SECTION 20—TERMS AND CONCEPTS

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Summary of Changes

Adds examples of legislative language used to authorize expenditure and non-expenditure transfers (section 20.4(j)(2)).

Clarifies guidance regarding transfers of balances when subsequent legislation authorizes a change in purpose (section 20.4(j)(4)).

20.1 What is the purpose of this section?

In this section, we define budget terms—such as budget authority, obligation, and outlay—that you need to know in order to understand the budget process and this Circular. We also explain certain of the terms in depth.

20.2 How do I use this section?

- If you need a brief definition of a term commonly used in the budget process, go to section 20.3. That section lists the terms in alphabetical order.

- If you need a more detailed explanation of the terms and concepts listed in the section titles of the Table of Contents above, go to sections 20.4–20.13.

- If you need to know more about the credit terms defined in section 20.3, go to section 185, Federal credit.

- If you need to know more about the sequestration terms and concepts defined in section 20.3, go to section 100, Sequestration.

- If you need definitions of performance terms, go to section 200, Overview of strategic plans, annual performance plans, and annual program performance reports.

20.3 What special terms must I know?

Advance appropriation means appropriations of new budget authority that become available one or more fiscal years beyond the fiscal year for which the appropriation act was passed. (See section 20.4(c).)

Advance funding means appropriations of budget authority provided in an appropriations act to be used, if necessary, to cover obligations incurred late in the fiscal year for benefit payments in excess of the amount specifically appropriated in the act for that year, where the budget authority is charged to the appropriation for the program for the fiscal year following the fiscal year for which the appropriations act is passed. (See section 20.4(c).)

Agency means a department or establishment of the Government for the purposes of this Circular. (Compare to "Bureau.")

Allowance means a lump sum included in the budget to represent certain transactions that are expected to increase or decrease budget authority, outlays, or receipts but that are not, for various reasons, reflected in the program details. For example, the budget might include an allowance to show the effect on the budget totals of a proposal that would affect many accounts by relatively small amounts, in order to avoid unnecessary detail in the presentations for the individual accounts. The President doesn't propose that Congress enact an allowance as such, but rather that it modify specific legislative measures as necessary to produce the increases or decreases represented by the allowance.

Amendment means a proposed action that revises the President's budget request and is transmitted prior to completion of action on the budget request by the Appropriations Committees of both Houses of Congress. (See section 110.2.)

Apportionment is a plan, approved by OMB, to spend resources provided by one of the annual appropriations acts, a supplemental appropriations act, a continuing resolution, or a permanent law (mandatory appropriations). Resources are apportioned by Treasury Appropriation Fund Symbol (TAFS).

The apportionment identifies amounts available for obligation and expenditure. It specifies and limits the obligations that may be incurred and expenditures made (or makes other limitations, as appropriate) for specified time periods, programs, activities, projects, objects, or any combination thereof. An apportioned amount may be further subdivided by an agency into allotments, suballotments, and allocations. (See Appendix H.)

Appropriated entitlement—See "Entitlement."

Appropriation means a provision of law (not necessarily in an appropriations act) authorizing the expenditure of funds for a given purpose. Usually, but not always, an appropriation provides budget authority. (See section 20.4.)

Appropriation account—See "Treasury Appropriation Fund Symbol."

Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA) refers to legislation that shaped the budget process, first by setting fixed targets for annual deficits and then by replacing those with a Pay-as-you-go (PAYGO; see "Pay-as-you-go") requirement for new tax or mandatory spending legislation and with caps on annual discretionary funding. Most of these requirements expired in 2002. The Statutory Pay-As-You-Go Act of 2010, which did not amend BBEDCA, reinstated a statutory PAYGO rule for revenues and mandatory spending legislation. The Budget Control Act of 2011 (BCA), which amended BBEDCA, reinstated discretionary caps on budget authority through 2021. (See section 21.3.)

Balances of budget authority means the amounts of budget authority provided in previous years that have not been outlayed.

Baseline means a projection of the estimated receipts, outlays, and deficit or surplus that would result from continuing current law or current policies through the period covered by the budget. (See section 80.)

Borrowing authority is a type of budget authority that permits obligations and outlays to be financed by borrowing. (See section 20.4(b).)

Budget means the Budget of the United States Government, which sets forth the President's comprehensive financial plan and indicates the President's priorities for the Federal Government. (See section 10.1.)

Budget authority (BA) means the authority provided by law to incur financial obligations that will result in outlays. The specific forms of budget authority are appropriations, borrowing authority, contract authority, and spending authority from offsetting collections. (See section 20.4.)

Budget Control Act of 2011 refers to legislation that, among other things, amended BBEDCA to reinstate discretionary spending limits on budget authority through 2021 and restored the process for enforcing those spending limits; increased the statutory debt ceiling; and established a Joint Select Committee on Deficit Reduction that was instructed to develop a bill to reduce the Federal deficit by at least $1.5 trillion over a 10-year period. It also provided a process to implement alternative spending reductions in the event that legislation achieving at least $1.2 trillion of deficit reduction was not enacted. (See section 21.3.)

Budget totals means the totals included in the Budget for budget authority, outlays, receipts, and the surplus or the deficit. Some presentations in the Budget distinguish on-budget totals from off-budget totals. On-budget totals reflect the transactions of all Federal Government entities, except those excluded from the Budget totals by law. Off-budget totals reflect the transactions of Government entities that are excluded from the on-budget totals by law. Under current law, the off-budget totals include the Social Security trust funds and the Postal Service. The Budget combines the on- and off-budget totals to derive unified (i.e. consolidated) totals for Federal activity.

Budget year (BY) refers to the fiscal year for which the budget is being considered, that is, with respect to a session of Congress, the fiscal year of the Government that starts on October 1 of the calendar year in which that session of Congress begins.

Budgetary resources mean amounts available to incur obligations in a given year. Budgetary resources consist of new budget authority and unobligated balances of budget authority provided in previous years.

Bureau means the principal subordinate organizational units of an agency.

Cancellation means a proposal by the President to reduce budget resources (new budget authority or unobligated balances of budget authority) that is not subject to the requirements of Title X of the Congressional Budget and Impoundment Control Act of 1974. Resources that are proposed by the President for cancellation cannot be withheld from obligation pending Congressional action on the proposal. The term is sometimes used more broadly to refer to any legislative action taken by the Congress to reduce budgetary resources, including rescissions proposed by the President. Cancellations can either be temporary or permanent. (See section 20.4(i).)

Cancellations as a type of reduction should not be confused with the canceled phase of annual and multi-year authority (see section 20.4(c)) or cancellations of budgetary resources in no-year accounts pursuant to 31 U.S.C. 1555 (see Appendix F).

Cap means the legal limits for each fiscal year under BBEDCA on the budget authority and outlays (only if applicable) provided by discretionary appropriations.

Cap adjustment means either an increase or a decrease that is permitted to the statutory cap limits under BBEDCA, when such caps are set in law, on the budget authority and outlays (only if applicable) provided by discretionary appropriations only if certain conditions are met. These conditions may include providing for a base level of funding, a designation of funds by the Congress (and in some circumstances, the President), or a change in concepts and definitions of funding under the cap. Changes in concepts and definitions require consultation with the Congressional Appropriations and Budget Committees.

Cash equivalent transaction means a transaction in which the Government makes outlays or receives collections in a form other than cash or in which the outlays or receipts recorded in the budget differ from the cash because the cash does not accurately measure the value of the transaction. (See section 20.8.)

CHIMP is an acronym for a "**CH**ange (either a cost or a savings) **I**n a **M**andatory **P**rogram" that is proposed or enacted in an appropriations bill rather than in authorizing legislation. The term applies only to provisions in appropriations acts that change mandatory budget authority, outlays, offsetting collections, or offsetting receipts relative to the baseline. For the purposes of scoring those appropriations acts, such changes are scored as discretionary. After enactment, these changes are rebased (see "Rebase"). In OMB's budget database, proposed CHIMPs are separately identified with a specific budget enforcement subcategory classification known as a "discretionary change in a mandatory program" until they are enacted in full-year appropriations bills (see section 81.2). This classification only applies to policy estimates—not baseline estimates.

Under the Statutory Pay-As-You-Go Act of 2010, the outlay effects of CHIMPs that alter mandatory budget authority in an outyear are classified as PAYGO (mandatory) impacts except when their net outlay effect is zero over a six-year period beginning with the current year. All changes in revenues in any year are classified as PAYGO, and are not scored as discretionary, even if they are included in an appropriations bill.

Collections mean money collected by the Government that the budget records as a governmental receipt, an offsetting collection, or an offsetting receipt (see section 20.7).

Contract authority is a type of budget authority that permits you to incur obligations in advance of an appropriation, offsetting collections, or receipts to make outlays to liquidate the obligations. Typically, the Congress provides contract authority in an authorizing statute to allow you to incur obligations in anticipation of the collection of receipts or offsetting collections that will be used to liquidate the obligations. (See section 20.4(b).)

Cost means the price or cash value of the resources used to produce a program, project, or activity. This term is used in many different contexts. When used in connection with Federal credit programs, the term means the estimated long-term cost to the Government of a direct loan or loan guarantee, calculated on a net present value basis, excluding administrative costs and any incidental effects on governmental receipts or outlays (see section 185). For specific instructions on estimating costs, refer to the pertinent OMB instructions: for cost principles for educational institutions, see OMB Circular No. A–21; for estimating costs for user charges, see OMB Circular No. A–25; for rental and construction costs of Government quarters, see OMB Circular No. A–45; for allowable costs for audits, see OMB Circular No. A–50; for cost estimates in performing commercial activities, see OMB Circular No. A–76; and for cost principles for State, local, and Indian Tribal Governments, see OMB Circular No. A–97. The term also refers to legislation or administrative actions that increase outlays or decrease savings.

Credit program account means a budget account that receives and obligates appropriations to cover the subsidy cost of a direct loan or loan guarantee and disburses the subsidy amount to a financing account. (See section 185.)

Current services estimates—See "Baseline."

Deferral means any executive branch action or inaction that temporarily withholds, delays, or effectively precludes the obligation or expenditure of budgetary resources. The President reports deferrals to the Congress by special message. Deferrals are not identified separately in the Budget. (See section 112.)

Deficit means the amount by which outlays exceed receipts in a fiscal year. It may refer to the on-budget, off-budget, or unified budget deficit. (See "Budget totals.")

Deposit fund means an account established to record amounts held temporarily by the Government until ownership is determined (for example, earnest money paid by bidders for mineral leases) or held by the Government as an agent for others (for example, State and local income taxes withheld from Federal employees' salaries and not yet paid to the State or local government). (See section 20.11.)

Direct loan means a disbursement of funds by the Government to a non-Federal borrower under a contract that requires the repayment of such funds with or without interest. The term also includes certain equivalent transactions that extend credit. (See section 185) (Compare to "Loan guarantee.")

Direct spending—See "Mandatory spending."

Disaster funding means a discretionary appropriation that is enacted that the Congress designates as being for disaster relief. Such an appropriation results in a cap adjustment to the limits on discretionary spending under BBEDCA, when such caps are set in law. The total adjustment for this purpose cannot exceed a ceiling for a particular year that is defined as the total of the average funding provided for disaster relief over the previous 10 years (excluding the highest and lowest years) and the unused amount of the prior year's ceiling (excluding the portion of the prior year's ceiling that was itself due to any unused amount from the year before). Disaster relief is defined as activities carried out pursuant to a determination under section 102(2) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act.

Discretionary spending means budgetary resources (except those provided to fund mandatory spending programs) provided in appropriations acts. (See section 21.3.) (Compare to "Mandatory spending.")

Where obligation limitations set in appropriations acts limit permanent budget authority, except trust fund accounts in the Department of Transportation, we define the budget authority for the account as discretionary in an amount equal to the limit. For the Transportation trust funds subject to an annual obligation limitation, the budget authority remains mandatory, although the funds' outlays are discretionary.

Emergency requirement means an amount that the Congress has designated as an emergency requirement in statute and, for discretionary appropriations, designated on an account by account basis. Such amounts are not included in the estimated budgetary effects of PAYGO legislation under the requirements of the Statutory Pay-As-You-Go Act of 2010, if they are mandatory or receipts. Such a discretionary appropriation that is subsequently designated by the President as an emergency requirement results in a cap adjustment to the limits on discretionary spending under BBEDCA, when such caps are set in law.

Entitlement refers to a program in which the Federal Government is legally obligated to make payments or provide aid to any person who, or State or local government that, meets the legal criteria for eligibility. Entitlements are generally provided by an authorizing statute, and can include loan and grant programs. Examples include benefit payments for Social Security, Medicare, Medicaid, and unemployment insurance, as well as grants to States for the Children's Health Insurance Program (CHIP) and Temporary Assistance for Needy Families (TANF). Some programs, such as veteran's compensation, Medicaid, Supplemental Security Income (SSI), and Child Nutrition, are entitlements even though they are funded by appropriations acts because the authorizing statutes for the programs unconditionally obligate the United States to make payments. These are referred to as appropriated entitlements. (See "Mandatory spending;" section 21.3.)

Expenditure transfer—See "Transfers."

Federal funds group refers to the moneys collected and spent by the Government through accounts other than those designated as trust funds. Federal funds include general, special, public enterprise, and intragovernmental funds. (See section 20.11.) (Compare to "Trust funds group.")

Financing account means a non-budgetary account (an account whose transactions are excluded from the budget totals) that records all of the cash flows resulting from post-1991 direct loan obligations or loan guarantee commitments. At least one financing account is associated with each credit program account. For programs that make both direct loans and loan guarantees, separate financing accounts are required for direct loan cash flows and for loan guarantee cash flows. (See section 185.) (Compare to "Liquidating account.")

Fiscal year (FY) means the Government's accounting period. It begins on October 1 and ends on September 30, and is designated by the calendar year in which it ends.

Forward funding means appropriations of budget authority that become available for obligation in the last quarter of the fiscal year for the financing of ongoing grant programs during the next fiscal year. (See section 20.4(c).)

Full-time equivalent (FTE) employment is the basic measure of the levels of employment used in the budget. It is the total number of hours worked (or to be worked) divided by the number of compensable hours applicable to each fiscal year. (See section 85.)

Functional classification means the array of budget authority, outlays, and other budget data according to the major purpose served—for example, agriculture, national defense, and transportation. (See section 79.3.)

General fund means the accounts for collections not earmarked by law for a specific purpose, the proceeds of general borrowing, and the expenditure of these moneys. It is part of the Federal funds group.

Government sponsored enterprises (GSEs) mean private enterprises that were established and chartered by the Federal Government for public policy purposes. GSEs are classified as non-budgetary and not included in the Federal budget because they are private companies, and their securities are not backed by the full faith and credit of the Federal Government. However, the budget presents statements of financial condition for certain Government sponsored enterprises such as the Federal National Mortgage Association. (Compare to "Off-budget.")

Governmental receipts mean collections that result from the Government's exercise of its sovereign power to tax or otherwise compel payment. They are compared to outlays in calculating a surplus or deficit. Receipts and revenues are common terms used in place of governmental receipts. (See section 20.7.) (Compare to "Offsetting collections" and "Offsetting receipts.")

GTAS means the Governmentwide Treasury Account Symbol Adjusted Trial Balance System. Agency staff uses this system to electronically submit the accounting data that: (a) support the SF 133 Report on Budget Execution and Budgetary Resources, and (b) are used for much of the initial set of past year data in schedule P (see sections 82.15 and 130.2). This system replaced the Treasury Federal Agencies' Centralized Trial Balance System II (FACTS II).

Impoundment means any executive action or inaction that temporarily or permanently withholds, delays, or precludes the obligation or expenditure of budgetary resources.

Intragovernmental fund—See "Revolving fund."

Liquidating account means a budget account that records all cash flows to and from the Government resulting from pre-1992 direct loan obligations and loan guarantee commitments. Unlike financing accounts, these accounts are included in the budget totals. (See section 185.) (Compare to "Financing account.")

Loan guarantee means any guarantee, insurance, or other pledge with respect to the payment of all or a part of the principal or interest on any debt obligation of a non-Federal borrower to a non-Federal lender. The term does not include the insurance of deposits, shares, or other withdrawable accounts in financial institutions. (See section 185.) (Compare to "Direct loan.")

Mandatory spending means spending controlled by laws other than appropriations acts (including spending for entitlement programs) and spending for the Supplemental Nutrition Assistance Program. Although the Statutory Pay-As-You-Go Act of 2010 uses the term "direct spending" instead of "mandatory spending" to describe this concept, "mandatory spending" is the term to describe the concept that is commonly used. (See section 21.3.) (Compare to "Discretionary spending.")

Means of financing refers to borrowing, the change in cash balances, and certain other transactions that are involved in financing a deficit. The term is also used to refer to the debt repayment, the change in cash balances, and certain other transactions involved in using a surplus. By definition, the means of financing are not treated as receipts or outlays and so are non-budgetary. (See section 20.7(h).)

Nonbudgetary transactions means transactions of the Government that do not belong in the Budget because they do not represent net budget authority or outlays, but rather are a means of financing (such as deposit funds, direct loan and loan guarantee financing accounts, and seigniorage). (Compare to "Off-budget" and "Means of financing.")

Nonexpenditure transfer—See "Transfer."

Obligated balance means the cumulative amount of budget authority that has been obligated but not yet outlayed. As prescribed by 31 U.S.C. 1551, it is the amount of unliquidated obligations in an account less the amounts collectible as repayments to the account. In other words, it is unpaid obligations net of uncollected customer payments from Federal sources. (See section 20.4(g).)

Obligation means a binding agreement that will result in outlays, immediately or in the future. Budgetary resources must be available before obligations can be incurred legally. (See section 20.5.)

Obligation limitation means a type of budgetary resource appropriated to accounts in a manner similar to budget authority that limits the amount of contract authority already made available for obligation by another law. The obligation limitation is effectively the amount of new budget authority available for obligation for that period. Obligation limitations are used in certain Transportation programs.

Off-budget refers to transactions of the Federal Government that would be treated as budgetary had Congress not designated them by statute as "off-budget." Currently, transactions of the Social Security trust funds and the Postal Service are the only sets of transactions that are so designated. The term is sometimes used more broadly to refer to the transactions of private enterprises that were established and sponsored by the Government, most especially "Government sponsored enterprises" such as the Federal Home Loan Banks. (Compare to "On-budget.")

Offsetting collections mean payments to the Government that, by law, are credited directly to expenditure accounts and deducted from gross budget authority and outlays of the expenditure account, rather than added to receipts. Usually, offsetting collections are authorized to be spent for the purposes of the account without further action by Congress. They usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the Government and from intragovernmental transactions with other Government accounts. The authority to spend offsetting collections is a form of budget authority. (See sections 20.4(b) and 20.7.) (Compare to "Governmental receipts" and "Offsetting receipts.")

Offsetting receipts mean payments to the Government that are credited to offsetting receipt accounts and deducted from gross budget authority and outlays, rather than added to receipts. Usually they are deducted at the level of the agency and subfunction, but in some cases they are deducted at the level of the Government as a whole. They are not authorized to be credited to expenditure accounts. The legislation that authorizes the offsetting receipts may earmark them for a specific purpose and either appropriate them for expenditure for that purpose or require them to be appropriated in annual appropriations acts before they can be spent. Like offsetting collections, they usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the Government, and from intragovernmental transactions with other Government accounts. (See section 20.7.) (Compare to "Governmental receipts" and "Offsetting collections.")

On-budget refers to all budgetary transactions other than those designated as off-budget. (Compare to "Off-budget.")

Outlay means a payment to liquidate an obligation (other than the repayment of debt principal or other disbursements that are "means of financing" transactions). Outlays generally are equal to cash disbursements but also are recorded for cash-equivalent transactions, such as the issuance of debentures to pay insurance claims, and in a few cases are recorded on an accrual basis such as interest on public issues of the public debt. Outlays are the measure of Government spending. (See section 20.6.)

Outyear estimates mean estimates presented in the budget for the years beyond the budget year of budget authority, outlays, receipts, and other items (such as debt).

Overseas Contingency Operations/Global War on Terrorism (OCO/GWOT) means a discretionary appropriation that is enacted that the Congress and, subsequently, the President has so designated on an account by account basis. Such a discretionary appropriation that is designated as OCO/GWOT results in a cap adjustment to the limits on discretionary spending under BBEDCA, when such caps are set in law. Funding for these purposes has been associated with, for example, the wars in Iraq and Afghanistan.

Pay-as-you-go (PAYGO) refers to the requirements of the Statutory Pay-As-You-Go Act of 2010 that result in a sequestration if the estimated combined result of new legislation affecting direct spending or revenue increases the on-budget deficit relative to the baseline, as of the end of a congressional session. (See section 21.3.)

Public enterprise fund—See "Revolving fund."

Reappropriation means an extension of the availability of unobligated balances of budget authority that have expired or would otherwise expire as a result of legislation enacted subsequent to the law that provided the budget authority. (See sections 20.4(h) and 120.66.)

Rebase means to change the classification of funds from how they were scored for budget enforcement in a particular piece of legislation. Items can be "rebased" either direction—from mandatory to discretionary or discretionary to mandatory, depending on the original jurisdiction of the scored bill, the directed scoring provided in a bill, and the underlying program characteristics. This happens most often with changes in mandatory programs enacted in appropriations acts (see "CHIMP"), which are scored as discretionary but executed as mandatory. It is also possible, however, for an authorizing bill to change a discretionary program, which would be scored as mandatory but executed as discretionary.

In general, appropriations should be rebased to match the mandatory or discretionary classification of existing funds that an account receives for similar activities. For example, if an authorizing bill provides additional appropriations for salaries and expenses-related activities normally funded by an annual appropriations Act, those funds are usually rebased as discretionary. The same concept applies even if an existing account funded by discretionary dollars receives a transfer from an appropriation provided in an authorizing bill classified as mandatory. In this case, the transferred funds should be rebased as discretionary in the receiving account. See section 21.3 for a more detailed explanation on determining the budget enforcement category of funding.

Receipts—See "Governmental receipts" or "Offsetting receipts."

Reduction in budgetary resources means a rescission (see section 20.4(i)); cancellation (see section 20.4(i)); across-the-board reduction; or sequestration (see section 100).

Refund means the return of excess payments to or by the Government. (See section 20.9.)

Reimbursable obligation means an obligation financed by offsetting collections credited to an expenditure account in payment for goods and services provided by that account. (See section 83.5.)

Rescission means a proposal by the President to reduce budgetary resources (new budget authority or unobligated balances of budget authority) pursuant to the requirements of Title X of the Congressional Budget and Impoundment Control Act of 1974. Resources that are proposed by the President for rescission may be withheld from obligation for 45 calendar days of continuous session of the Congress (excluding an adjournment of more than three days on which either House is not in session) pending congressional action on the proposal. The term is often used more broadly to refer to any legislative action taken by the Congress to reduce budgetary resources, including reductions that were not proposed pursuant to the Impoundment Control Act. Rescissions can either be temporary or permanent. (See section 20.4(i).)

Revolving fund means a fund that conducts continuing cycles of business-like activity, in which the fund charges for the sale of products or services and uses the proceeds to finance its spending, usually without requirement for annual appropriations. There are three types of revolving funds: Public enterprise funds, which conduct business-like operations mainly with the public, intragovernmental revolving funds, which conduct business-like operations mainly within and between Government agencies, and trust revolving funds, which conduct business-like operations mainly with the public and are designated by law as a trust fund. (See section 20.11.)

Scorekeeping means measuring the budget effects of legislation in terms of budget authority, governmental receipts, and outlays, for purposes of measuring adherence to the President's Budget, other budget targets, or budget enforcement laws. (See section 21.)

Sequestration means the cancellation of budgetary resources. The Statutory Pay-As-You-Go Act of 2010 requires such cancellations if revenue or direct spending legislation is enacted that, in total, increases projected deficits or reduces projected surpluses relative to the baseline. BBEDCA requires annual across-the-board cancellations to selected mandatory programs through 2030. If discretionary caps are in place under BBEDCA, it would require cancellations of discretionary appropriations if such appropriations exceed the statutory limits on discretionary spending. (See section 100.)

Special fund means a Federal fund account for receipts earmarked for specific purposes and the expenditure of these receipts. (See section 20.11.)

Spending authority from offsetting collections is a type of budget authority that permits obligations and outlays to be financed by offsetting collections (see section 20.4(b)). (Compare to "Offsetting collections.")

Statutory Pay-As-You-Go Act of 2010 refers to legislation that reinstated a statutory pay-as-you-go requirement for new tax or mandatory spending legislation. The law is a stand-alone piece of legislation that cross-references BBEDCA but does not directly amend that legislation.

Subsidy means the estimated long-term cost to the Government of a direct loan or loan guarantee, calculated on a net present value basis, excluding administrative costs and any incidental effects on governmental receipts or outlays. (See section 185.)

Supplemental appropriation means an appropriation enacted subsequent to a regular annual appropriations act, when the need for funds is too urgent to be postponed until the next regular annual appropriations act. (See section 110.2.)

Surplus means the amount by which receipts exceed outlays in a fiscal year. It may refer to the on-budget, off-budget, or unified budget surplus. (See "Budget totals.")

Third scorecard is sometimes used to refer to the effects of a mandatory or revenue proposal that are not subject to PAYGO (see sections 79.2 and 81.2 for more information on reporting these effects in MAX A-11 DE.)

These non-PAYGO effects may include:

- The PAYGO-exempt portions of mandatory or revenue proposals that require authorizing legislation, such as off-budget or emergency legislation;
- The indirect effect of mandatory or revenue proposals, including proposals that require authorizing legislation, which are not subject to PAYGO. Indirect effects include the effects on interest;
- The mandatory or revenue savings or costs that result from discretionary policies, such as the savings associated with an increased level of anti-fraud or enhanced compliance effort achieved by additional administrative or program management funding.

Transfer means to move budgetary resources from one budget account to another. Depending on the circumstances, the budget may record a transfer as an expenditure transfer, which means a transfer that involves an outlay, or as a nonexpenditure transfer, which means a transfer that doesn't involve an outlay. (See section 20.4(j).)

Transfer in the estimates means a proposal to stop funding an activity through one budget account and begin funding it through another account. A transfer in the estimates doesn't involve a transfer of budgetary resources between the accounts. (See section 20.4(k).)

Treasury Account Symbol (TAS) refers to the account identification codes assigned by the Department of the Treasury to individual appropriation, receipt, or other fund accounts. All financial transactions of the Federal Government are classified by TAS for reporting to the Department of the Treasury and the Office of Management and Budget. TAS includes all the component pieces of Treasury Appropriation Fund Symbol plus any sub-accounts established by Treasury.

Treasury Appropriation Fund Symbol (TAFS) refers to the separate Treasury accounts for each appropriation title based on the availability of the resources in the account. The TAFS is a combination of Federal agency; allocation agency, when applicable; account symbol; and availability code (e.g., annual, multi-year, or no-year). (See section 20.4(c).)

Trust fund refers to a type of account, designated by law as a trust fund, for receipts or offsetting receipts dedicated to specific purposes and the expenditure of these receipts. Some revolving funds are designated as trust funds, and these are called trust revolving funds. Trust revolving funds have no receipt account and the collections are credited directly to the expenditure account. (See section 20.11.) (Compare to "Special funds" and "Revolving funds.")

Trust funds group refers to the moneys collected and spent by the Government through trust fund accounts. (See section 20.11.) (Compare to "Federal funds group.")

Unexpended balance means the sum of the unobligated and obligated balances.

Unobligated balance means the cumulative amount of budget authority that remains available for obligation under law in unexpired accounts. The term "expired balances available for adjustment only" refers to unobligated amounts in expired accounts. (See section 20.4(f).)

User charges are charges assessed for the provision of Government services and for the sale or use of Government goods or resources. The payers of the user charge must be limited in the authorizing legislation to those receiving special benefits from, or subject to regulation by, the program or activity beyond the benefits received by the general public or broad segments of the public (such as those who pay income taxes or customs duties). User charges are defined and the policy regarding user charges is established in OMB Circular No. A–25, "User Charges" (July 8, 1993). The term encompasses proceeds from the sale or use of Government goods and services, including the sale of natural resources (such as timber, oil, and minerals) and proceeds from asset sales (such as property, plant, and equipment). (See section 20.7(g).)

Warrant means an official document issued by the Secretary of the Treasury, pursuant to law, that establishes the amount of appropriations approved by the Congress that can be obligated and disbursed.

20.4 What do I need to know about budget authority?

(a) Definition of budget authority

Budget authority (BA) means the authority provided by law to incur financial obligations that will result in outlays. This definition is the same as the one contained in section 3(2) of the Congressional Budget and Impoundment Control Act of 1974, which the Congress uses in the congressional budget process. You violate the law if you enter into contracts, issue purchase orders, hire employees, or otherwise obligate the Government to make a payment before a law has provided budget authority for that purpose (see section 145.1).

(b) Forms of budget authority

Most laws provide budget authority in the form of appropriations, but some laws provide budget authority in the form of contract authority, borrowing authority, or spending authority from offsetting collections. The following table summarizes the characteristics of each form of budget authority, and the text following the table discusses them in more depth.

FORMS OF BUDGET AUTHORITY

Form of budget authority	Summary of Characteristics
Appropriation	• Authorizes obligations and outlays using general funds, special funds, or trust funds. • Provided in appropriations acts and other laws. • May authorize the use of cash-equivalent payments. • Not all appropriations provide budget authority.
Contract authority	• Authorizes obligations but not outlays. • Typically provided in authorizing laws with variations in the way obligations are liquidated.
Borrowing authority	• Authorizes obligations with outlays to be financed by borrowing, usually from Treasury. • Typically provided in laws that authorize business-like operations and require the borrowing to be repaid, with interest, out of the business proceeds.
Spending authority from offsetting collections	• Authorizes obligations and outlays using offsetting collections. • Typically provided in authorizing laws. • Appropriations acts limit obligations in some cases. • Budget authority may be recorded and obligations incurred against orders from other

Form of budget authority	Summary of Characteristics
	Federal accounts only if an obligation is recorded by the paying account; obligations normally cannot be incurred against orders from the public without an advance.

(1) **Appropriations**, as a type of budget authority, permit you to incur obligations and make outlays (payments). (Not all appropriations provide budget authority, as explained below.) The Congress enacts appropriations in annual appropriations acts and other laws. An appropriation may make funds available from the general fund, special funds, or trust funds. An appropriations act may also authorize the spending of offsetting collections, which are credited to expenditure accounts (including revolving funds) (see "Spending authority from offsetting collections" below).

A law that authorizes you to incur obligations and liquidate them through cash-equivalent payments (see section 20.8) constitutes an appropriation of budget authority.

Some appropriations are not recorded as new budget authority because they relate to obligations that have already been legally incurred and do not provide the authority to incur new obligations. Amounts appropriated to liquidate contract authority provide the cash needed to liquidate obligations incurred against contract authority in advance of collections or an appropriation to liquidate; amounts appropriated to liquidate debt provide the cash needed to repay money borrowed from Treasury to liquidate obligations incurred against borrowing authority.

In contrast, deficiency appropriations, which allow agencies to liquidate obligations that were incurred in a prior fiscal year without sufficient budget authority to legally cover such obligations, are recorded as new budget authority but deducted from the total budgetary resources available for obligation. Deficiency appropriations reduce or eliminate the negative balance that results from obligating amounts in excess of an account's budgetary resources (see section 82.18 and Appendix F). This treatment helps ensure that any obligations that were incurred without sufficient budget authority, particularly in cases where the obligation has yet to be liquidated, are still recognized in the budget authority totals as a current cost. If these costs are not recognized as new budget authority, then the total budget authority available to enter into new obligations in a given fiscal year will have effectively been allowed to increase without scoring the impact of that increase. See section 145.10 for guidance on when to request a deficiency appropriation.

For purposes of the Antideficiency Act, the definition of the term "appropriations" is broader. As defined by the Act, it means all new budget authority and balances of budget authority as described here.

(2) **Contract authority** permits you to incur obligations in advance of an appropriation, offsetting collections, or receipts that enable you to make outlays to liquidate the obligations. Typically, the Congress provides contract authority in an authorizing statute to allow you to incur obligations in anticipation of the collection of receipts or offsetting collections that will be used to liquidate the obligations. When you receive the appropriated receipts or the collections, you replace the contract authority with the appropriation or the spending authority from the offsetting collections to cover the obligations and subsequently liquidate the obligations.

For some programs, the law authorizes you to use offsetting collections to liquidate the obligations incurred against the contract authority without further appropriation action. In a few cases, such as the foreign military sales program, the law that provides the contract authority also appropriates the receipts without further appropriation action. For other programs, such as certain highway and airport and airway programs, the Congress as a matter of custom requires you to seek an appropriation of receipts to liquidate the obligations.

In some instances, if the program does not have sufficient collections to liquidate the obligations incurred against contract authority, the Congress may enact a general fund appropriation.

(3) **Borrowing authority** permits you to incur obligations and authorizes you to borrow funds to liquidate the obligations. Usually, the law authorizing the borrowing specifies that you must borrow from the Treasury, but in a few cases it authorizes borrowing directly from the public. Laws usually authorize borrowing for business-like operations, such as the Tennessee Valley Authority, which generates and sells electrical power. Such laws require the program to repay the borrowing, with interest, out of business proceeds.

(4) **Spending authority from offsetting collections**, usually provided in permanent law, permits you to credit offsetting collections to an expenditure account (see section 20.7(d)), to incur obligations, and to make payments using the offsetting collections.

You record spending authority from offsetting collections and the offsetting collections in the program and financing schedule of an account (see section 82.18). In the simplest case, you record gross budget authority equal to the cash collections for the year (lines 1700 and 1800) and record the cash collections as an offset to the budget authority (lines 4030-4034 and 4120-4124). Net budget authority equals zero in such cases. In other cases, you must adjust spending authority from cash collections to yield the amount available as budget authority. We describe these adjustments in section 82.18 (lines 1701-1728 and 1801-1827). We discuss some of these adjustments (offsetting collections credited to expired accounts, changes in uncollected customer payments from Federal sources, and amounts precluded from obligation)—in more detail below.

Offsetting collections credited to expired accounts. For **annual** and **multi-year** accounts that perform reimbursable work, the spending authority from the offsetting collections belongs to the Treasury account that filled the order. (See section 20.11 for the distinction between Treasury accounts (TAFS) and budget accounts.) The availability of the spending authority is generally the same as the Treasury account to which it belongs. If the annual or multi-year Treasury account has expired, then you should NOT record the collection as new spending authority (schedule P lines 1700 and 1800) because it is not available to incur new obligations. It is not new budget authority. However, collections that belong to expired Treasury accounts are available to pay old bills, until the authority is canceled. You record collections in expired accounts as offsetting collections along with the collections in unexpired accounts (schedule P lines 4030-4034 and 4120-4124). You report the portion credited to expired accounts only on schedule P lines 4052 or 4142. For more information on determining the period of availability of budget authority, see section 20.4(c). As discussed in section 20.11, each budget account covers all the Treasury accounts with the same appropriation title. The program and financing schedule covers:

- Unexpired accounts (annual, multi-year and no-year); and
- Expired accounts.

You subtract all offsetting collections (unexpired and expired) from gross outlays to yield net outlays so that the contribution of the budget account to the Federal Government's bottom line (the surplus or deficit) can be determined.

For **no-year** accounts, you record gross new budget authority (spending authority from offsetting collections) equal to the collections for the year and record the collections as an offset to the budget authority.

Because offsetting collections and offsetting receipts are deducted from gross budget authority, they are referred to as negative budget authority for some purposes, such as Congressional Budget Act provisions that pertain to budget authority.

Amounts precluded from obligation. A law may preclude you from using some of the offsetting collections to incur obligations. In these cases, the precluded amounts are not counted as budget authority. However, you always deduct the full amount of offsetting collections (cash) from gross budget authority and gross outlays in the year you collect them, even where a law precludes you from obligating all or a portion of the collections in that year. For this reason, an account can have negative net budget authority or outlays. As a general rule, you record obligations first against new offsetting collections. To the extent that the new offsetting collections are not adequate to cover obligations, you record new budget authority from previously unavailable balances of offsetting collections, but you may not exceed the new obligation limitation, if any.

Changes in uncollected customer payments from Federal sources. You need to adjust the spending authority from cash collections if the account is authorized to perform reimbursable work for another Federal account and you incur obligations against receivables from Federal sources and unfilled customer orders from Federal sources without an advance—that is, before receiving the cash. The law allows you to incur such obligations as long as the paying account is a Federal account and an obligation is recorded against resources available to the paying account. For example, a financing account can obligate against a subsidy accounts receivable from the program account before the cash is received from the program account if the program account has recorded an obligation in the form of a subsidy accounts payable to the financing account. (You cannot incur obligations against customer orders received from non-Federal sources without an advance, unless a law specifically allows it.)

In these cases, you must add any net increase in such amounts for the year to the spending authority from cash collections, or subtract any net decrease in such amounts for the year from the spending authority from cash collections, to yield the gross budget authority available to the account from offsetting collections. You also add (or subtract) the same amount to offsetting collections (cash) to yield the amount of the offset applied to gross budget authority when calculating net budget authority (see section 82.18).

When program levels remain relatively stable, the amount of reimbursements from other Federal Government accounts that is earned but not collected should remain relatively stable and any changes in uncollected customer payments from Federal sources should net to zero. Therefore, unless an account is projecting significant increases or decreases in program level, there should be no outyear estimates of changes in uncollected customer payments.

(c) Period of availability of budget authority

When a law appropriates budget authority, it sets the period during which you can use it to incur new obligations. We call this the period of availability for new obligations of the budget authority, and the period normally is specified in the law providing the budget authority. The period of availability for incurring new obligations is shorter than the period of availability for making disbursements, which is covered by a general law. Each is described below.

Period of availability for incurring new obligations:

- **Annual budget authority**. This term refers to budget authority that is available for obligation during only one fiscal year or less. One year is the default period of availability for annual appropriations acts (including an appropriation that provides indefinite authority such as "such sums as may be necessary…"), because a general provision in each of the acts specifies that the amounts provided in the act are available for one year, unless the act expressly provides otherwise. Even if there were not such a provision, the preamble of an appropriations act says that it is for a specific fiscal year. For example, the following language in an appropriation act would provide one-year budget authority: "For expenses of the Office of the Secretary, $1,500,000."

- **Multi-year budget authority**. The language for a specific appropriation of budget authority in an appropriations act or the authorization of the appropriation may make all or some portion of the amount available for obligation for a specified period of time in excess of one fiscal year. Usually, the period covers two or more whole fiscal years, but it may cover a period that includes part of the second fiscal year. We refer to such budget authority as multi-year budget authority or, specifically, as two-year budget authority, three-year budget authority, etc. For example, if the following language appeared in an appropriations act for 2011, it would provide two-year budget authority: "For research and development, $1,500,000, to remain available until September 30, 2012."

- **No-year budget authority**. The language for a specific appropriation of budget authority or the authorization of the appropriation may make all or some portion of the amount available until expended. That means you can incur obligations against it indefinitely. We refer to this as no-year budget authority. For example, the following language provides no-year budget authority: "For construction, improvements, repair or replacement of physical facilities, $1,500,000, to remain available until expended." Authorizing laws that make appropriations seldom limit the period of availability, so most budget authority provided in authorizing laws is no-year budget authority. 31 U.S.C. 1555 provides for the closing of appropriation accounts that are available for indefinite periods if the agency head or the President determines that the purposes of the appropriation have been carried out and no disbursement has been made for two consecutive fiscal years. See Appendix F for a description of line 1029, other balances withdrawn.

Usually an appropriations act makes budget authority available beginning on October 1 of the fiscal year for which the appropriation act is passed. However, there are three types of appropriations where that is not the case.

- **Advance appropriation**, as defined by the Congressional Budget Act of 1974 (31 U.S.C. 1105(a)(17)), means appropriations of new budget authority provided in an annual appropriations Act that become available one or more fiscal years beyond the fiscal year for which the appropriation Act was passed. For example, if the following language appeared in an appropriations act for fiscal year 2013, it would provide an advance appropriation for fiscal year 2014: "For operating expenses, $1,500,000, to become available on October 1, 2013." The term "advance appropriation" applies only to discretionary funding in appropriations Acts or to mandatory funding provided in appropriations Acts and classified as "appropriated entitlements" or "appropriated mandatories" by the Balanced Budget Act of 1997 (see section 21.3(c)).

  Under current scoring guidelines, new discretionary budget authority for advance appropriations is scored in the fiscal year in which the funds become available for obligation and must be accommodated within the statutory discretionary spending caps for that year (see section 21.3 (g)). In this example, you would record the budget authority in fiscal year 2014.

- **Advance funding** means appropriations of budget authority provided in an appropriations act to be used, if necessary, to cover obligations incurred late in the fiscal year for benefit payments in excess of the amount specifically appropriated in the act for that year, where the budget authority is charged to the appropriation for the program for the fiscal year following the fiscal year for which the appropriations act is passed. When such budget authority is used, the budget records an increase in the budget authority for the fiscal year in which it is used and a reduction in the budget authority for the following fiscal year. The following language, when added to regular appropriation language, provides advance funding: "...together with such sums as may be necessary to be charged to the subsequent year appropriation for the payment of compensation and other benefits for any period subsequent to August 15 of the current year."

- **Forward funding** means appropriations of budget authority that are made available for obligation in the last quarter of the fiscal year for the financing of ongoing grant program during the next fiscal year. The budget records the budget authority in the fiscal year in which it is appropriated. The following language, if it appeared in an appropriation act for 2014, would provide forward funding, which would be recorded in fiscal year 2014: "... of which $2,000,000,000 shall become available on July 1, 2014 and shall remain available through September 30, 2015 for academic year 2014–2015."

Period of availability for making disbursements:

Under a general law, annual budget authority and multi-year budget authority may disburse during the first two phases of the following three phases that make up the life cycle of the budget authority.

- **Unexpired phase**. During this time period the budget authority is available for incurring "new" obligations. You may make "new" grants or sign "new" contracts during this phase and you may make disbursements to liquidate the obligations. This phase lasts for a set number of years. Annual budget authority lasts for up to one fiscal year. Multi-year authority lasts for longer periods, currently from over one fiscal year up to 15 fiscal years, and no-year authority lasts indefinitely.
- **Expired phase**. During this time period, the budget authority is no longer available for new obligations but is still available for disbursement. This phase lasts five years after the last unexpired year unless the expiration period has been lengthened by legislation. Specifically, you may not incur new obligations against expired budget authority, but you may liquidate existing obligations by making disbursements.

  However, you may use the expired budget authority to make certain adjustments to obligations that were incurred before the budget authority expired. For example, you could make an upward adjustment in previously recorded obligations for transportation charges, under an agreement to pay actual transportation charges, if they turned out to be greater than originally estimated. Unless there is an exception in law, you may use expired authority to make adjustments to obligations or disbursements only during a period of five years after the last unexpired year. The expired period can be lengthened by legislation. If you have a program with a legitimate need to disburse funds for more than five years after the authority expires for obligation—for example, to make disbursements over many years under direct loan contracts, to pay termination costs under a contract, or to make payments under a lease—and your OMB representative approves, you may propose special language to disburse over a period longer than five years (see section 95.8). You may disburse during the longer period only if the special language is enacted in law.

- **Canceled phase**. After the last expired year, the account is closed, and the balances are canceled. The authority to disburse is canceled and is no longer available for any purpose. Any offsetting collections credited to the account at the time the account is canceled or subsequently must be transferred to miscellaneous receipts in the Treasury. Any old bills with valid obligations that show up after the account is closed must be obligated against and disbursed from budget authority that is available for the same general purpose but still in the unexpired phase. For example, an old bill from obligations incurred against an FY 2006 annual salaries and expense (S&E) account that arrives after the authority is canceled must be obligated and disbursed against the corresponding FY 2012 annual S&E account.

No-year authority usually stays in the unexpired phase until fully obligated and disbursed. When the purposes for which the authority was made available have been achieved, the account may be closed and the authority canceled.

(d) Determining the amount of budget authority

If a law provides budget authority in a specific amount, we refer to it as definite budget authority. We consider the budget authority definite when the language provides a ceiling, for example "not to exceed" a specified amount. You record the specified amount as budget authority. For example, this language would provide definite budget authority of $100 million: "For salaries and expenses, not to exceed $100,000,000."

If a law doesn't specify an amount of budget authority, but, instead, specifies a variable factor that determines the amount, or a floor, for example "not less than" a specified amount, we refer to the budget authority as indefinite. If the law provides "such sums as may be necessary" to cover the obligations resulting from an entitlement (such as unemployment insurance), record budget authority in the past year equal to the amount obligated and in other years equal to your estimate of obligations. If a law authorizes you to obligate all of the receipts from a specified source, record budget authority equal to the amount of receipts you collected in the past year and equal to amounts you estimate you will collect in other years.

If a law appropriates a specific amount to be derived from receipts, it limits the amount of budget authority actually provided to the lower of the actual receipts or the amount specified. For example, if the language read, "... and, in addition, $75,000,000 of the amounts collected under section 101 of the Authorization Act of 2005," you could obligate only the amount actually collected, up to $75,000,000. Similarly, if a law appropriates an amount to be derived from a special or trust fund, it limits the amount of budget authority actually provided to the lower of the amount of the balances in the fund or the specified amount. For example, language that reads, "For necessary expenses, $1,500,000, to be derived from the Land Restoration Trust Fund," allows you to obligate only the amount actually in the fund and no more than $1,500,000. If a law authorizes you to obligate all of the receipts credited to a fund, record budget authority equal to the amount of receipts collected by the fund in the past year and equal to the amounts you estimate you will collect in other years.

Some laws that provide borrowing authority limit the amount of debt that may be outstanding at any one time. This may limit your ability to incur obligations indirectly, because you must consider your ability to borrow the cash needed to liquidate the obligations that will become due, but it doesn't determine the level of obligations directly. Instead, these laws act much like a revolving line of credit where you may repeatedly borrow up to a limit, make repayments, and borrow again up to the limit, so that over time your total borrowing exceeds the limit on credit outstanding at any point in time. In such cases, treat the budget authority as indefinite and record the amount that you obligated in the past year or estimate you will obligate in other years. Balances of indefinite borrowing authority may not be carried forward in excess of amounts needed to cover obligations. Under the scorekeeping guidelines used by OMB and congressional scorekeepers, OMB will score legislation that imposes or changes a limit of this type only to the extent that we estimate that it will alter the amount of obligations that will be incurred (see Appendix A, scorekeeping guideline no. 16).

Most budget authority provided in appropriations acts is definite, and most budget authority provided in other laws is indefinite.

The Congress may enact laws that preclude agencies from using all of their potential budget authority. For example, in some cases the Congress enacts limitations on obligations or program levels in appropriations acts that limit the authority to use offsetting collections or receipts provided in authorizing legislation. In other cases, the authorizing law may itself limit the amount of obligations you may incur, such as through a benefit formula that determines the amount of benefits that may be obligated.

For special and trust funds with indefinite budget authority whose obligations are constrained by a limitation on obligations or benefit formula, the collections in excess of such limitations or benefit formulas are not counted as budget authority. Similarly, offsetting collections that are precluded from obligation are not counted as budget authority. In these cases, you reduce the spending authority by the precluded amount. The precluded amounts are considered to be unavailable and are not included in the account's unobligated balances. You record new budget authority in the year the amounts become available for obligation under the law.

(e) Discretionary or mandatory and current or permanent budget authority

BBEDCA requires us to classify budget authority (and outlays) as either discretionary spending or mandatory spending, and applies a different set of rules to each type of spending. We explain this further in section 21.3.

Sometimes, budget authority is characterized as current or permanent. Current authority requires congressional appropriations action on the request for new budget authority for the year involved. Permanent authority becomes available pursuant to standing provisions of law without further appropriations action by the Congress after transmittal of the budget for the year involved. Generally, budget authority is current if an annual appropriations act provided it and permanent if authorizing legislation provides it. By and large, the current/permanent distinction has been replaced by the discretionary/mandatory distinction, which is similar but not identical.

(f) Unobligated balance

An unobligated balance consists of the cumulative amount of budget authority that remains available for obligation under law in unexpired accounts. This means that, unless the law expressly provides otherwise, rescissions and cancellations of unobligated balances apply only to unexpired amounts. In cases where rescissions or cancellations are determined to apply to expired amounts, such amounts would not count as discretionary offsets for appropriations.

In budget execution, both the unexpired, unobligated balances of budget authority at the start of the year, (which is available for new obligations) and the expired amounts (which are only available to cover upward adjustments to prior year obligations) are reported as budgetary resources.

In budget formulation, only the unexpired, unobligated balances brought forward are reported; expired balances available for adjustment only are not included. Unobligated balances carried forward must meet all of the following conditions:

- They are balances of budget authority that have never been obligated or that have been obligated and deobligated;
- They are balances of budget authority that do not expire at the end of the fiscal year;
- They do not include any amounts for: (1) indefinite appropriations, except available special and trust fund receipts; (2) indefinite borrowing authority; or (3) indefinite contract authority; and
- The amount can be quantified by subtracting the obligations to date from the amount of budget authority provided (new budget authority and unobligated balances carried forward at the start of the year from the previous fiscal year). That is, the law providing the budget authority must have specified a definite amount or an indefinite amount based on the appropriation of collections from a specified source. "Such sums as may be necessary" cannot be quantified.

Unavailable special and trust fund receipts or unavailable offsetting collections should not be counted as budget authority and, therefore, there should be no unobligated balances as a result of them. Unavailable receipts are included in the special and trust fund receipts schedule (see section 86.4); unavailable offsetting collections are presented as a memorandum entry in the program and financing schedule (see section 82.18).

In budget schedules, such as the program and financing schedule, the unobligated balance carried forward at the end of a year is equal to the unobligated balance at the start of the next year.

The unobligated balances you report for the start and end of the past year must be consistent with the amounts reported in GTAS (see sections 82.11 and 82.12).

(g) Obligated balance

The term obligated balance is a term of art that is defined in law as a "net" concept. It is not the unpaid obligations. The obligated balances are calculated as follows:

- Take the unpaid obligations (which is the sum of the accounts payable and the undelivered orders); and
- Subtract the uncollected customer payments from Federal sources (i.e., accounts receivable and the unpaid, unfilled orders from Federal sources).

(h) Reappropriation

A reappropriation is an extension of the availability of unobligated balances of budget authority that have expired or would otherwise expire as a result of legislation enacted subsequent to the law that provided the budget authority. The term does not apply to extensions of the availability of unobligated balances of budget authority that result from standing provisions of law, enacted before the budget authority was provided, or from provisions of law included in the same law that appropriated the funds. An example of an extension included in the same law that appropriated the funds is section 511 of the Treasury and General Government Appropriations Act, 2003, which allows agencies to extend the period of availability (expired to unexpired) of unobligated balances of appropriations (annual or multi-year) provided in the same act. The Act states:

> "... not to exceed 50 percent of unobligated balances remaining available at the end of fiscal year 2002 from appropriations made available for salaries and expenses for fiscal year 2002 in this Act, shall remain available through September 30, 2003, ..."

Reappropriations of expired balances that are newly available for obligation in the current or budget year will be recorded as new budget authority (reappropriations) in the year they are newly available, in the full amount of the potential extension. Likewise, reappropriations of amounts that would expire before the legislation takes affect (e.g., a reappropriation of funds that would expire at the end of FY 2014 included in an FY 2015 appropriations act enacted in August, 2014) would be treated as new budget authority (reappropriations). An example of this type of extension is found in section 137 (Division F) of the Consolidated Appropriations Act, 2003, which states:

> "….the funds provided in Labor, Health and Human Services, Education and Related Agencies Appropriations Act of 2002, Public Law 107–116, for the National Museum of African American History and Culture Plan for Action Presidential Commission shall remain available until expended."

In this example the FY 2002 appropriated funds were annual and therefore would have expired at the end of September 30, 2002. The language in the FY 2003 appropriation reappropriated the expired funds to unexpired no-year funds.

Reappropriations of unexpired balances or reappropriations of expired balances that cannot take effect until a fiscal year beyond the budget year will be reported as balance transfers in the year they are newly available for obligation.

Similar to reappropriations of unexpired balances, extensions in availability resulting from standing provisions of law or from provisions of law included in the same law that appropriated the funds will be shown as balance transfers. See section 120.66 for a complete discussion on reporting for all types of extensions in availability.

(i) Rescissions and cancellations

Rescissions and cancellations are reductions in law of budgetary resources. Reductions are recorded as negative budget authority in the year the reduction takes effect, regardless of whether the action reduces new budget authority or unobligated balances. If a law that precludes the obligation of budgetary resources in one year and authorizes their obligation in a subsequent year, you record negative budget authority in year of the reduction and new budget authority in the subsequent year.

Proposed cancellations and all enacted reductions should be included in the regular budget schedules under transmittal code 0 (see section 79.2). Proposed rescissions, which are subject to the requirements of Title 10 of the Congressional Budget and Impoundment Control Act, require separate schedules under transmittal code 5 (see section 112).

The Congress can enact reductions in many ways. For example, the language can specify a dollar or percentage reduction and can pertain to a specific account or multiple accounts. Sequestration is also cancellation of budgetary resources (see section 100 for complete guidance on sequestration). Rescissions and cancellations can impact all types of budget authority and can be permanent or temporary subject to the underlying availability of the funds and to the specific statutory authority for the reduction.

Rescissions and cancellations of general fund appropriations are considered to be permanent reductions unless the legislation clearly indicates that the reduction is temporary. Permanent reductions of general fund appropriations revert to the General Fund of the U.S. Treasury. Reductions of contract authority and borrowing authority are also usually permanent.

Rescissions and cancellations of amounts appropriated from special and trust fund receipts, as well as spending authority from offsetting collections, are considered to be temporary reductions unless legislation states that the reduction is permanent.

- Temporary reductions remain in the expenditure account from which amounts are being rescinded or cancelled (or in the associated unavailable special or trust fund receipt account in limited situations). Amounts temporarily reduced will be unavailable in the fiscal year they are rescinded or cancelled and are only available in the subsequent fiscal year in accordance with the statutory terms of that appropriations account.

- Permanent reductions are returned to the General Fund of the U.S. Treasury.

Rescissions and cancellations of amounts that have been designated as emergency requirements are not counted as PAYGO offsets for the purposes of the Statutory Pay-As-You-Go Act of 2010. In addition, rescissions and cancellations of amounts that have been designated as a cap adjustment pursuant to a Concurrent Resolution on the Budget or BBEDCA (e.g., as an emergency requirement or Overseas Contingency Operations/Global War or Terrorism) are not counted as discretionary offsets for base appropriations.

(j) Transfer

(1) **Definition**. Transfer means to reduce budgetary resources (budget authority and unobligated balances) in one account and increase them in another, by the same amount.

(2) **Authority**. A transfer may not be made unless a law authorizes it. The law may specify a particular transfer or provide general transfer authority within specified limits. Legislation may include terms such as “paid to,” “transfer to,” or “derived from” when authorizing transfers.

(3) **Expenditure transfer or nonexpenditure transfer**. A transfer is recorded as either an expenditure transfer, which involves an outlay, or a nonexpenditure transfer, which does not involve an outlay. Which you record usually depends on the purpose of the transfer, as explained in the following table, except that nonexpenditure transfers are limited to transactions in which both accounts are within the same fund group (i.e., trust-to-trust or Federal-to-Federal), except in limited cases. See also exhibit 20.

If the transfer...	Record as...
(1) purchases goods or services that benefit the transferring account; for example, transactions under the Economy Act or other authorities, or purchases from revolving funds (including working capital funds), such as a rental payment to GSA's Federal Buildings Fund…	An expenditure transfer.
(2) shifts budgetary resources between Federal funds (general, special, and revolving fund accounts) and trust funds (trust fund and trust revolving fund accounts), except in limited cases (see item 6 below)...	An expenditure transfer.
(3) shifts budgetary resources between a program account and a salaries and expenses account for the purpose of credit program administration…	An expenditure transfer.
(4) reduces budgetary resources available for the activities of the transferring account and increases them for the activities of the receiving account (for example, a transfer of unobligated balances from the construction account to the salaries and expenses account to fund pay raises) other than as listed in items 2 and 3...	A nonexpenditure transfer.
(5) corresponds to a transfer of an activity from one account to another (such as in a reorganization)...	A nonexpenditure transfer.
(6) is for the purpose of a repayable advance between Federal funds and trust funds …	A nonexpenditure transfer.

(4) Recording transfers in the budget:

- **Expenditure transfers**. Record an expenditure transfer as an obligation (against new budget authority or unobligated balances) and an outlay in the transferring account and as an offsetting collection or offsetting receipt in the receiving account (see section 20.7). If the receiving account is a general fund appropriation account or a revolving fund account (including a trust revolving fund), credit the amount as an offsetting collection to the appropriation or revolving fund account. If the receiving account is a special fund or trust fund account, you would normally credit the amount as an offsetting receipt to a receipt account of the fund.

- **Nonexpenditure transfers**. Do not record an obligation or an outlay or an offsetting collection or offsetting receipt. Record nonexpenditure transfers as a decrease either in budget authority or unobligated balances in the transferring account and as an increase either in budget authority or unobligated balances in the gaining account. Whether you record the reduction and increase as a change in budget authority or unobligated balances, depends on the circumstances, as described in the following table.

If you transfer...	And the transfer...	Record...
Unobligated balances	Results from a transfer specified in law enacted	A decrease in budget authority in the

If you transfer...	**And the transfer...**	**Record...**
	after the budget authority was provided and that changes the purpose for which the funds will be used	transferring account and an increase in budget authority in the gaining account.
Unobligated balances	Results from general transfer authority provided in a standing provision of law enacted before the budget authority was provided, or Corresponds to a transfer of an activity such that the purpose does not change (e.g., reorganizations authorized by law)	A decrease in unobligated balances in the transferring account and an increase in unobligated balances in the gaining account.
Budget authority in the year it becomes available	Is for any purpose	A decrease in budget authority in the transferring account and an increase in budget authority in the gaining account.

(k) Transfer in the estimates

A transfer in the estimates means the budget proposes to stop funding an activity under one budget account and start funding the activity under another budget account, beginning in the budget year. This does not involve a transfer of budgetary resources like that discussed in subsection (j). You simply stop showing budget authority in the one account and start showing it in the other. A transfer in the estimates usually reflects a proposal to do one of the following in the budget year:

- Transfer the funding of an activity from one account to another.
- Consolidate funding for related activities from two or more accounts into a single account.
- Disaggregate the funding for an activity from one account between two or more accounts.

See section 82.15 for guidance on presenting these amounts in the program and financing schedules for the transferring and receiving accounts.

(l) Allocation

Allocation means a delegation, authorized in law, by one agency to another agency, of its authority to obligate budget authority and outlay funds. When an agency makes such a delegation, the Treasury Department establishes a subsidiary account called a "transfer appropriation account", and the receiving agency may obligate up to the amount included in the account. The budget doesn't show the transfer appropriation account separately. The budget schedules for the parent account include the obligations by the other agency against the subsidiary account. Allocations are appropriate where the receiving agency is acting as the agent for the allocating agency.

20.5 When should I record obligations and in what amounts?

(a) The general rule

Obligation means a legally binding agreement that will result in outlays, immediately or in the future. When you place an order, sign a contract, award a grant, purchase a service, or take other actions that require the Government to make payments to the public or from one Government account to another, you incur an obligation. It is a violation of the Antideficiency Act (31 U.S.C. 1341(a)) to involve the Federal Government in a contract or obligation for payment of money before an appropriation is made, unless authorized by law. This means you cannot incur obligations in a vacuum; you incur an obligation against budget authority in a Treasury account that belongs to your agency. It is a violation of the Antideficiency Act to incur an obligation in an amount greater than the amount available in the Treasury account that is available. This means that the account must have budget authority sufficient to cover the total of such obligations at the time the obligation is incurred. In addition, the obligation you incur must conform to other applicable provisions of law, and you must be able to support the amounts reported by the documentary evidence required by 31 U.S.C. 1501. Moreover, you are required to maintain certifications and records showing that the amounts have been obligated (31 U.S.C. 1108). The following subsections provide additional guidance on when to record obligations for the different types of goods and services or the amount.

(b) Personnel compensation and benefits

For personnel compensation and benefits the issue is usually the "timing" of the obligation and not the "amount" of the obligation. The amount is prescribed by laws that cover the civil service and the uniformed service and determined by well-established personnel procedures. As for the timing of the obligation, the amounts generally are recorded as obligations as the amounts are earned during the reporting pay period, with the following exceptions:

Type of obligations...	At the time ...	Because...
Severance pay	It is paid on a pay period by pay period basis	Severance pay is not earned with regular salaries and wages.
Authorized reimbursable expenses estimated to be paid to employees for real estate, temporary subsistence, and other expenses incident to relocation at the request of the Government	The individual travel orders are approved	The travel is a bona fide need at the time the order is approved.
Cash awards that do not become part of the employee's basic rate of pay Allowances for uniforms and quarters Subsidies for commuting costs	When payable to the employee	This is the time the amount is definite.

Type of obligations...	At the time ...	Because...
Unemployment compensation payments to the Department of Labor for former Federal employees	When the agency receives the bills rendered by Labor	Underlying law.
Annual leave	When it becomes due and payable as terminal leave or taken in lieu of a lump sum payment	Normally, annual leave is unfunded.
Funded annual leave	When you transfer a person from a revolving fund to another revolving fund, you obligate the employee's share of funded annual leave and you pay it to the fund to which the employee is transferred	The revolving fund to which the employee is transferred will pay the employee's salary and wages when the employee takes the annual leave or will pay the lump sum terminal leave for any annual leave not taken.
	When you transfer a person from a revolving fund to a non-revolving fund, you obligate the employee's portion of the funded annual leave and pay miscellaneous receipts in the general fund of the Treasury	The appropriation from the general fund in the Treasury will pay the employee's salaries and wages when the employee takes the annual leave or will pay the lump sum terminal leave for any annual leave not taken.

(c) Contractual services and supplies

Services and supplies that are purchased by contract are recorded as obligations at the time there is a binding agreement, which is usually when the contract is signed. As a general rule, the amount of the obligation is the maximum liability to the Federal Government. The maximum liability to the Government is normally limited by the terms of the contract (e.g., cancellation clauses).

The following provides the nuances of contracts with certain characteristics.

Contracts with...	Amount obligated is…	At the time ...
A maximum price	The maximum price	The contract is signed.
	Amount of downward adjustments (i.e. deobligation), if any	There is documentary evidence that the price is reduced.
Letters of intent and letter contracts	Normally, no amount is obligated	The letter is signed.
However, if the letters constitute binding agreements under which	The maximum amount indicated in the letter that the contractor is	

Contracts with...	Amount obligated is…	At the time ...
the contractor is authorized to proceed	authorized to incur to cover expenses prior to the execution of a definitive contract	
Contracts for variable quantities	Normally, no amount is obligated	The contract is signed.
The contracts are usually followed by "purchase orders" that do obligate the Government	The amount of actual orders	The order is issued.
Orders where a law "requires" that you to place orders with another Federal Government account	The amount of the order	The order is issued.
Voluntary orders with other Federal Government accounts:	The amount of the order	The order is issued.
If the order is for common-use standard stock item the supplier has on hand or on order at published prices		That you issue the order to the supplier.
If the order is for stock items other than the above		You receive a formal notification that the items are on hand or on order.
If the order involves execution of a specific contract		The supplying agency notifies you that it has entered into the contract.

(d) Intragovernmental services and supplies

Obligations are incurred for services when they are rendered. For example, obligations for GSA rental payments are incurred in the year in which the premises are occupied, whether or not a bill has been rendered. Obligations are incurred for supplies when the order is placed.

(e) Land and structures

Contracts for lands and structures generally follow the same rules as for contracts specified above with the following exceptions.

In the case of condemnation proceedings, the amount obligated is the estimated amount for the price of the land, adjusted to the amount of the payment to be held in escrow where there is a declaration of a taking. It is obligated at the time when you ask the Attorney General to start condemnation proceedings.

In the case of lease purchases and capital leases covered by the scorekeeping rules developed under the Budget Enforcement Act, see the requirements in Appendix B.

(f) Grants and fixed charges

Discretionary grants will be obligated after the amounts are determined administratively and recorded at the time the grant award is signed. The grant award is normally the documentary evidence that the grant has been awarded. Letters of credit are issued after the grant awards are made and generally are not obligating documents.

For grants and fixed charges with formulas in law that automatically fix the amount of the charges, record the amount determined by the formula or, if there is an appropriation, then record the amount appropriated, whichever is smaller. The obligation is reported at the time the grantee is awarded the grant and is liquidated when the payment is made to the grantee. To the extent that a grant awarded in a previous year is no longer valid, you will record a recovery of prior year obligations.

The exceptions follow:

Grants or fixed charges…	**Amount obligated is…**	**At the time ...**
In lieu of taxes	The amount appropriated	The taxes are due.
Interest	The amount owed	The interest is payable.
Dividends	The amount declared	The dividend is declared.

(g) Federal credit programs

Obligations in Federal credit programs generally follow the same rules as for "personnel compensation and benefits" and "contracts" specified above with the following exceptions.

The amount is…	**Amount obligated is…**	**At the time ...**
Subsidy in direct loan program account	The portion of the subsidy cost for the direct loan contract that you are signing	You sign the direct loan contract. That is, when you enter into a binding agreement to make a direct loan when specified conditions are fulfilled by the borrower.
Subsidy in guaranteed loan program account	The portion of the subsidy cost for the binding agreement to make a loan guarantee	You make the loan guarantee commitment. That is, when you enter into a binding agreement to make a loan guarantee when special conditions are fulfilled by the borrower, the lender, or any other party to the guarantee agreement.

20.6 What do I need to know about outlays?

Outlay means a payment to liquidate an obligation (other than the repayment to the Treasury of debt principal). Outlays are a measure of Government spending. As required by law, the budget presents some outlays as "on-budget" and some as "off-budget." Total outlays for the Federal Government include both on-budget and off-budget outlays. Government-wide outlay totals are stated net of refunds, offsetting collections, and offsetting receipts. Function, subfunction, and agency outlay totals are stated net of related refunds, offsetting collections, and offsetting receipts for most budget presentations. In contrast, offsetting receipts generally are not netted against gross outlays at the bureau level, but when general fund payments are used to finance trust fund outlays to the public, the associated trust fund offsetting receipts are netted against the bureau totals to prevent double-counting budget authority and outlays at the bureau level. (Offsetting receipts from a few sources do not offset any specific function, subfunction, or agency, but only offset Government-wide outlay totals.) Outlay totals for accounts with offsetting collections are stated both gross and net of the offsetting collections credited to the account.

The Government usually makes payments in the form of cash (currency, checks, or electronic fund transfers), and you record outlays equal to the disbursement at the time of the disbursement. Normally the amount of cash disbursed appropriately measures the value of the transaction. In other cases, however, the cash disbursed does not accurately measure the value of the transactions. In these cases, we require you to record the cash-equivalent value of the transactions (see section 20.8).

Not every disbursement is an outlay because not every disbursement liquidates an obligation. You don't record outlays for the following:

- Repayment of debt principal because we treat borrowing and the repayment of debt principal as a means of financing.
- Disbursements to the public by Federal credit programs for direct loan obligations and loan guarantee commitments made in fiscal year 1992 or later (and those made prior to that year if they have been modified) because we treat the cash flows to and from the Government for credit programs as a means of financing. We record outlays equal to the subsidy cost of direct loans and loan guarantees when the underlying direct or guaranteed loans are disbursed. Disbursements from liquidating accounts for direct loan obligations and loan guarantee commitments made prior to fiscal year 1992 are treated as outlays (see section 185).
- Disbursements from deposit funds because these funds are on deposit with the Government, but are not owned by the Government and are therefore excluded from the budget (see section 20.7).
- Refunds of receipts that result from overpayments because they are recorded as decreases in receipts, rather than as increases in outlays (see section 20.9).

The timing for recording outlays for interest payments varies. Treasury records outlays for the interest on the public issues of Treasury debt securities as the interest accrues, not when it pays the cash. However, most Treasury debt securities held by Government accounts are in the Government account series. Treasury normally records the interest payments on these securities when it pays the cash, and you normally record an offsetting collection or receipt on a cash basis. The Department records interest as the amortization occurs. We discuss the budget treatment of investment transactions in section 113.

Outlays during a fiscal year may liquidate obligations incurred in the same year or in prior years. Obligations, in turn, may be incurred against budget authority provided in the same year or against unobligated balances of budget authority provided in prior years. Outlays, therefore, flow in part from budget authority provided for the year in which the money is spent and in part from budget authority provided in prior years. The ratio of the outlays resulting from budget authority enacted in any year to the amount of that budget authority is referred to as the outlay rate (sometimes informally referred to as the spendout rate) for that year.

Outlays for the past year must agree with amounts reported in the Treasury Combined Statement, unless OMB approves an exception.

20.7 What do I need to know about governmental receipts, offsetting collections, and offsetting receipts?

(a) Overview

The money collected by the Federal Government and its accounts that is counted as income in the budget is classified as either governmental receipts (also known as receipts or revenues) or as offsets to budget authority and outlays. We sometimes use the generic term collections when referring to all of this money. Collections result from the following transactions:

- Sovereign power—payments from the public that result primarily from the Government's exercise of its sovereign power to tax or otherwise compel payment.
- Business-like transactions with the public, including payments from the public in exchange for goods and services; reimbursements for damages; and gifts or donations of money to the Government.
- Intragovernmental transactions—payments from other Federal Government accounts.

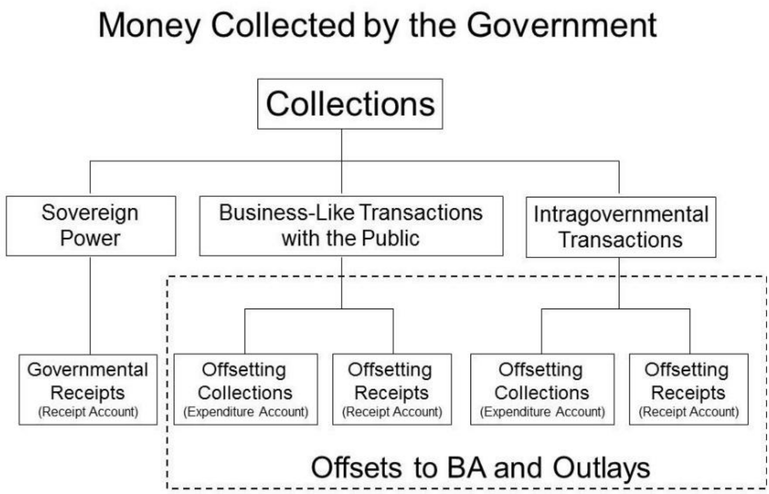
The universe of money collected also includes the proceeds of borrowing and the other means of financing which are not treated as collections in the budget. Means of financing are discussed in section 20.7(h).

The Federal Government normally receives payments in the form of cash and normally records amounts equal to the amount of cash received at the time of collection. Usually the amount of cash collected appropriately measures the value of the transaction. In some cases, the cash collected does not accurately measure the value of the transaction. In these cases, you record the cash equivalent value of the transactions (see section 20.8).

As recommended by the 1967 President's Commission on Budget Concepts, the budget records money collected by Government agencies in one of two ways—depending on the nature of the activity generating the collection and the law that established the collection:

Governmental receipts, which are compared in total to outlays (net of offsetting collections and offsetting receipts) to calculate the surplus or deficit; or

Offsets to budget authority and outlays (classified as either offsetting collections or offsetting receipts), which are deducted from gross budget authority and outlays to produce net budget authority and outlay figures.

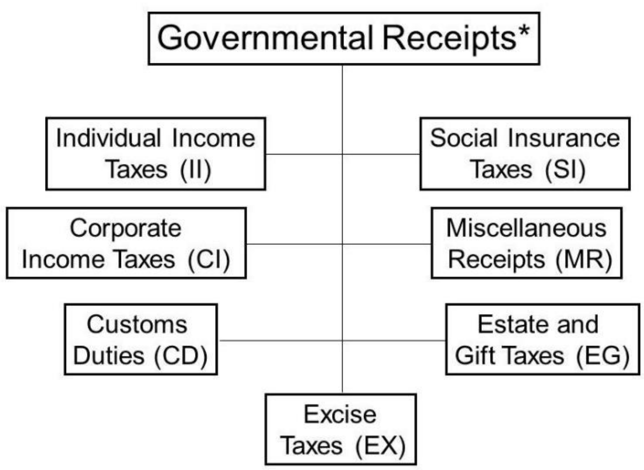


(b) Governmental receipts

Governmental receipts are collections that result from the Government's exercise of its sovereign power to tax or otherwise compel payment. Sometimes they are called receipts, Federal receipts, or revenues. They consist mostly of individual and corporation income taxes and social insurance taxes, but also include excise taxes, compulsory user charges, regulatory fees, custom duties, court fines, certain license fees, and deposits of earning by the Federal Reserve System. Governmental receipts are deposited in receipt accounts. See section 20.7(f) for more detail on receipt accounts.

The types of governmental receipts are summarized in the diagram below. Total governmental receipts for the Federal Government include both on-budget and off-budget receipts.

For more information on collections, see the "Governmental Receipts" and “Offsetting Collections and Offsetting Receipts” chapters in the *Analytical Perspectives* volume of the Budget.



* Sometimes called “receipts” or “Federal receipts.”

(c) General information about offsets to budget authority and outlays

Offsetting collections and offsetting receipts are recorded as offsets to spending, not as additions to the receipt side of the budget. They are recorded as offsets to spending so that the budget totals represent governmental rather than market activity and to prevent double counting from intragovernmental transactions. This ensures that the budget totals measure the transactions of the Government with the public. They are recorded in the budget in one of two ways, based on interpretation of laws and longstanding budget concepts and practice. They are offsetting collections when the collections are authorized to be credited to expenditure accounts. Otherwise, they are deposited in receipt accounts and called offsetting receipts. See section 20.7(f) for more detail on receipt and expenditure accounts.

Offsetting collections and offsetting receipts are classified according to the type and source of the money collected and how it is treated in the budget. Offsetting collections and offsetting receipts result from one of the following types of transactions:

Business-like transactions with the public—these include voluntary collections from the public in exchange for goods or services; reimbursements for damages (e.g., recoveries by the Hazardous Substance Superfund); and gifts of money to the Government. The budget records these amounts as offsetting collections from non-Federal resources for offsetting collections or as proprietary receipts for offsetting receipts. The amounts are deducted from gross budget authority and gross outlays, rather than added to receipts. This produces budget totals for receipts, budget authority, and outlays that represent governmental rather than market activity.

Intragovernmental transactions—collections from other Federal Government accounts. The budget records collections by one Government account from another as offsetting collections from Federal sources for offsetting collections or as intragovernmental receipts for offsetting receipts. Intragovernmental offsetting receipts can be further divided into two categories:

- Interfund receipts, which involve transactions between Federal and trust fund accounts; and
- Intrafund receipts, which involve transactions between the same types of fund groups (i.e., from Federal fund to Federal fund or from trust fund to trust fund.

The amounts are deducted from gross budget authority and gross outlays so that the budget totals measure the transactions of the Government with the public.

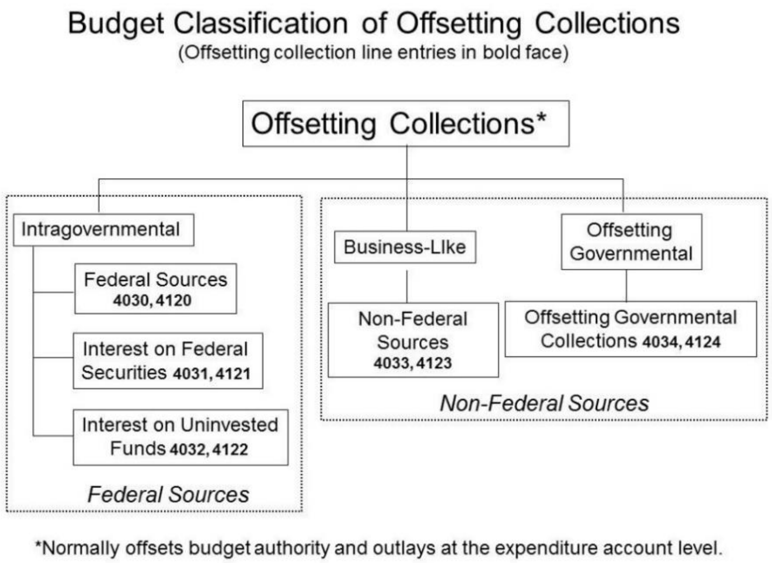
Offsetting governmental transactions—collections from the public that are governmental in nature (e.g., tax receipts, regulatory fees, compulsory user charges), but required by law to be misclassified as offsetting. The budget records amounts from non-Federal sources that are governmental in nature as offsetting governmental collections for offsetting collections or as offsetting governmental receipts for offsetting receipts.

(d) Offsetting collections

Some laws authorize agencies to credit collections directly to the account from which they will be spent. Most revolving funds operate with such authority. Offsetting collections credited to expenditure accounts automatically offset outlays and budget authority at the expenditure account level. Where accounts have offsetting collections, the budget shows the budget authority and outlays of the account both gross (before deducting offsetting collections) and net (after deducting offsetting collections). Totals for the agency, subfunction, and budget are net of offsetting collections.

Line codes are used to identify the source of the collections in OMB's budget database. See section 82.18 for the offsetting collection line entries and the definitions. The offsets are used to arrive at net budget authority and outlays for the account and are presented in the program and financing (schedule P) in the Appendix to the President's Budget.

The following chart summarizes the types of offsetting collections and the associated line codes reported in MAX A-11 DE:

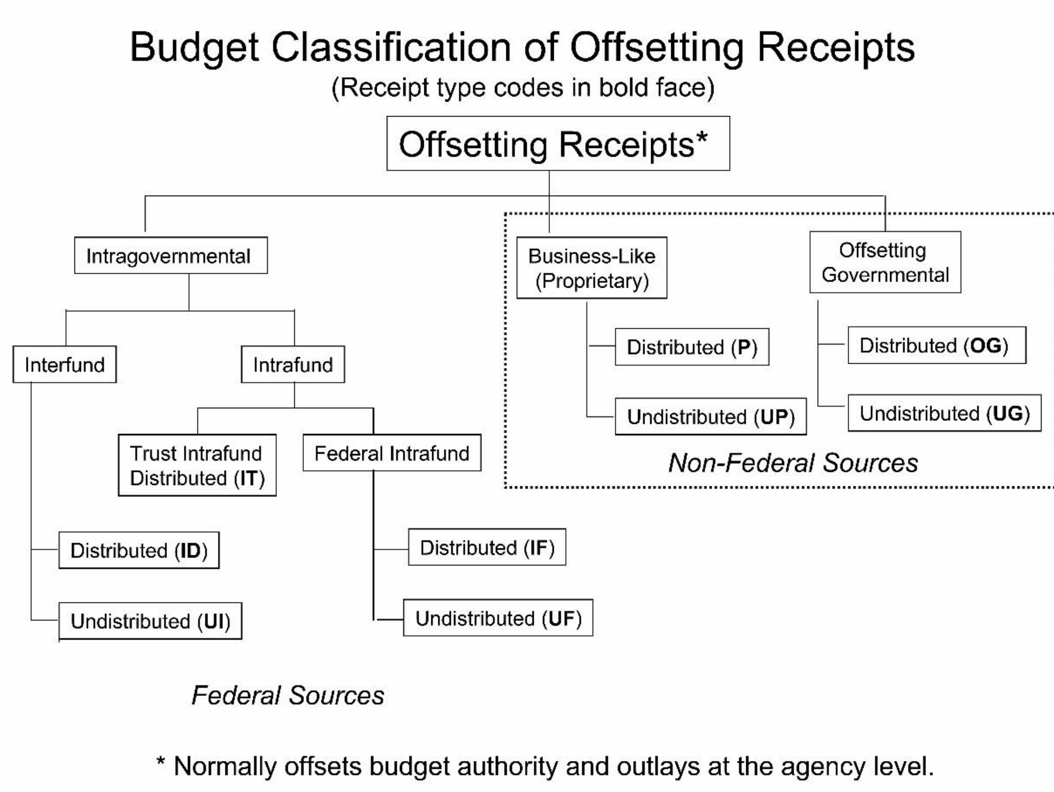


(e) Offsetting receipts

Collections that are offset against gross outlays and budget authority but are not authorized to be credited to expenditure accounts are credited to receipt accounts and are called offsetting receipts. They are deducted from budget authority and outlays in arriving at total budget authority and outlays. However, unlike offsetting collections that are credited to expenditure accounts, offsetting receipts do not offset budget authority and outlays at the account level. Most offsetting receipts deposited in receipt accounts are offset at the agency and subfunction levels, and the offsetting receipts of certain general fund payments are offset at the bureau levels. We call these distributed offsetting receipts. A few offsetting receipts are offset at government-wide totals. We call these undistributed offsetting receipts. For more information on the magnitude of undistributed offsetting receipts see Table 9-5 in the *Analytical Perspectives* volume of the President's Budget.

Within OMB's budget database, offsetting receipts are coded to identify the types of offsetting receipt (e.g., proprietary, offsetting governmental, intragovernmental) and to identify how they are treated (e.g., offset at the agency and function level). Each offsetting receipt type also has a number of unique and associated source category codes that enable MAX A-11 DE to produce tables needed for the Budget. These are assigned by OMB when the account is established (see exhibit 79B).

The following chart summarizes the receipt types, with associated receipt type codes in parentheses, for the various types of offsetting receipts.



(f) Receipt accounts and expenditure accounts

The placement of collections in receipt accounts or expenditure accounts is based on the interpretation of laws and long-standing budget concepts and practice.

Receipt accounts.—A general law requires that, except as provided by another law, an official or agent of the Government who receives money for the Federal Government from any source shall deposit the money in the Treasury as soon as practicable. This law (31 U.S.C. 3302) is generally referred to as the "Miscellaneous Receipts Act." The Department of the Treasury, in consultation with OMB, interprets this law as requiring all collections to be deposited in general fund receipt accounts, which as a group comprise part of "the general fund."

Some laws earmark collections from a certain source for a specific purpose. Depending on the legal requirements, Treasury deposits these collections in special fund receipt accounts, trust fund receipt accounts, or credits the collections directly to expenditure accounts, including revolving fund accounts. The legislation also specifies whether the earmarked receipts are (i) available for obligation and outlay without further appropriations action by the Congress (i.e., available), or (ii) not available for obligation or outlay until the Congress makes the amounts available in annual appropriations or other acts (i.e., unavailable). However, in some cases, receipts are considered to be unavailable because a benefit formula or limitation precludes their use. These amounts of receipts may become available subsequently without appropriations action. See section 20.4(b) for more information about amounts precluded from obligation.

When the collections in the receipt accounts are available for obligation and outlay, the amounts are appropriated to general fund, special fund, trust fund, or other expenditure accounts, as discussed below.

Expenditure accounts.—Some laws override the requirement to first deposit collections in receipt accounts. These collections are credited directly to expenditure accounts, where the collections are generally available for obligation and outlay without further action by the Congress. These collections are called offsetting collections. Most revolving funds operate under such authority. These include public enterprise, intragovernmental, and trust revolving funds. In addition, the Economy Act allows Federal agencies or bureaus within agencies to do work for each other. When one account reimburses another account for this work, the Act authorizes the collections to be credited directly to the expenditure account that provided the goods and services.

(g) User charges

User charge means a fee, charge, or assessment the Government levies on a class of the public directly benefiting from, or subject to regulation by, a Government program or activity. We record user charges as governmental receipts, offsetting collections, or offsetting receipts using the criteria described above. The authorizing law must limit the payers of the charges to those benefiting from, or subject to regulation by, the program or activity.

User charges include:

- Collections from non-Federal sources for goods and services provided (for example, the proceeds from the sale of goods by defense commissaries, electricity by power marketing administrations, stamps by the Postal Service; fees charged to enter national parks; and premiums charged for flood and health insurance);
- Voluntary payments to social insurance programs, such as Medicare Part B insurance premiums;
- Miscellaneous customs fees (for example, United States Customs Service merchandise processing fees);
- Proceeds from asset sales (property, plant, and equipment);
- Proceeds from the sale of natural resources (such as timber, oil, and minerals);
- Outer Continental Shelf receipts;
- Spectrum auction proceeds;
- Many fees for permits, and regulatory and judicial services;
- Specific taxes and duties on an exception basis; and
- Credit program fees deposited into the credit program account and recorded in the budget on a current basis.

User charges do not include:

- Collections from other Federal accounts;
- Collections associated with credit programs, except for credit program fees deposited into credit program accounts and recorded in the budget on a current basis;
- Realizations upon loans and investments;
- Interest, dividends, and other earnings;
- Payments to social insurance programs required by law;
- Excise taxes;
- Customs duties;
- Fines, penalties, and forfeitures;
- Cost-sharing contributions; and

- Federal Reserve System deposits of earnings.

(h) Means of financing

These are monies received or paid by the Government that are not counted in the budget totals as either collections (governmental receipts, offsetting collections, or offsetting receipts) or outgo (outlays). Borrowing and the repayment of debt are the primary means of financing. Others are listed below. These monies finance outlays when there is a deficit—that is, when outlays (net of offsetting collections and offsetting receipts) exceed receipts. When there is a surplus—that is, when receipts exceed outlays (net of offsetting collections and offsetting receipts)—the means of financing may be used, together with the surplus, to retire debt.

Most of the individual means of financing represent changes in assets or liabilities and therefore can either be a source of financing for the Government or require financing themselves. For example, if the disbursements from credit financing accounts exceed their collections, which is normal, the difference must be financed by receipts or the other means of financing; if the disbursements are less than the collections, the difference may be used to reduce borrowing or to provide any financing required by the other means of financing. The means of financing other than borrowing and repayment of debt include:

- Net financing disbursements by direct loan and guaranteed loan financing accounts;
- Seigniorage (the profit from coining money) and profits on the sale of gold (a monetary asset);
- Certain exchanges of cash, such as deposits by the U.S. in the International Monetary Fund;
- Changes in Treasury's operating cash balance, uninvested deposit fund balances, and checks outstanding; and
- Treasury debt buyback premiums and discounts (see section 113).

For more information on the means of financing, see the section on Budget Deficit or Surplus and Means of Financing in Chapter 6, "Budget Concepts" of the *Analytical Perspectives* volume of the President's Budget.

20.8 What do I need to know about cash-equivalent transactions?

Normally the amount of cash disbursed or collected is the appropriate measure of the value of the transaction, and you record outlays or collections equal to the cash that changes hands. In other cases, however, the cash disbursed or collected doesn't accurately measure the value of the transactions. In these cases, you should record the cash-equivalent value of the transactions in the budget. The following are some examples of cash-equivalent transactions:

- Federal employee salaries. You record an outlay for the full amount of an employee's salary, even though the cash disbursement is net of Federal and state income taxes, retirement contributions, life and health insurance premiums, and other deductions. We record collections for the deductions that are payments to the Government.

- Debt instruments. When the Government receives or makes payments in the form of debt instruments (such as bonds, debentures, monetary credits, or notes) in lieu of cash, we record collections or outlays in the budget on a cash-equivalent basis. The Government can borrow from the public to raise cash and then outlay the cash proceeds to liquidate an obligation, or, if authorized in law, it may liquidate the obligation by issuing securities in lieu of the cash. The latter method combines two transactions into one—borrowing and an outlay. Combining these transactions into one does not change the nature of the transactions. Since the two methods of payment are equivalent, we require you to record the same amount of outlays for both cases. Similarly, when the Government accepts securities in lieu of cash from the public in payment of an obligation owed to the Government, we record offsetting receipts or collections. In one program, for example, a

Government agency may choose whether to pay default claims against it in cash or by issuing debentures in lieu of cash; the agency records the same amount of outlays in either case. In turn, a recipient of these debentures may choose to pay the fees that it owes to the Government either in cash or by returning debentures of equivalent value that it holds. The agency records the same amount of offsetting receipts or collections in either case.

- Lease-purchases. We require you to record an outlay for the acquisition of physical assets through certain types of lease-purchase arrangements as though the transaction was an outright purchase or direct Federal construction. Lease-purchase transactions in which the Government assumes substantial risk are equivalent to the Government raising cash by borrowing from the public and purchasing the asset directly by disbursing the cash proceeds. You must report outlays over the period that the contractor constructs, manufactures, or purchases the asset that will be leased to the Government, not when the Government disburses cash to the developer for lease payments. Because the Government pays no cash up front to the nominal owner of the asset, the transaction creates a Government debt. In such cases, we treat the subsequent cash lease payments as the equivalent of interest outlays on that debt and principal repayments. (See Appendix B)

The scorekeeping effect of cash-equivalent transactions applies to budget authority, as well as to outlays and collections. You record the authority to incur obligations that will be liquidated through cash-equivalent payments as budget authority.

The use of cash-equivalents often results in an increase or decrease in Federal debt. In the previous example of the Government using debentures to pay claims, we record the issuance of a debenture as an increase in debt, and we record the Government's acceptance of a debenture for payment of fees as a decrease in debt. We also record an increase in debt as the means of financing the cash-equivalent outlays of lease-purchase arrangements in which the Government assumes substantial risk.

20.9 What do I need to know about refunds?

Refunds are the repayments of excess payments. The amounts are directly related to previous obligations incurred and outlays made against the appropriation. Refunds received are deposited to the credit of the appropriation or fund account charged with the original obligations as explained in the following table:

The following table explains how to record refunds received:

If you receive a refund of funds that were...	And the appropriation against which the obligation was incurred...	You...
(1) obligated and outlayed in that year	remains available (usually the case)	reduce the total amount of obligations and outlays recorded for the year in the budget schedules.
(2) obligated and outlayed in a previous year and credited to the same appropriation or fund account	remains available for new obligations	record the refund as offsetting collections (cash) credited to unexpired accounts (i.e., as offsetting collections on lines 4030-4034 or 4120-4124) and as recoveries of prior year paid obligations, unexpired accounts on line 4053 or 4143; increasing unobligated balances. These offsetting collections are not reported as new budget authority;

If you receive a refund of funds that were...	And the appropriation against which the obligation was incurred...	You...
		they are offset against gross outlays but not against gross budget authority.
(3) obligated and outlayed in a previous year and credited to a different appropriation or fund account	remains available for new obligations	record the refund as offsetting collections (cash) credited to unexpired accounts (i.e., as offsetting collections on lines 4030-4034 or 4120-4124); increasing spending authority from offsetting collections.
(4) receive a refund of funds that were obligated and outlayed in a previous year	has expired but is not yet canceled	record the refund as offsetting collections (cash) credited to expired accounts (i.e., as offsetting collections on lines 4030-4034 or 4120-4124; as offsetting collections credited to expired accounts on line 4052 or 4142 of the schedule P); and recoveries of prior year paid obligations on line 4054 or 4144 of the SF 133). These offsetting collections are not reported as new budget authority; they are offset against gross outlays but not against gross budget authority.
(5) receive a refund of funds that were obligated in a previous year	has been canceled	deposit the refund in miscellaneous receipts of the Treasury.

Record refunds paid as follows:

- Record refunds paid by an expenditure account as an obligation and an outlay of the account.
- Record refunds of receipts that result from overpayments (such as income taxes withheld in excess of a taxpayer's income tax liability) as reductions of receipts, rather than as outlays. This does not include payments to a taxpayer for credits (such as an earned income tax credit) that exceed the taxpayer's income tax liability. Record these as outlays, not as refunds.

20.10 What do I need to know about advances?

Advances are amounts of money prepaid to a Federal Government account for the later receipt of goods, services, or other assets, or as matching funds.

When an advance is required, the budgetary resource provided by the order is equal to the cash accompanying the order. The advance, per se, is not available for obligation. If both the order and the advance were available for obligation, budgetary resources would be double-counted.

Deposit advances with orders in the appropriate appropriation/fund or receipt account.

Deposit advances without orders as follows:

If the advance is from...	Deposit the advance in...
A non-Federal source	Deposit fund account (6500)
A Federal source	An intragovernmental clearing account (F3885)

When a reimbursable agreement with another Federal account is accompanied by a cash advance, you may disburse to pay obligations associated with that advance. However, if you are authorized to incur obligations against customer orders from other Federal accounts without an advance, the order establishes obligational authority only and you may not disburse the account into a negative position (see section 145.2 on Antideficiency Act violations).

If you return a cash advance or other offsetting collection or special or trust fund receipts received in a prior fiscal year, you must record an obligation and an outlay in the current fiscal year.

20.11 What do I need to know about accounts and fund types?

(a) Accounts

The term account may refer to a receipt or expenditure account. Governmental receipts and offsetting receipts are deposited into receipt accounts (see section 20.7). Receipt accounts are not available for incurring obligations or making outlays. Expenditure accounts are provided with budget authority (e.g., appropriations or offsetting collections) and are used to incur obligations and make outlays. Receipt and expenditure accounts are further classified into fund types (e.g., general funds and special funds). Fund types are discussed in subsections 20.12(b) through 20.12(f) below.

The term account may also refer to Treasury accounts and budget accounts (also commonly referred to as an OMB account). When the Congress provides budget authority for a particular purpose or under a particular title, it also provides a specific period of time for which the budget authority is available for obligation. This time period of availability (POA) may be annual, multi-year, or no-year.

Treasury establishes expenditure accounts based on the POA of the resources in the account. That is, Treasury establishes separate accounts with separate Treasury appropriation fund symbols (TAFS) for each POA, i.e., annual, multi-year, or no-year amount. For budget execution, which is governed largely by the Antideficiency Act, you must report data for each of the TAFS expenditure accounts established by Treasury (see section 130).

A budget account (also commonly referred to as an OMB account) generally covers an organized set of activities, programs, or services directed toward a common purpose or goal. For budget formulation, the appropriations and other budget authority provided to TAFS accounts with the same appropriation title for the years covered by the budget are combined and presented as a single account under a single title, e.g., "Salaries and expenses." As an illustration, the FY 2017 column of the program and financing schedule for a "Salaries and expenses" account in the 2019 Appendix would include, as appropriate, outlays made in FY 2017 from the FY 2017 appropriation, the FY 2015–2017 multi-year appropriation, the no-year appropriation, and the five expired annual appropriations (FY 2012 through FY 2016).

For receipt accounts, the budget and Treasury accounts are usually the same.

For information on account identification codes, see section 79.2.

(b) Overview of fund types

Agency activities are financed through general funds, special funds, and revolving funds (public enterprise revolving funds, intragovernmental revolving funds, credit financing accounts), which constitute the Federal funds group, and trust funds and trust revolving funds, which constitute the trust funds group. General, special, and trust fund collections and disbursements may be held temporarily in clearing accounts pending clearance to the applicable account. Agencies account for amounts that are not Government funds in deposit funds. The following table summarizes the characteristics of these funds. The text following the table discusses the types of funds in more depth

CHARACTERISTICS OF FUND TYPES AND THEIR ACCOUNTS

Fund Type/Account **Treasury Account Symbol**	**What is the purpose of the account?**	**Are receipt accounts and expenditure accounts linked?**	**Are these funds included in the budget?**
Federal funds:			
General fund receipt accounts (0000–3899)	Record unearmarked receipts.	No.	Yes.
General fund expenditure accounts (0000–3599)	Record budget authority, obligations, and outlays of general fund receipts and borrowing. Record offsetting collections authorized by law, such as the Economy Act, and associated budget authority, obligations, and outlays.	No, general fund appropriations draw from general fund receipts collectively.	Yes.
Special fund receipt accounts (5000–5999)	Record receipts earmarked by law for a specific purpose (other than business-like activity).	Yes.	Yes.
Special fund expenditure accounts (5000–5999)	Record budget authority, obligations, and outlays of special fund receipts. Record offsetting collections authorized by law, such as the Economy Act, and associated budget authority, obligations, and outlays	Yes.	Yes.
Public enterprise revolving funds (4000–4499)	Record offsetting collections earmarked by law for a specific purpose and associated budget authority, obligations, and outlays for a business-like activity conducted primarily with the public.	Not applicable. Collections are credited to the expenditure account.	Yes.[1]
Intragovernmental revolving funds (including working capital funds) (4500–4999)	Record offsetting collections earmarked by law for a specific purpose and associated budget authority, obligations, and outlays for a business-like activity	Not applicable. Collections credited to the expenditure account.	Yes.

Fund Type/Account Treasury Account Symbol	What is the purpose of the account?	Are receipt accounts and expenditure accounts linked?	Are these funds included in the budget?
	conducted primarily within the Government.		
Management funds (3900-3999)	Record the permanent appropriations and expenditures of collections from two or more appropriations to carry out a common purpose or project not involving a continuing cycle of business-type operations. These funds facilitate the administration and accounting for intragovernmental activities.	Not applicable. Collections credited to the expenditure account.	Yes.
Trust funds:			
Trust fund receipt accounts (8000–8399 and 8500–8999)	Record receipts earmarked by law for a specific purpose (other than a business-like activity).	Yes.	Yes.[1]
Trust fund expenditure accounts (8000–8399 and 8500–8999)	Record budget authority, obligations, and outlays of trust fund receipts. Record offsetting collections authorized by law, such as the Economy Act, and associated budget authority, obligations, and outlays.	Yes.	Yes.[1]
Trust revolving funds (8400–8499)	Record offsetting collections earmarked by law for a specific purpose and associated budget authority, obligations, and outlays for a business-like activity conducted primarily with the public.	Not applicable. Collections credited to the expenditure account.	Yes.
Other: (non-budgetary)			
Clearing accounts (F3800–F3885)	Temporarily hold general, special, or trust fund Federal Government collections or disbursements pending clearance to the applicable receipt or expenditure accounts. (Amounts in clearing accounts should not be used to make outlays or payments.)	Not applicable. Deposits and disbursements are recorded in the same account.	Yes, once they are posted to either a receipt or expenditure account.
Custodial Clearing accounts (3600-3699)	Record custodial collections that have no net effect on the budget.	No.	No.

Fund Type/Account Treasury Account Symbol	What is the purpose of the account?	Are receipt accounts and expenditure accounts linked?	Are these funds included in the budget?
Deposit funds (6000–6999)	Record deposits and disbursements of monies not owned by the Government or not donated to the Government (amounts donated to the Government are deposited in a special or trust fund account).	Not applicable. Deposits and disbursements are recorded in the same account.	No.

[1] By law, the budget authority and the outlays (net of offsetting collections) of the Postal Service Fund (a revolving fund), and the receipts, budget authority, and outlays of the two social security trust funds (the Old-Age and Survivors Insurance Trust Fund and the Disability Insurance Trust Fund) are excluded from the on-budget totals. The budget documents present these amounts as "off-budget" and add~~s~~ them to the budget totals to show totals for the Federal Government (sometimes called unified budget totals).

(c) Federal funds

Federal funds comprise several types of accounts or funds. A general fund receipt account records receipts not earmarked by law for a specific purpose, such as individual income tax receipts. A general fund expenditure account records appropriations from the general fund and the associated transactions, such as obligations and outlays. General fund appropriations draw from general fund receipts collectively and, therefore, are not specifically linked to receipt accounts.

The Federal funds group also includes special funds and revolving funds, both of which earmark collections for spending on specific purposes. We establish a special fund where the law requires us to earmark collections from a specified source to finance a particular program, and the law neither authorizes the fund to conduct a cycle of business-type operations (making it a revolving fund) nor designates it as a trust fund. For example, a law established the Land and Water Conservation Fund, earmarking a portion of rents and royalties from Outer Continental Shelf lands and other receipts to be used for land acquisition, conservation, and recreation programs. The receipts earmarked to a fund are recorded in one or more special fund receipt accounts. More than one receipt account may be necessary to distinguish different types of receipts (governmental, proprietary, etc.) and receipts from significantly different types of transactions (registration fees vs. fines and penalties, for example). The fund's appropriations and associated transactions are recorded in a special fund expenditure account. Most funds have only one expenditure account, even if they have multiple receipt accounts. However, a large fund, especially one with appropriations to more than one agency (such as the Land and Water Conservation Fund), may have more than one expenditure account. The majority of special fund collections are derived from the Government's power to impose taxes, fines, and other compulsory payments, and they must be appropriated before they can be obligated and spent.

Revolving funds conduct continuing cycles of business-like activity. They charge for the sale of products or services and use the proceeds to finance their spending. Instead of recording the collections in receipt accounts (as offsetting receipts), the budget records the collections and the outlays of revolving funds in the same account. The laws that establish revolving funds authorize the collections to be obligated and outlayed for the purposes of the fund without further appropriation. The law of supply and demand is expected to regulate such funds. However, in some cases, the Congress enacts obligation limitations on the funds in appropriations acts as a way of controlling their expenditures (for example, a limitation on administrative expenses). There are two types 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.

(d) Trust funds

Trust funds account for the receipt and expenditure of monies by the Government for carrying out specific purposes and programs in accordance with the terms of a statute that designates the fund as a trust fund (such as the Highway Trust Fund) or for carrying out the stipulations of a trust agreement where the Nation is the beneficiary (such as any of several trust funds for gifts and donations for specific purposes). Like special funds and revolving funds, trust funds earmark collections for spending on specific purposes. Many of the larger trust funds finance social insurance payments for individuals, such as Social Security, Medicare, and unemployment compensation. Other major trust funds finance military and Federal civilian employees' retirement, highway and mass transit construction, and airport and airway development.

A trust fund normally consists of one or more receipt accounts to record receipts and an expenditure account to record the appropriation of the receipts and associated transactions. Some trust funds have multiple receipt accounts for the same reasons that special funds have them. Also, like special funds, large trust funds (such as the Highway Trust Fund) may have multiple expenditure accounts. A few trust funds, such as the Veterans Special Life Insurance fund and the Employees Life Insurance Fund, are established by law as revolving funds. These funds operate the same way as revolving funds in the Federal funds group, and we call them trust revolving funds. They conduct a cycle of business-type operations. The collections are credited to the expenditure account as offsetting collections and their outlays are displayed net of collections in a single expenditure account.

The Federal budget meaning of the term "trust", as applied to trust fund accounts, differs significantly from its private sector usage. In the private sector, the beneficiary of a trust usually owns the trust's assets, which are managed by a trustee who must follow the stipulations of the trust. In contrast, the Federal Government owns the assets of most Federal trust funds, and it can raise or lower future trust fund collections and payments, or change the purposes for which the collections are used, by changing existing laws. There is no substantive difference between these trust funds and special funds or between trust revolving funds and public enterprise revolving funds. Whether a particular fund is designated in law as a trust fund is, in many cases, arbitrary. For example, the National Service Life Insurance Fund is a trust fund, but the Servicemen's Group Life Insurance Fund is a Federal fund, even though both are financed by earmarked fees paid by veterans and both provide life insurance payments to veterans' beneficiaries. There are a few Federal trust funds that are managed pursuant to a trust agreement. These are identified in the budget as "gift funds". In addition, the Government does act as a true trustee on behalf of some entities outside of the Government where it makes no decisions about the amount of these deposits or how they are spent. For example, it maintains accounts on behalf of individual Federal employees in the Thrift Savings Fund, investing them as directed by the individual employee. The Government accounts for such funds in deposit funds (see the section after next).

In cases where the law provides an appropriation from the General Fund of the U.S. Treasury to a trust fund, a general fund expenditure account and an associated trust fund receipt account are used to record the financial transaction that moves resources between fund types.

(e) Clearing accounts

You use clearing accounts to temporarily account for transactions that you know belong to the Government while you wait for information that will allow you to match the transaction to a specific receipt or expenditure account. For example:

- To temporarily credit unclassified transactions from the public when there is a reasonable presumption that the amounts belong to a Federal Government account other than miscellaneous receipts in the Treasury.
- To temporarily credit unclassified transactions between Federal agencies, including Intragovernmental Payment and Collection (IPAC) transactions.

You should not use clearing accounts to mask an overobligation or overexpenditure of an expenditure account.

(f) Deposit funds

You use deposit funds to account for monies that do not belong to the Government. This includes monies held temporarily by the Government until ownership is determined (such as earnest money paid by bidders for mineral leases) or held by the Government as an agent for others (such as State and local income taxes withheld from Federal employees' salaries and not yet paid to the State or local government). We exclude deposit fund transactions, as such, from the budget totals because the funds are not owned by the Government. Therefore, the budget records transactions between deposit funds and budgetary accounts as transactions with the public. For example, when the mineral leasing process has been completed, the winning bidder's earnest money is transferred from the deposit fund to the appropriate receipt account and the budget records a receipt. Similarly, outlays are recorded in an agency's salaries and expense account when a Federal employee is paid, even though some of the amount is transferred to a deposit fund for State and local income taxes withheld and paid later to the State and local government. Deposits and associated disbursements are recorded in the same account.

20.12 What do I need to know about reimbursable work?

Agencies can perform reimbursable work for the public or other Federal agencies. The types of laws that allow you to use advances or reimbursements in return for providing others with goods and services are:

- Laws that establish revolving funds, including franchise funds and working capital funds;
- Provisions in appropriations or substantive laws that allow agencies to use the amounts they collect; and
- The Economy Act (31.U.S.C. 1535).

Generally speaking, laws that authorize an agency to enter into a "reimbursable agreement" with non-Federal transaction partners only provide authority to deposit collections into the agency's account, rather than the Miscellaneous Receipts Account (31 U.S.C. 3302). One such example is the Intergovernmental Cooperation Act of 1969 (31 U.S.C. 6501). Authority to enter into a "reimbursable agreement" is not sufficient to allow you to record a budgetary resource against account receivable absent additional express statutory authority to do so.

Additionally, only activity resulting from a “reimbursable agreement” (e.g., an interagency agreement or a buyer/seller relationship) should be classified as reimbursable. For more information on direct and reimbursable authority, see sections 82.5(c) and 83.5.

(a) Revolving funds

You may use a revolving fund when a law establishes the revolving funds and authorizes you to credit payments to the revolving fund that performs the work. Revolving funds operate on a reimbursable basis when working capital (undisbursed cash) is available. Otherwise, advance payments must accompany orders. You may not disburse revolving funds into a negative cash position in anticipation of Federal or non-Federal reimbursements because of the Antideficiency Act.

(b) Payments from non-Federal entities

If the law authorizes an expenditure account to perform work for the public and to credit collections from non-Federal entities as spending authority, you may cover obligations incurred by the account by:

- Advances collected up to the amount of accompanying orders (see section 20.10 for treatment of advances); and
- Working capital that is available for this purpose.

(c) Economy Act

The Act authorizes the head of an agency or major organizational unit within an agency to place an order with a major organizational unit within the same agency or another Federal agency for goods or services provided that:

- The ordering agency has enough money to pay for the order;
- The head of the ordering agency or unit decides the order is in the best interest of the United States Government;
- The agency or unit to fill the order is able to provide or get by contract the ordered goods or services;
- The head of the ordering agency decides that the ordered goods or services cannot be provided by contract as conveniently or cheaply by a commercial enterprise; and
- Transactions authorized by the Economy Act are limited by the statutory requirement that the amount obligated by the ordering appropriation is required to be deobligated to the extent that the agency or unit filling the order has not incurred obligations before the end of the period of availability of the ordering appropriation.

Under the Economy Act, payment (via expenditure transfer) may be made in advance or reimbursements may be made. Advances and reimbursements from other Federal Government appropriations are available for obligation—but not disbursement until received—when the ordering appropriation records a valid obligation to cover the order. The Act states that the providing (servicing) agency shall charge the ordering (requesting) agency "on the basis of the actual cost of goods or services provided" as agreed to by the agencies. Specific questions about Economy Act requirements should be directed to the agency's Chief Financial Officer and/or Office of General Counsel.

Transfers[1] of Budgetary Resources Among Federal Government Accounts

TYPE OF TRANSACTION	NATURE OF TRANSACTION	TREASURY ACCOUNTING TREATMENT	BUDGET TREATMENT
	I. NONEXPENDITURE TRANSFERS		
A. TRANSFER OF AUTHORITY TO OBLIGATE	Transfers to carry out the purposes of the RECEIVING ACCOUNT, for example, to shift resources from one purpose to another or to reflect a reorganization.	TRANSFER via S.F. 1151	The TRANSFERRING ACCOUNT reports a transfer out of budget authority or balances. THE RECEIVING ACCOUNT reports a transfer in.
B. ALLOCATION OF AUTHORITY TO OBLIGATE i.e., transfers to transfer appropriation accounts	Transfers to carry out the purposes of the PARENT ACCOUNT.	TRANSFER via S.F. 1151	Obligations and outlays are reported by the PARENT ACCOUNT.
C. REPAYABLE ADVANCE (limited cases; involves moving funds between the two fund groups)	Transfers to carry out the purposes of the RECEIVING special or trust non-revolving fund ACCOUNT.	TRANSFER via S.F. 1151	The RECEIVING ACCOUNT (i.e., special or trust non-revolving fund) reports borrowing authority. Amount of repayable advance must be paid back with interest to the General Fund of the U.S. Treasury by the agency.
	II. EXPENDITURE TRANSFERS		
A. EXPENDITURE TRANSFER PAYMENTS BETWEEN TWO FEDERAL FUNDS OR BETWEEN TWO TRUST	Payments to carry out the purposes of the PAYING ACCOUNT, such as payments in return for goods and services authorized under the Economy Act. Payments that represent financial interchanges between Federal government accounts that are not in exchange for goods and services.	PAYMENTS via FMS 224 or electronic funds transfer.[2]	Obligations and outlays are reported by the PAYING ACCOUNT. Offsetting collections are reported by the RECEIVING ACCOUNT. The collections are (1) ADVANCES or (2) REPAYMENTS in the form of REIMBURSEMENTS or REFUNDS.
B. EXPENDITURE TRANSFER PAYMENTS BETWEEN FEDERAL AND TRUST FUNDS	Nearly all transfers between the two fund groups are expenditure transfers.	PAYMENTS via FMS 224 or electronic funds transfer.	Same as above.

[1] A transfer is distinguished from a reprogramming in that a reprogramming always involves the shifting of budgetary resources within a Treasury account whereas a transfer usually involves the shifting of budgetary resources between two Treasury accounts. However, the shifting of budgetary resources within a single Treasury account should be considered a transfer if the action moves budgetary resources between separate statutory appropriations.

[2] For non-Treasury disbursing offices, the equivalent of the FMS 224 is the FMS 1219, Statement of Accountability, and FMS 1220, Statement of Transactions.