts on assets category consists mainly of interest payments received on Government direct loans (such as student loans), rents and royalties on Outer Continental Shelf oil leases, and, beginning in 2009, dividends received on preferred stock. The current

Table 29–1. FEDERAL TRANSACTIONS IN THE NATIONAL INCOME AND PRODUCT ACCOUNTS, 2001–2012
(In billions of dollars)

Description	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Estimate 2011	Estimate 2012
CURRENT RECEIPTS												
Current tax receipts	1263.9	1095.5	1056.5	1115.7	1346.2	1538.5	1632.0	1518.2	1153.3	1275.9	1370.7	1689.6
Personal current taxes	991.4	849.4	781.5	782.3	913.2	1033.7	1140.6	1125.9	893.3	884.2	931.0	1117.9
Taxes on production and imports	85.9	85.9	88.7	93.4	98.0	99.1	94.4	96.4	93.2	98.5	106.6	137.8
Taxes on corporate income	179.1	152.4	177.8	230.8	323.0	393.8	380.8	280.1	151.5	280.6	320.5	421.3
Taxes from the rest of the world	7.5	7.7	8.4	9.3	12.0	11.8	16.1	15.8	15.2	12.6	12.6	12.6
Contributions for government social insurance	719.5	734.4	753.4	795.4	847.9	892.7	936.6	966.7	958.4	964.8	919.3	1024.7
Income receipts on assets	25.2	21.6	21.6	23.1	24.1	25.2	28.4	32.9	41.2	50.1	52.0	64.6
Current transfer receipts	25.6	27.5	24.9	27.8	32.4	38.1	42.2	49.4	69.7	68.2	66.5	71.4
Current surplus of government enterprises	–4.9	–0.9	4.0	1.7	–3.7	–3.3	–2.3	–3.5	–4.1	–5.6	–7.8	–0.7
Total current receipts	**2029.3**	**1878.1**	**1860.3**	**1963.7**	**2246.9**	**2491.2**	**2636.9**	**2563.8**	**2218.5**	**2353.5**	**2400.6**	**2849.5**
CURRENT EXPENDITURES												
Consumption expenditures	516.9	574.1	646.3	704.7	756.5	797.6	831.2	908.4	972.1	1040.7	1130.0	1115.1
Defense	335.5	367.6	422.9	469.7	507.3	531.3	562.8	617.7	655.7	692.0	743.3	728.9
Nondefense	181.3	206.6	223.4	235.0	249.3	266.3	268.4	290.7	316.5	348.7	386.8	386.2
Current transfer payments	1116.7	1226.0	1317.0	1392.2	1473.4	1566.0	1661.2	1804.1	2077.3	2288.4	2401.2	2336.8
Government social benefits	828.0	905.8	960.5	1014.9	1076.9	1166.6	1249.5	1368.3	1564.0	1719.9	1789.9	1765.0
Grants-in-aid to State and local governments	268.2	296.7	328.4	347.8	359.6	360.9	373.9	390.4	460.1	523.1	549.8	507.9
Other transfers to the rest of the world	20.5	23.5	28.1	29.5	37.0	38.5	37.8	45.5	53.3	45.5	61.6	63.9
Interest payments	267.9	234.5	215.7	215.8	242.8	284.4	302.9	313.3	239.9	276.4	314.2	360.2
Subsidies	51.3	41.0	48.1	44.6	57.6	54.6	47.6	48.7	57.2	56.2	72.7	76.3
Wage disbursements less accruals	....	....	....	....	....	....	....	....	....	....	....	....
Total current expenditures	**1952.8**	**2075.6**	**2227.0**	**2357.4**	**2530.2**	**2702.7**	**2842.8**	**3074.5**	**3346.5**	**3661.8**	**3918.1**	**3888.4**
Net Federal Government saving	**76.5**	**–197.5**	**–366.7**	**–393.8**	**–283.4**	**–211.5**	**–205.9**	**–510.7**	**–1128.0**	**–1308.3**	**–1517.5**	**–1038.9**
ADDENDUM: TOTAL RECEIPTS AND EXPENDITURES												
Current receipts	2029.3	1878.1	1860.3	1963.7	2246.9	2491.2	2636.9	2563.8	2218.5	2353.5	2400.6	2849.5
Capital transfer receipts	28.2	26.4	21.7	24.7	24.6	27.7	25.8	28.6	23.3	18.7	12.0	13.4
Total receipts	**2057.5**	**1904.5**	**1882.1**	**1988.3**	**2271.4**	**2518.9**	**2662.7**	**2592.4**	**2241.8**	**2372.2**	**2412.7**	**2862.9**
Current expenditures	1952.8	2075.6	2227.0	2357.4	2530.2	2702.7	2842.8	3074.5	3346.5	3661.8	3918.1	3888.4
Net investment:												
Gross government investment:												
Defense	50.5	55.7	61.4	67.1	73.8	78.6	86.1	96.9	108.3	115.4	134.6	136.1
Nondefense	30.1	32.9	33.7	33.5	34.8	40.0	40.1	41.7	45.2	52.2	56.0	56.5
Less: Consumption of fixed capital:												
Defense	60.5	60.3	61.4	63.7	67.8	72.0	76.3	81.4	85.5	89.2	94.0	97.8
Nondefense	28.0	28.6	29.0	29.7	31.3	33.0	34.8	36.4	37.9	38.9	40.3	41.4
Capital transfer payments	41.0	45.2	51.3	62.2	83.7	69.5	69.4	87.3	269.1	177.5	184.6	153.3
Net purchases of nonproduced assets	–0.8	0.3	0.1	0.1	–0.7	–0.3	–13.9	–10.0	–16.6	–*	0.1	–3.7
Total expenditures	**1985.0**	**2120.8**	**2283.0**	**2427.0**	**2622.7**	**2785.5**	**2913.5**	**3172.6**	**3629.0**	**3878.8**	**4159.1**	**4091.4**
Net lending or net borrowing (–)	**72.5**	**–216.3**	**–400.9**	**–438.7**	**–351.3**	**–266.6**	**–250.8**	**–580.2**	**–1387.3**	**–1506.6**	**–1746.4**	**–1228.5**

* $50 million or less.

transfer receipts category consists primarily of deposit insurance premiums, fees, fines and other receipts from both individuals and businesses, less insurance settlements from the National Flood Insurance Program—virtually all of which are netted against outlays in the budget. The current surplus (or deficit) of Government enterprises category is the profit or loss of "Government enterprises," such as the Postal Service, which are business-type operations of Government that usually appear in the budget as public enterprise revolving funds. Depreciation (consumption of enterprise fixed capital) is netted in calculating the current surplus of Government enterprises.

Federal Sector Current Expenditures

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

Government consumption expenditures consist of goods and services purchased by the Federal Government, including compensation of employees and depreciation on fixed capital. Gross investment (shown among the addendum items in Table 28–1) is thus excluded from current expenditures and does not figure in computing net Government saving on a NIPA basis, whereas depreciation—charges on federally-owned fixed capital ("consumption of general government fixed capital")—is included. The NIPAs treat State and local investment and capital consumption in the same way—regardless of the extent to which it is financed with Federal aid (capital transfer payments) or from State and local own-source receipts.

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

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

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

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

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

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

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

(In billions of dollars)

Description	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
RECEIPTS												
Budget receipts	1991.1	1853.1	1782.3	1880.1	2153.6	2406.9	2568.0	2524.0	2105.0	2162.7	2173.7	2627.4
Contributions to government employee retirement plans	–4.7	–4.6	–4.6	–4.6	–4.5	–4.4	–4.3	–4.2	–4.1	–4.1	–4.3	–4.0
Capital transfers received	–28.2	–26.4	–21.7	–24.7	–24.6	–27.7	–25.8	–28.6	–23.3	–18.7	–12.0	–13.4
Other coverage differences	–4.3	–5.4	–5.4	–6.4	–6.9	–7.0	–7.5	–7.7	–7.8	–7.9	–7.7	–7.8
Netting and grossing	69.7	79.2	87.2	91.5	97.6	110.9	121.8	137.8	167.8	221.2	171.6	201.3
Timing differences	5.7	–17.9	22.6	27.7	31.6	12.6	–15.4	–57.5	–19.1	0.3	79.3	46.1
NIPA current receipts	**2029.3**	**1878.1**	**1860.3**	**1963.7**	**2246.9**	**2491.2**	**2636.9**	**2563.8**	**2218.5**	**2353.5**	**2400.6**	**2849.5**
EXPENDITURES												
Budget outlays	1862.8	2010.9	2159.9	2292.8	2472.0	2655.1	2728.7	2982.5	3517.7	3456.2	3818.8	3728.7
Government employee retirement plan transactions	31.7	33.6	33.0	33.2	38.9	41.6	39.9	52.0	30.6	51.2	54.1	58.5
Deposit insurance and other financial transactions	–7.3	–9.2	–1.8	–0.9	–0.5	–9.8	–12.7	–58.1	–516.3	–185.7	–141.6	–96.5
Capital transfer payments	–41.0	–45.1	–45.7	–46.8	–65.1	–51.8	–53.1	–59.2	–236.2	–141.7	–152.7	–116.0
Net purchases of nonproduced assets	0.8	–0.3	–0.1	–0.1	0.7	0.3	13.9	10.0	16.6	*	–0.1	3.6
Net investment	7.9	0.3	–4.7	–7.3	–9.5	–13.6	–15.1	–20.8	–30.0	–39.5	–56.3	–53.4
Other coverage differences	18.7	10.9	–1.9	–8.2	–12.4	–23.3	9.7	21.0	396.4	292.2	231.6	138.0
Netting and grossing differences	69.7	79.2	87.2	91.5	97.6	110.9	121.8	137.8	167.8	221.2	171.6	201.3
Timing differences	9.3	–4.7	1.1	3.1	8.6	–6.5	9.6	9.3	–*	7.9	–7.4	24.1
NIPA current expenditures	**1952.8**	**2075.6**	**2227.0**	**2357.4**	**2530.2**	**2702.7**	**2842.8**	**3074.5**	**3346.5**	**3661.8**	**3918.1**	**3888.4**
ADDENDUM												
Budget surplus or deficit (–)	128.2	–157.8	–377.6	–412.7	–318.3	–248.2	–160.7	–458.6	–1412.7	–1293.5	–1645.1	–1101.2
NIPA net Federal Government saving	76.5	–197.5	–366.7	–393.8	–283.4	–211.5	–205.9	–510.7	–1128.0	–1308.3	–1517.5	–1038.9

* $50 million or less.

Differences in the Estimates

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

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

Every year during the period 1975–1991, the budget deficit showed a larger fiscal imbalance than the amount of (negative) net Federal Government saving as measured in the NIPAs. The largest difference, $74.1 billion, occurred in 1991 as a result of resolving failed financial institutions as discussed above; the budget deficit was then $269.2 billion, while the NIPA net Government saving was $195.1 billion. Beginning in 1992, deposit insurance and other financial transactions caused the relationship to change, and in 1992–2002, the budget deficit or surplus showed a more positive fiscal picture than the NIPA measure, with NIPA (negative) net Federal Government saving exceeding in magnitude the budget deficit when the budget was in deficit and (positive) net Federal Government saving falling short of the budget surplus during the years the budget was in surplus. The budget measure was more positive again in 2007, 2008 and 2010 due to sales of nonproduced assets and unusual swings in timing differences and financial transactions in those years. For 2003–2006, however, the budget deficit was once again larger than NIPA net Federal Government saving, largely due to timing differences and financial transactions. For 2009, the difference was historically high, $284.6 billion, due primarily to differing treatment of TARP and other financial stabilization measures (see text box); it is projected to be lower in 2011 and 2012.

Table 29–1 displays Federal transactions using NIPA concepts with actual data for 2001–2010 and estimates for 2011 and 2012 consistent with the Administration's Budget proposals. Table 29–2 summarizes the reasons for differences between the NIPA and budget measures. Annual NIPA data for 1948–2012 are published in Section 14 of a separate budget volume, *Historical Tables, Budget of the U.S. Government, Fiscal Year 2012*.

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

30. COMPARISON OF ACTUAL TO ESTIMATED TOTALS

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

The budget is legally required to compare budget year estimates of receipts and outlays with the subsequent actual receipts and outlays for that year. Part I of this chapter meets that requirement by comparing the actual results for 2010 with the current services estimates shown in the 2010 Budget, published in May 2009.

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

PART I: COMPARISON OF ACTUAL TO ESTIMATED TOTALS FOR 2010

This part of the chapter compares the actual receipts, outlays, and deficit for 2010 with the current services estimates shown in the 2010 Budget, published in May 2009.[1] This part also presents a more detailed comparison for mandatory and related programs, and reconciles the actual receipts, outlays, and deficit totals shown here with the figures for 2010 previously published by the Department of the Treasury.

[1] The current services concept is discussed in Chapter 27, "Current Services Estimates." For mandatory programs and receipts, the May 2009 current services estimate was based on laws then in place, adjusted to reflect extension of certain expiring tax provisions. For discretionary programs the current services estimate was based on the current year enacted appropriations, adjusted to reflect full-year funding of Overseas Contingency Operations and increased for inflation. For a detailed explanation of the 2010 estimate, see "Current Services Estimates," Chapter 24 in *Analytical Perspectives, Budget of the United States Government, Fiscal Year 2010*.

Receipts

Actual receipts for 2010 were $2,163 billion, $211 billion less than the $2,374 billion current services estimate in the 2010 Budget. As shown in Table 30–1, this decrease 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 tax liabilities and collection patterns than had been assumed.

Policy differences. Several laws were enacted after May 2009 that reduced 2010 receipts by a net $13 billion. The largest net reductions in 2010 receipts were provided by the Workers, Homeownership, and Business Assistance Act of 2009; the Department of Defense Appropriations Act, FY 2010; and the Hiring Incentives to Restore Employment (HIRE) Act.

Table 30–1. COMPARISON OF ACTUAL 2010 RECEIPTS WITH THE INITIAL CURRENT SERVICES ESTIMATES
(In billions of dollars)

	May 2009 estimate	Changes				Actual
		Policy	Economic	Technical	Total changes	
Individual income taxes	1,050	9	–102	–59	–152	899
Corporation income taxes	221	–18	34	–45	–29	191
Social insurance and retirement receipts	939	1	–45	–30	–74	865
Excise taxes	76	–*	–2	–7	–9	67
Estate and gift taxes	20	–4	–*	3	–1	19
Customs duties	25	–1	*	1	1	25
Miscellaneous receipts	43	*	–3	56	53	97
Total receipts	2,374	–13	–117	–81	–211	2,163

* $500 million or less.

Table 30–2. COMPARISON OF ACTUAL 2010 OUTLAYS WITH THE INITIAL CURRENT SERVICES ESTIMATES
(In billions of dollars)

	May 2009 estimate	Changes				Actual
		Policy	Economic	Technical	Total changes	
Discretionary:						
Defense	755	–41	....	–25	–66	689
Nondefense [1]	689	34	....	–65	–31	658
Subtotal, discretionary	1,444	–7	....	–90	–97	1,347
Mandatory:						
Social Security	696	....	*	5	5	701
Medicare and Medicaid	742	–3	–3	–17	–23	719
Other programs [1]	575	59	27	–168	–82	493
Subtotal, mandatory	2,013	56	24	–181	–101	1,913
Disaster costs [2]	11	....	....	–11	–11	....
Net interest	176	*	–20	40	20	196
Total outlays	3,644	50	3	–241	–188	3,456

* $500 million or less.
[1] The current services estimates published in the 2010 Budget re-classified Pell Grant costs as mandatory. The estimate for nondefense discretionary spending was $1,421 billion and $2,037 billion for mandatory outlays in the published Budget. This proposal was not subsequently enacted, so all Pell Grant costs are included in the discretionary totals in this table for comparability.
[2] These amounts were included in the 2010 Budget to represent the statistical probability of a major disaster requiring Federal assistance for relief and reconstruction.

Economic differences. Differences between the economic assumptions upon which the current services estimates were based and actual economic performance reduced 2010 receipts by a net $117 billion below the May 2009 estimate. Lower-than-anticipated wages and salaries and other sources of taxable personal income were responsible for the reduction in individual income taxes of $102 billion. Corporations were more profitable than anticipated, which increased collections of corporation income taxes $34 billion above the May 2009 estimate. Lower-than-anticipated wages and salaries and proprietors' income – the tax base for Social Security and Medicare payroll taxes – were in large part responsible for the reduction in social insurance and retirement receipts of $45 billion. Lower-than-expected gross domestic product (GDP) contributed to the decline in the demand for taxed goods, which reduced collections of excise taxes $2 billion below the May 2009 estimate. Reductions in deposits of earnings by the Federal Reserve System, attributable in large part to lower-than-expected interest rates, reduced collections of miscellaneous receipts by $3 billion.

Technical factors. Technical factors, which had the greatest effect on collections of individual and corporation income taxes, social insurance and retirement receipts, and deposits of earnings by the Federal Reserve System, reduced receipts by a net $81 billion below the May 2009 current services estimate. The models used to prepare the May 2009 estimates of individual and corporation income taxes were based on historical economic data and then-current tax and collections data that were all subsequently revised. These revisions indicated that: (1) sources of income that are not part of the economic forecast, but subject to tax, such as capital gains and pensions, were lower than expected at the time the May 2009 estimates were prepared; (2) for most sources of income subject to individual and corporation income taxes, both the percentage that was subject to tax and the effective tax rate on the portion subject to tax were lower than anticipated; and (3) the timing of the payment of tax liability was different from what had been assumed. These revisions in economic, tax, and collections data and their effect on income tax liability and the timing of collections, relative to what was assumed when the May 2009 estimates were prepared, accounted for the reductions in individual and corporation income taxes of $59 billion and $45 billion, respectively. The $30 billion reduction in social insurance and retirement receipts relative to the May 2009 estimate was also attributable, in large part, to models based on historical economic data that overstated the percentage of wages and salaries and self-employment earnings subject to Social Security payroll taxes. These reductions in collections of income taxes and social insurance and retirement receipts relative to the May 2009 estimates were only partially offset by increases in miscellaneous receipts of $56 billion. Higher-than-estimated deposits of earnings by the Federal Reserve System, attributable to greater-than-anticipated returns on its investment portfolio and its foreign currency holdings, accounted for most of the increase in miscellaneous receipts.

Outlays

Outlays for 2010 were $3,456 billion, $188 billion less than the $3,644 billion current services estimate in the 2010 Budget.

Table 30–2 distributes the $188 billion net decrease in outlays among discretionary and mandatory programs and net interest.[2] The table also shows rough estimates according to three reasons for the changes: policy; economic conditions; and technical estimating differences, a residual.

Policy changes are the result of legislative actions that change spending levels, primarily through higher or lower appropriations or changes in authorizing legislation, which may themselves reflect responses to changed economic conditions. For 2010, policy changes increased outlays by an estimated $50 billion relative to the initial current services estimates.

Policy changes decreased discretionary outlays by $7 billion. The $41 billion decrease in defense discretionary outlays was largely the result of lower appropriations for the wars in Iraq and Afghanistan than assumed in the current services estimate.

Policy changes increased mandatory outlays by a net $56 billion above current law. The largest increase was in unemployment compensation. Extensions and expansions of unemployment insurance enacted in 2009 and 2010 increased 2010 outlays by $44 billion. Changes to the first-time homebuyer tax credit in the Worker, Homeownership, and Business Assistance Act of 2009 increased outlays by an additional $9 billion. Debt service costs associated with the policy receipt and outlay changes was less than $1 billion.

There was a net increase in outlays of $3 billion as a result of differences between actual economic conditions and those forecast in May 2009. Mandatory outlays increased a total of $24 billion; higher-than-expected unemployment levels increased unemployment compensation spending by $25 billion over the 2010 Budget current services estimate. Smaller changes in Medicare, student financial assistance, and other financial assistance programs almost balanced each other. Lower-than-anticipated interest rates produced a $20 billion decrease in net interest, nearly offsetting the increase in mandatory spending.

Technical estimating factors resulted in a net decrease in outlays of $241 billion. Technical changes result from changes in such factors as the number of beneficiaries for entitlement programs, crop conditions, or other factors not associated with policy changes or economic conditions. Outlays for discretionary programs decreased by $90 billion, because appropriations for both defense and nondefense programs were spent more slowly than expected. Outlays for mandatory programs decreased a net $181 billion; the largest factor was a $117 billion downward reestimate of the cost of the Troubled Asset Relief Program, driven by better than anticipated performance and improved market conditions. Federal outlays for deposit insurance were $59 billion lower than estimated as a result of technical changes. There was also an $18 billion decrease in Medicaid outlays, and downward reestimates of the cost of student loan programs resulted in a further $12 billion in decreases. Net interest outlays increased by $40 billion due to technical factors compared to the May 2009 estimates; much of this change is due to TARP requirements for recording financing account interest, as discussed below.

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

Deficit

The preceding two sections discussed the differences between the initial current services estimates and the actual amounts of Federal government receipts and outlays for 2010. This section combines these effects to show the net deficit impact of these differences.

As shown in Table 30–3, the 2010 current services deficit was initially estimated to be $1,270 billion. The actual deficit was $1,294 billion, which was a $24 billion increase from the initial estimates. Receipts and outlays were $212 billion and $188 billion less than the initial estimate, respectively. The table shows the distribution of the changes according to the categories in the preceding two sections. The net effect of policy changes for receipts and outlays increased the deficit by $63 billion. Economic conditions that differed from the initial assumptions in May 2009 accounted for an estimated $121 billion increase in the deficit. Technical factors decreased the deficit by an estimated $160 billion.

Comparison of the Actual and Estimated Outlays for Mandatory and Related Programs for 2010

This section compares the original 2010 outlay estimates for mandatory and related programs under current law in the 2010 Budget with the actual outlays. Major examples of these programs include Social Security and Medicare benefits, agricultural price support payments to farmers,

Table 30–3. COMPARISON OF THE ACTUAL 2010 DEFICIT WITH THE INITIAL CURRENT SERVICES ESTIMATE

(In billions of dollars)

	May 2009 estimate	Changes				Actual
		Policy	Economic	Technical	Total changes	
Receipts	2,374	–13	–117	–81	–212	2,162
Outlays	3,644	50	3	–241	–188	3,456
Deficit	1,270	63	121	–160	24	1,294

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

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

(In billions of dollars)

	2010		
	May 2009 estimate	Actual	Change
Mandatory outlays:			
Human resources programs:			
Education, training, employment, and social services	2	–7	–8
Health:			
Medicaid	290	273	–17
Other	32	31	–1
Total, health	322	304	–18
Medicare	452	446	–6
Income security:			
Retirement and disability	127	126	–1
Unemployment compensation	89	157	68
Food and nutrition assistance	82	88	6
Other	178	182	3
Total, income security	476	553	76
Social security	696	701	5
Veterans benefits and services:			
Income security for veterans	48	49	1
Other	9	8	–*
Total, veterans benefits and services	57	57	1
Total, mandatory human resources programs	2,006	2,054	49
Other functions:			
Agriculture	19	15	–5
International	–3	–*	3
Mortgage credit	30	39	9
Deposit insurance	20	–32	–52
Other advancement of commerce (includes the Troubled Asset Relief Program)	11	–95	–106
Other functions	14	14	*
Total, other functions	91	–59	–151
Undistributed offsetting receipts:			
Employer share, employee retirement	–76	–77	–1
Rents and royalties on the outer continental shelf	–7	–5	2
Other undistributed offsetting receipts	–1	–*	1
Total, undistributed offsetting receipts	–83	–82	1
Total, mandatory	2,013	1,913	–101
Net interest:			
Interest on Treasury debt securities (gross)	448	414	–34
Interest received by trust funds	–198	–186	12
Other interest	–74	–32	42
Total, net interest	176	196	20
Total, outlays for mandatory and net interest	2,189	2,109	–80

* $500 million or less.

and deposit insurance for banks and thrift institutions. This category also includes net interest outlays and undistributed offsetting receipts.

A number of factors may cause differences between the amounts estimated in the budget and the actual mandatory outlays. For example, legislation may change benefit rates or coverage; the actual number of beneficiaries may differ from the number estimated; or economic conditions (such as inflation or interest rates) may differ from what was assumed in making the original estimates.

Table 30–4 shows the differences between the actual outlays for these programs in 2010 and the amounts originally estimated in the 2010 Budget, based on laws in effect at that time. Actual outlays for mandatory spending and net interest in 2010 were $2,109 billion, which was $80 billion less than the initial estimate of $2,189 billion, based on existing law in May 2009.

As Table 30–4 shows, actual outlays for mandatory human resources programs were $2,054 billion, $49 billion more than originally estimated. This increase was the net effect of legislative action, differences between actual and assumed economic conditions, differences between the anticipated and actual number of beneficiaries, and other technical differences. Most significantly, outlays for unemployment compensation increased by $68 billion for the reasons outlined above. Outlays for programs in other functions were $151 billion less than originally estimated, largely due to lower-than-expected costs for the Troubled Asset Relief Program and deposit insurance.

Outlays for net interest were $196 billion, or $20 billion more than the original estimate. As shown on Table 30–4, interest payments on Treasury debt securities decreased by $34 billion due to lower-than-expected interest rates, but this was offset by reduced interest earnings by trust funds. TARP statutory requirements for interest rates were the primary source of the $42 billion decrease in other interest receipts; budget projections for TARP financing account interest transactions use market risk-adjusted rates, while actual transactions are recorded using Treasury interest rates.

Reconciliation of Differences with Amounts Published by the Treasury for 2010

Table 30–5 provides a reconciliation of the receipts, outlays, and deficit totals for 2010 published by the Department of the Treasury in the September 2010 Monthly Treasury Statement (MTS) and those published in this Budget. The Department of the Treasury made adjustments to the estimates for the Combined Statement of Receipts, Outlays, and Balances, which increased receipts by $1 million and increased outlays by $147 million. Additional adjustments for this Budget increased receipts by $978 million and increased outlays by $231 million. A number of financial transactions that are not reported to the Department of the Treasury, including those for the Public Company Accounting Oversight Board, the Affordable Housing Program, the Securities Investor Protection Corporation, the Electric Reliability Organization, the Standard Setting Body, and the United Mine Workers of America benefit funds, are included in the Budget. Another conceptual difference in reporting is for the National Railroad Retirement Investment Trust (NRRIT). Reporting to the Department of the Treasury for the NRRIT is done with a one-month lag so that the fiscal year total provided in the Treasury Combined Statement covers September 2009 through August 2010. The Budget has been adjusted to reflect transactions that occurred during the actual fiscal year, which begins October 1. The Budget also reflects agency adjustments to 2010 outlays reported to Treasury after preparation of the Treasury Combined Statement.

Table 30–5. RECONCILIATION OF FINAL AMOUNTS FOR 2010
(In millions of dollars)

	Receipts	Outlays	Deficit
Totals published by Treasury (September 30 MTS)	2,161,745	3,455,835	1,294,090
Miscellaneous Treasury adjustments	1	147	146
Totals published by Treasury in Combined Statement	2,161,746	3,455,982	1,294,236
National Railroad Retirement Investment Trust	....	–672	–672
Troubled Asset Relief Program	....	–32	–32
Standard Setting Body	34	34	....
Public Company Accounting Oversight Board	178	164	–14
Affordable Housing Program	216	216	....
Securities Investor Protection Corporation	410	379	–31
Electric Reliability Organization	100	100	....
United Mine Workers of America benefit funds	42	42	....
Other	–2	....	2
Total adjustments, net	978	231	–747
Totals in the Budget	2,162,724	3,456,213	1,293,489
MEMORANDUM:			
Total change since year-end statement	979	378	–601

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

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

Historical Comparison of Actual to Estimated Results for the Budget Year

Table 30–6 compares the estimated and actual surpluses or deficits since the deficit estimated for 1982 in the 1982 Budget. The estimated surpluses or deficits for each budget include the Administration's policy proposals. Therefore, the original deficit estimate for 2010 differs from that shown in Table 30–3, which is on a current services basis. Earlier comparisons of actual and estimated surpluses or deficits were on a policy basis, so for consistency the figures in Table 30–6 are on this basis.

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

(In billions of dollars)

Budget	Surplus (–) or deficit (+) estimated for budget year [1]	Change				Actual surplus (–) or deficit (+)
		Policy	Economic	Technical	Total change	
1982	62	–15	70	11	66	128
1983	107	12	67	22	101	208
1984	203	21	–38	*	–17	185
1985	195	12	17	–12	17	212
1986	180	8	27	7	41	221
1987	144	–2	16	–8	6	150
1988	111	9	19	16	44	155
1989	130	22	–10	11	23	153
1990	91	21	31	79	131	221
1991	63	–21	85	143	206	269
1992	281	36	21	–48	9	290
1993	350	8	13	–115	–95	255
1994	264	8	–16	–52	–61	203
1995	165	18	–1	–18	–1	164
1996	197	–6	–53	–30	–89	107
1997	140	–1	4	–121	–118	22
1998	121	9	–48	–151	–190	–69
1999	–10	22	–56	–82	–116	–126
2000	–117	42	–88	–73	–119	–236
2001	–184	129	–32	–41	56	–128
2002	–231	104	201	84	389	158
2003	80	86	34	177	297	378
2004	307	122	22	–39	105	413
2005	364	67	11	–123	–45	318
2006	390	141	–6	–277	–142	248
2007	354	85	–7	–270	–192	162
2008	239	165	98	–44	219	459
2009	407	595	234	176	1,005	1,413
2010	1,270	63	121	–160	24	1,294
Average		61	25	–32	54	
Absolute average [2]		64	50	82	135	
Standard deviation		112	70	107	225	
Root mean squared error		128	74	112	231	

* $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.

On average, the estimates for the budget year underestimated actual deficits (or overestimated actual surpluses) by $54 billion over the 29-year period. Policy outcomes that differed from the original proposals increased the deficit by an average of $61 billion. Differences between economic assumptions and actual economic performance increased the deficit an average of $25 billion. Differences due to these two factors were partly offset by technical revisions, which reduced the deficit an average of $32 billion.

The relatively small average difference between actual and estimated deficits conceals a wide variation in the differences from budget to budget. The differences ranged from a $1,005 billion underestimate of the deficit to a $192 billion overestimate. The $1,005 billion underestimate in the 2009 Budget was due largely to enactment of housing, economic stabilization, emergency unemployment assistance, and economic recovery legislation in response to a weak economy, lower 2009 receipts due to weak economic performance, and emergency supplemental appropriations for combat operations in Iraq and Afghanistan in 2008 and 2009. The $192 billion overestimate of the deficit in the 2007 Budget stemmed largely from higher-than-anticipated collections of individual and corporation income taxes due to different collection patterns and effective tax rates than initially assumed, as well as lower-than-expected outlays due to technical factors.

Because the average deficit difference obscures the degree of under- and over-estimation in the historical data, a more appropriate statistic to measure the magnitude of the differences is the average absolute difference. This statistic measures the difference without regard to whether it was an under- or overestimate. Since 1982, the average absolute difference has been $135 billion.

Other measures of variability include the standard deviation and the root mean squared error. These measures calculate the dispersion of the data around the average value. As shown in Table 30–6, the standard deviation of the deficit differences since 1982 is $225 billion and the root mean squared error is $231 billion. Similar to the average absolute difference, these measures illustrate the high degree of variation in the difference between estimates and actual deficits.

The large variability in errors in estimates of the surplus or deficit for the budget year underscores the inherent uncertainties in estimating the future path of the Federal budget. Some estimating errors are unavoidable, because of differences between the President's original budget proposals and the legislation that Congress subsequently enacts. Occasionally such differences are very large, such as additional spending in 2002 for disaster recovery, homeland security, and military operations in Afghanistan in response to the terrorist attacks of September 11, 2001, which could not have been anticipated in the Budget submitted in February 2001. Even aside from differences in policy outcomes, errors in budget estimates can arise from new economic developments, unexpected changes in program costs, shifts in taxpayer behavior, and other factors. The budget impact of changes in economic assumptions is discussed further in Chapter 3 of this volume, "Interactions Between the Economy and the Budget."

Five-Year Comparison of Actual to Estimated Surpluses or Deficits

The substantial difference between actual surpluses or deficits and the budget year estimates made less than two years earlier raises questions about the degree of variability for estimates of years beyond the budget year. Table 30–7 shows the summary statistics for the differences for the current year, budget year, and the four succeeding years. These are the years that are required to be estimated in the budget by the Budget Enforcement Act of 1990.

On average, the budget estimates since 1982 overstated the deficit in the current year by $39 billion, but underestimated the deficit in the budget year by $54

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

(In billions of dollars)

	Current year estimate	Budget year estimate	Estimate for budget year plus			
			One year	Two years	Three years	Four years
In dollars:						
Average difference [1]	–39	54	142	176	204	231
Average absolute difference [2]	71	135	225	272	304	338
Standard deviation	100	225	345	369	366	373
Root mean squared error	108	231	373	409	420	438
As a percent of GDP:						
Average difference	0.4	–0.6	–1.4	–1.8	–2.1	–2.3
Average absolute difference	0.8	1.5	2.3	2.8	3.2	3.5
Standard deviation	0.9	2.0	2.9	3.1	3.2	3.2
Root mean squared error	1.0	2.1	3.2	3.6	3.8	4.0

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

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

billion. The budget estimates on average understated the deficit in the years following, by amounts growing from $142 billion one year beyond the budget year to $231 billion four years beyond the budget year. While these results suggest a tendency to underestimate deficits toward the end of the budget horizon, the averages are not statistically different from zero in light of the high variation in the data. Chapter 3 of this volume, "Interactions Between the Economy and the Budget," further discusses the variability in the difference between estimated and actual deficits over the budget horizon and includes Chart 3–2, which is based on the variability measures shown in Table 30–7.

31. BUDGET AND FINANCIAL REPORTING

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

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

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

The Purpose of Budget and Financial Reporting

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

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

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

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

[2] Federal financial reporting is governed by statements issued by the Federal Accounting Standards Advisory Board (FASAB).

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

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

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

[6] Chapter 10 of this volume, "Social Indicators," provides some general measures of social, including, economic well-being, which can also be used to assess Government performance. The measures shown in Chapter 10 reflect Government performance and performance of the private sector, the non-profit sector, State and local governments, and international entities, and cannot, therefore, be viewed as solely the result of Government performance.

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

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

The Budget

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

Measures

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

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

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

In contrast to all of these measures that generally represent flows, the debt held by the public is a stock measure and it can be viewed as the accumulation of past deficits less past surpluses. Debt held by the public is measured on an amortized cost basis. Chapter 12 of this volume, "Budget Concepts," and Chapter 6 of this volume, "Federal Borrowing and Debt," contain more complete definitions of these concepts.

The President's Budget presents budget authority, obligations, outlays, and receipts at a summary level, for example, for the Government as a whole and by agency. In addition, the Budget presents all four of these measures at a very detailed level, by program, activity, and account. In addition to summary and detailed budget data, the Budget presents total obligations by object class and

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

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

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

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

total budget authority and outlays by function and subfunction. The Budget presents the deficit (or surplus) and debt held by the public (and other measures) in nominal and inflation-adjusted dollar amounts, and as a percent of gross domestic product (GDP).[11]

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

Structure

The President's Budget is a multi-volume document, consisting of the main *Budget* volume, the *Budget Appendix*, the *Analytical Perspectives* volume, the *Historical Tables*, the *Federal Credit Supplement*, and other supplemental materials. In addition, the Mid-Session Review, with revised budget estimates, is issued later in the calendar year, in the middle of the Congressional session. The main *Budget* volume is a textual summary of the budget, discussing the Administration's fiscal plan, including its policy and program priorities, and significant proposed changes to current law.[12] The *Budget Appendix* contains the proposed appropriations language for each program, activity, or account that receives an appropriation, whether the appropriation is annual, biennial, or permanent. The *Analytical Perspectives* volume provides historical and cross-cutting analyses of the budget, and the *Historical Tables* volume reports historical data for summary budget measures; many are expressed in nominal and inflation-adjusted dollars and as a percent of GDP. The *Federal Credit Supplement* provides detailed information about the Government's loan and loan guarantee programs that are governed by the Federal Credit Reform Act (FCRA). In addition to the documents that comprise the President's Budget, the budget transmittal to the Congress involves the transmittal of Congressional Budget Justifications for each agency subject to the appropriations process and the transmittal of authorizing legislation in support of the President's Budget.

The Financial Reports

As noted above, financial reports are primarily an accountability tool. The financial reports are not plans per se, although they provide information that can be used in developing a fiscal plan. The *Financial Report* provides information about the Government's financial position at the end of the prior fiscal year, and how the financial position changed during the course of the fiscal year. In addition, like the Budget, the financial reports contain measures[13] that represent flows and measures that represent balances at a point in time or stocks. In addition, the financial reports contain measures that are reported on modified-cash and accrual bases of accounting. The *Financial Report* is intended for five groups of users: citizens, citizen intermediaries (such as the media or non-profit groups that monitor Government activities), the Congress, Federal executives, and program managers.

Measures

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

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

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

Structure

The *Financial Report* consists of seven basic financial statements organized as follows: the Statement of Net Cost, the Statement of Operations and Changes in Net Position, the Reconciliation of Net Operating Cost and Unified Budget Deficit, the Statement of Changes in Cash Balance from Unified Budget and Other Activities, the Balance Sheet, the Statement of Social Insurance,[14] and the Statement of Changes in Social Insurance.[15] Reported with the basic statements are required note disclosures. In addition, the *Financial Report* contains a Management's Discussion and Analysis section that summarizes the highlights of the statements, required supplementary disclosures (which include a Statement of Long-Term Fiscal Projections), and the auditor's report. The *Financial Report* is the government-wide report for the Executive Branch, and contains some financial data from the Legislative and Judicial Branches.

Individual agencies produce Agency Financial Reports or Performance and Accountability Reports, which include financial information that is used to develop the *Financial*

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

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

[13] The term "measures" is used in this chapter to refer to both budget and financial measures; however, the Federal Accounting Standards Advisory Board would refer to the financial measures as "elements."

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

[15] The Statement of Changes in Social Insurance will be required beginning with year-end results for 2011.

Report and program performance information that is unique to each agency. The financial statements for agencies consist of four to seven basic statements. Five of the statements are the same as in the *Financial Report*: the Statement of Net Cost, the Statement of Operations and Changes in Net Position, the Balance Sheet, and, if applicable, the Statements of Social Insurance and Changes in Social Insurance.[16] Two statements required by agencies are not included in the *Financial Report*: the Statement of Budgetary Resources and, if applicable, the Statement of Custodial Activity.[17]

Comparison of the Budget and Financial Reports

Revenues in the *Financial Report* and budgetary receipts are quite similar, with revenues recognized on a modified cash basis and receipts recognized on a pure cash basis. The revenues recognized on an accrual basis are those resulting from Government business-like transactions with the public, for example the sale of stamps by the Postal Service and the recreation fees paid at National Parks; these revenues are referred to as "earned revenues."[18] As noted above, earned revenues comprise less than ten percent of total revenues. In addition, because the cash and accrual bases of earned revenues are themselves quite similar, the difference between total revenues and total receipts tends to be less than ten percent.

Expenses in the financial reports are recognized on an accrual basis, and in this regard are similar[19] to budgetary obligations. However, because expenses are subtracted from revenues to derive net operating cost, they are more frequently compared with budgetary outlays. In contrast to expenses, outlays are generally recognized on a cash basis.[20] As a result of the difference between cash and accrual accounting, the difference between total expenses (referred to as net cost in the *Financial Report*) and total budgetary outlays can be fairly significant, roughly 20 percent.

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

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

Assets are generally recorded in the financial statements at historical cost or fair market value. The full cost of an asset is recorded as a budget outlay when the asset is purchased, but the asset is generally not reflected in

Table 31–1. KEY BUDGET AND FINANCIAL MEASURES FOR 2010
(In billions of dollars)

BUDGET MEASURES	
Receipts.	2,162.7
Outlays	3,456.2
Deficit	(1,293.5)
Debt Held by the Public	9,018.9
FINANCIAL MEASURES	
Revenues	2,216.5
Expenses	4,296.0
Net Operating Cost	(2,080.3)
Assets	2,883.8
Liabilities	16,356.6
Net Position	(13,472.8)

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

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

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

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

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

any budget measures after it is acquired. Net position, which is the difference between assets and liabilities, reported in the financial reports does not have a budgetary analog.

The prior fiscal-year data included in the budget and the fiscal-year results reported in the financial reports are generally all taken from the same source, the Federal Agencies' Centralized Trial-Balance System, known as FACTS I and II. These data are required to be audited for certain Federal agencies[21] and for the government-wide financial statements; the related audit reports, which include audits of prior fiscal year data, are included in the financial reports.

The Federal Sector of the Integrated Macroeconomic Accounts

The integrated macroeconomic accounts are a series of tables that show production, income, saving, capital formation, financial transactions, and asset valuations for each of six major sectors of the economy. The integrated accounts also show how each sector relates to the other sectors and the economy as a whole. The six sectors include as a separate sector the Federal Government.[22]

The integrated accounts present seven accounts for each of the sectors of the economy, including the Federal Government sector. These seven accounts reflect seven different types of economic activity and include, among others, the balance sheet account, the current account, the capital account, and the financial account.[23] The information presented in the Federal Government sector of the integrated accounts is similar to information presented in the budget and the financial reports; however, the data used for the integrated accounts are not the same as the data used for the budget and financial reports. As noted above, budget and financial measures are based primarily on transaction data from FACTS I and FACTS II. The integrated accounts use data from the Bureau of Economic Analysis' national income and product accounts (NIPAs), the Federal Reserve Board's flow of funds accounts, and other sources.

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

The "current" account for the Government sector shows how much the Government contributed to current production and current consumption over a period of time, which is usually a year. "Current" is used in the integrated accounts to distinguish future production and consumption (which depend on investments in human and fixed capital) from current production and consumption. Net saving shown in the current account for the Federal Government sector measures the difference between current receipts and current expenditures. Current receipts include most taxes[24] and fees; some taxes such as the estate and gift taxes are not included in current receipts. Current expenditures include goods and services purchased by the Government (including accruing retirement costs for Federal employees and depreciation expenses for Government fixed assets); social insurance payments; most grants to State, local, and foreign governments; and most subsidies to businesses. If net savings were positive, the balance would represent an amount that could be used to invest in capital assets or financial assets or to reduce debt. Negative net savings reflect the amount that must be financed. Net saving is similar in some ways to both the deficit and the net operating cost, but is probably more similar to net operating cost because of its treatment of depreciation expense and accruing Federal employee retirement costs.

The capital account for the Government sector shows how much the Government contributed to capital formation in the economy as a whole over a period of time, usually a year. Net lending/net borrowing in the Government capital account reflects net saving plus capital transfers and net capital formation for the year. Net capital formation is investment in fixed assets less depreciation, so the full cost of asset acquisitions is reflected in the capital account when assets are purchased. Also included in the capital account are capital grants (e.g., grants for highway construction) and capital transfers (e.g., subsidies for home acquisition or home construction). In addition, estate and gift taxes (which as noted above are not reflected in the current account) are reflected in the capital account. Because of the inclusion in the capital account of these additional items, net lending/net borrowing in the capital account is similar to the deficit. A positive net lending/net borrowing balance represents an amount that is available for purchasing assets or retiring debt held by the public, and a negative amount represents an amount that must be borrowed.

The financial account for the Government sector shows the Government's financial activity for the year. Net lending/net borrowing in the Government financial account reflects the Government's borrowing needs for the year. It is the change in financial assets held by the Government less the change in debt held by the public, which is re-

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

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

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

[24] Individual income taxes are reported in the integrated accounts when they are received by the Government, which is the same as in the budget and financial reports. By contrast, corporate income taxes are reported in the integrated accounts when they are accrued, rather than when they are received by the Government (as in the budget and financial reports).

ported in the budget. Theoretically, net lending/net borrowing in the financial account should be the same as net lending/net borrowing in the capital account because saving that is not spent on fixed assets should increase the amount of financial assets held by the Government. Similarly, borrowing that is used to purchase fixed assets leads to financial liabilities. However, because of the different sources of data, differences in when flows are recorded, and other statistical differences, the net borrowing/net lending in the capital account is almost never equal to that of the financial account.

The assets, liabilities, and net worth shown in the balance sheet account for the Federal Government measure the value of the Government's financial and nonfinancial assets, liabilities, and net worth at the end of the fiscal year. These measures are similar conceptually to the assets, liabilities, and net position reported on the balance sheet in the financial reports. One difference between the balance sheet account and the balance sheet in the financial reports is that reproducible fixed assets in the balance sheet account are measured at replacement cost whereas the analogous property, plant, and equipment on the balance sheet of the financial reports are measured at acquisition cost.

Alternative Estimates of Government Assets and Liabilities

The traditional measures of financial position in budget and financial reporting are debt held by the public and net position respectively;[25] they reflect the Government's financial position at a point in time, but not the Government's future financial position. This is because measures of assets and liabilities at any particular point in time do not reflect the full scope of resources available to or responsibilities of the Government into the future. The alternative measures used by OMB to produce a Government balance sheet (shown below) use somewhat different methods from those used in the *Financial Report*, but they do not capture the Government's total future resources or responsibilities. Balance sheet measures reflect only past transactions or events, but the Government's responsibilities will continue into the indefinite future and its primary resource for fulfilling these responsibilities is future tax revenue, which is not reflected on a balance sheet. The best way to assess the Government's long-term financial condition is to compare future spending to future receipts, as is done in the "Long Term Budget Outlook" chapter of this volume.

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

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

For many years, the *Analytical Perspectives* volume has included a table of assets and liabilities, shown here as Table 31-2, and a chart showing the net liabilities as a ratio to gross domestic product (GDP). This table is similar in concept to the balance sheet in the *Financial Report*, but it was designed to show a consistent historical series of assets and liabilities and it uses economic valuation methods rather than accounting methods for certain entries.[26] The table shows Government assets and liabilities from 1960 through 2010 measured in constant 2010 dollars; the balance of net liabilities is also shown as a ratio to GDP and that ratio can be seen in the chart. As shown in the table and also in the chart, Government liabilities exceeded its assets over the entire period. There was a substantial increase in net liabilities in the 1980s and early 1990s, which was the result of the large budget deficits in those years. In the late 1990s, there was a marked decline in the ratio of net liabilities to GDP as the budget temporarily went into surplus and debt held by the public fell. Beginning in 2001, the ratio began increasing again, and in 2010 it reached a new high because of a sharp increase in debt held by the public as the Government sought to address the financial crisis and the resulting economic downturn.

Relative to GDP, the net liability position was 35 percent in 1960 and, although fluctuating over the next two decades, in 1980, it was still only 40 percent. From 1980 to 1993, the ratio of net liabilities rose to 58 percent of GDP primarily because of the increase in the budget deficits, but by 2000, the ratio had fallen to 44 percent mainly because of a decline in the budget deficit. As the deficit began to increase again, the net liability position also deteriorated, reaching a plateau of approximately 51 percent in 2004. The ratio has increased since 2007 because of the worldwide financial crisis and the recession. For 2010, the Government's net liabilities were 82 percent of GDP.

Financial Assets: The Government's financial assets amounted to about $1.3 trillion at the end of 2010. Government holdings of mortgages have been rela-

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

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

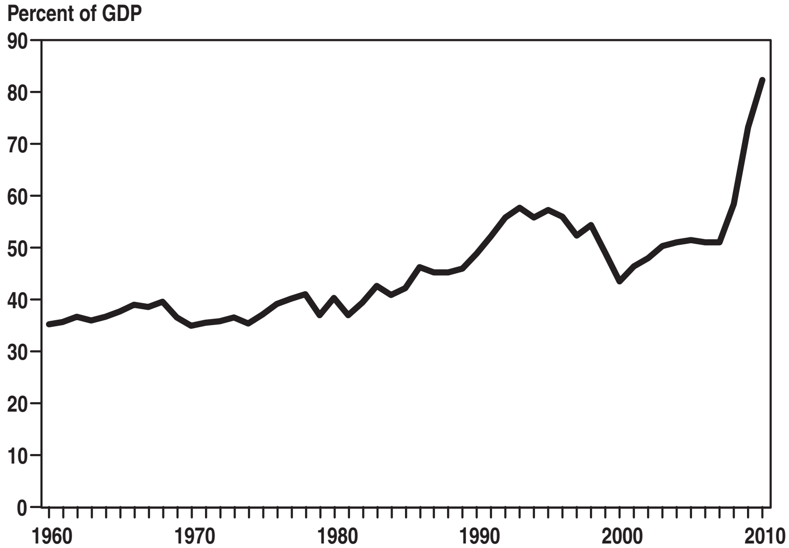
Table 31–2. GOVERNMENT ASSETS AND LIABILITIES*

(As of the end of the fiscal year, in billions of 2010 dollars)

	1960	1965	1970	1975	1980	1985	1990	1995	2000	2005	2006	2007	2008	2009	2010
ASSETS															
Financial Assets:															
Foreign Exchange, SDRs, and Gold	12	9	20	15	22	40	53	74	50	45	38	38	38	98	96
Cash, Checking Deposits, Other Monetary Assets	53	76	47	39	60	40	53	54	77	41	60	81	380	281	313
Mortgages	33	32	48	50	93	95	121	83	94	84	85	85	90	111	107
Other Loans	123	170	213	215	276	358	253	205	234	220	214	214	217	336	471
less Expected Loan Losses	–1	–3	–5	–11	–21	–21	–24	–30	–46	–45	–50	–46	–50	–83	–65
Other Treasury Financial Assets	63	84	62	58	82	113	191	219	292	324	323	319	304	464	420
Subtotal	284	368	385	367	512	625	648	605	701	669	670	692	980	1,207	1,341
Nonfinancial Assets:															
Fixed Reproducible Capital.	1,241	1,231	1,282	1,243	1,177	1,331	1,380	1,386	1,219	1,221	1,236	1,224	1,257	1,288	1,283
Defense.	1,070	1,005	1,016	928	833	969	993	970	794	769	782	777	807	822	825
Nondefense	171	226	265	315	344	363	387	416	424	452	454	446	451	466	459
Inventories	325	281	262	234	290	331	293	226	231	301	301	288	294	288	286
Nonreproducible Capital.	160	212	253	413	600	700	594	442	769	1,389	1,419	1,357	1,109	782	753
Land.	114	158	199	316	403	419	431	316	547	1,024	1,052	996	644	439	408
Mineral Rights.	46	54	54	97	197	281	163	126	222	365	368	361	465	343	345
Subtotal.	1,726	1,725	1,797	1,890	2,067	2,363	2,267	2,054	2,219	2,911	2,956	2,869	2,660	2,358	2,322
Total Assets.	2,010	2,093	2,182	2,257	2,579	2,988	2,915	2,659	2,920	3,579	3,626	3,561	3,640	3,565	3,664
LIABILITIES															
Debt held by the Public.	1,417	1,457	1,297	1,319	1,639	2,710	3,689	4,900	4,259	5,076	5,169	5,240	5,886	7,634	9,019
Insurance and Guarantee Liabilities:															
Deposit Insurance.	0	0	0	0	2	11	89	24	1	1	1	2	35	73	108
Pension Benefit Guarantee	0	0	0	53	39	54	54	26	50	91	79	86	75	93	102
Loan Guarantees.	0	1	3	8	15	13	19	37	46	53	51	72	75	71	67
Other Insurance	39	35	27	25	33	20	25	22	20	45	21	17	21	15	15
Subtotal	39	36	30	86	90	99	186	108	118	190	153	178	206	252	293
Pension and Post-Employment Health Liabilities:															
Civilian and Military Pensions	1,070	1,345	1,609	1,823	2,242	2,224	2,172	2,105	2,201	2,398	2,479	2,514	2,646	2,739	2,896
Retiree Health Insurance Benefits.	219	275	329	373	459	455	445	440	488	1,243	1,212	1,194	1,179	1,192	1,260
Veterans Disability Compensation	235	296	354	392	402	332	299	362	690	1,241	1,235	1,174	1,488	1,333	1,475
Subtotal.	1,525	1,916	2,293	2,589	3,103	3,011	2,915	2,907	3,379	4,882	4,926	4,882	5,313	5,264	5,631
Environmental and Disposal Liabilities	82	104	124	140	168	200	234	309	376	287	327	356	348	346	321
Other Liabilities:															
Currency and SDRs	16	16	31	37	45	41	48	49	41	41	40	39	37	88	86
Trade Payables.	18	25	26	36	69	100	145	112	102	221	229	249	289	272	289
Benefits Due and Payable	26	30	41	43	55	61	73	85	97	129	138	139	146	163	164
Subtotal	59	72	98	116	169	203	265	246	240	391	408	427	473	523	540
Total Liabilities	3,123	3,584	3,841	4,250	5,169	6,224	7,290	8,470	8,373	10,826	10,981	11,082	12,226	14,019	15,804
Net Liabilities (Liabilities Minus Assets)	1,113	1,492	1,660	1,993	2,590	3,236	4,375	5,811	5,453	7,247	7,355	7,521	8,586	10,454	12,140
Addenda:															
Ratio to GDP (in percent)	35.4	37.7	35.1	37.2	40.4	42.3	48.9	57.4	43.6	51.5	51.1	51.0	58.4	73.2	82.3

* This table shows assets and liabilities for the Government as a whole excluding the Federal Reserve System. Data for 2010 are extrapolated in some cases.

Chart 31-1. Net Federal Liabilities



tively stable since the mid-1990s, but holdings of other loans and monetary assets have risen as a result of the Government's actions to resolve the financial crisis. OMB estimates the discounted present value of future losses and interest subsidies on loans to be $65 billion as of the end of 2010, and this amount was subtracted from the face value of outstanding loans to estimate their net value.

Non-Financial Assets: Government-owned stocks of reproducible defense and nondefense capital are similar in concept to property, plant, and equipment. The estimated replacement value of these assets is shown in Table 31-2. It has been relatively stable, between $1.2 and $1.4 trillion, for most of the last 45 years. In 1960, 86 percent of the capital was defense; today it is 64 percent. During the 1970s and again during the 1990s (after the end of the Cold War), there were substantial declines in defense capital.

Although there are no official estimates of the market value of the Government's vast land and mineral holdings, it is assumed here that Federal land values rise and fall along with private land values. Since the mid-1990s, oil prices have been volatile, which has caused the estimated market value of federally-owned proved reserves of oil and natural gas to fluctuate as well. In 2010, as estimated here, the combined real value of Federal land and mineral rights was $0.8 trillion compared with $1.4 trillion in 2006.

Total Assets: The total value of Government assets, measured in constant dollars, was about $3.7 trillion, equal to 25 percent of GDP, at the end of 2010.

Debt Held by the Public: The Government's largest liability is the debt owed to the public, which amounted to $9.0 trillion at the end of 2010. Publicly held debt declined for several years in the late 1990s because of the shift from unified budget deficits to unified budget surpluses, but began to increase again as deficits returned, and it has increased very substantially since 2007.

Insurance and Guarantee Liabilities: The estimates in Table 31-2 reflect the current discounted value of prospective future losses on outstanding guarantees and insurance contracts, not accounting for market risk. Other insurance includes veterans' life insurance, flood, crop, and terrorism insurance. Relative to total liabilities, insurance and guarantee liabilities are small, comprising less than 2 percent of total liabilities in 2010.

Pension and Post-Employment Health Liabilities: While the Government's employee pension obligations have risen slowly, there has been a sharp increase in the liability for future health benefits and veterans compensation. The discounted present value of these benefits is estimated to have been around $5.6 trillion at the end of 2010, which is 67 percent higher than a decade earlier in 2000.

Environmental and Disposal Liabilities: During World War II and the Cold War, the Government constructed a vast industrial complex to produce and test nuclear weapons, which resulted in environmental contamination. Ongoing defense and other activities can result in contamination if waste disposal is not carried out properly. Cleanup and disposal liabilities are estimated to be around $320 billion in present value terms.

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

Conclusion

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

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

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