Budget Terms and Concepts

Summary of Changes

—Guidance clarifies that the full amount of offsetting collections (cash) credited to an expenditure account in a year is deducted from the gross budget authority and outlays reported for the year, even if a portion of the collections is not available for obligation in that year (section 14.2 (b)).
—Refunds of receipts that result from overpayments are recorded as reductions of receipts; payments to taxpayers for tax credits are recorded as outlays (section 14.2 (i)).
—The treatment of investments in U.S. and non-U.S. securities has been clarified (section 14.3).
—The amortized portions of discounts and premiums are recorded as revenue or adjustments to revenue on the statement of operations (section 14.3).

14.1. Glossary of budget terms.

This section provides a glossary of key terms used in the budget process. It is not meant to be exhaustive. The terms listed in the table below are of particular significance in preparing the budget and are explained more fully in section 14.2. Section 14.3 describes how investments in U.S. securities are treated in the budget. A comprehensive discussion of terms used for credit programs is provided in section 33.5.

Key Terms Explained in Section 14.2	Subsection
Balances of budgetary resources	(a)
Budget authority	(b)
Cash-equivalent transactions	(c)
Collections	(d)
Direct spending	(e)
Discretionary spending	(e)
Obligations	(f)
Outlays	(g)
PAYGO	(e)
Reappropriations	(h)
Refunds	(i)
Reimbursable obligations	(j)
Rescissions	(k)
Transfers	(l)
Transfer in the estimates	(m)

Advance—See *transfers.*

Agency designates departments and establishments of the Government for the purposes of this circular.

Allowances are included in the budget totals to cover certain forms of budgetary transactions that are expected to increase or decrease budget authority or outlays but are not reflected in the program details. For example, allowances have been included for proposed legislation that would have a significant effect on the budget in total but relatively small effects on individual accounts across the Government. Budget authority and outlays included in the allowances are never appropriated as allowances.

Appropriations—See *budget authority* (section 14.2(b)).

BEA is an abbreviation that refers to the *Budget Enforcement Act of 1990,* which placed caps on discretionary spending and established ''pay-as-you-go'' requirements on legislation affecting direct spending or receipts. The BEA amended the Congressional Budget Act of 1974 and the Balanced Budget and Emergency Deficit Control Act of 1985 (also known as Gramm-Rudman-Hollings). For the purposes of this Circular, BEA is used to refer to requirements actually contained in those laws.

Balances of budget authority are amounts of budgetary resources provided in previous years that have not been outlayed. Obligated balances are amounts that have been obligated but not yet outlayed. Unobligated balances are amounts that have not been obligated and that remain available for obligation under law. (See section 14.2(a).)

Borrowing authority—See *budget authority* (section 14.2(b)).

Breach is the amount by which new discretionary budget authority or outlays for a fiscal year is above the BEA cap on new discretionary budget authority or outlays for that year. (See *BEA* and *cap.*)

Budget refers to 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.

Budget authority (BA) is the authority provided by Federal law to incur financial obligations that will result in outlays. Specific forms of budget authority include appropriations, borrowing authority, contract authority, and spending authority from offsetting collections. (See section 14.2(b).)

Budgetary resources are those amounts available to enter into obligations in a given year. They include new budget authority, obligation limitations, direct spending authority, recoveries of unexpired budget authority through downward adjustments of prior year obligations, and unobligated balances of such resources at the beginning of the year or transferred in during the year.

Budget totals are the totals included in the budget for budget authority, outlays, and receipts. Some presentations in the budget distinguish on-budget totals from off-budget totals. On-budget totals reflect the transactions of all Federal Government entities, except those excluded from the budget totals by law. Off-budget totals reflect the transactions of Government entities that are excluded from the on-budget totals by law. The on- and off-budget totals are combined to derive a total for Federal activity.

Bureau designates the principal subordinate organizational units of an agency.

Cap is the term commonly used to refer to legal limits for each fiscal year on the budget authority and outlays provided by discretionary appropriations. A sequester is required if an appropriation causes a breach in the cap.

Cash equivalent transactions are ones in which outlays or collections are not in the form of cash or the cash does not accurately measure the cost of the transaction. The equivalent cash value is estimated and included in the budget. (See section 14.2(c).)

Collections—See *receipts, governmental* and *offsetting collections.*

Contract authority—See *budget authority* (section 14.2(b)).

Cost means the cash value of the resources allocated to a particular program. *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; it excludes administrative costs and any incidental effects on governmental receipts or outlays. (See section 33.)

Credit program account is an account into which an appropriation for the cost of a direct loan or loan guarantee program is made and from which such cost is disbursed to a financing account for the program. (See section 33.)

Deficit is the amount by which outlays exceed receipts.

Deferral is any executive branch action or inaction that withholds, delays, or effectively precludes the obligation or expenditure of budgetary resources. The President proposes deferrals to Congress by special message. They are not identified separately in the budget (see section 10.5).

Deposit funds are accounts established to record amounts held temporarily by the Government until ownership is determined (e.g., earnest money paid by bidders for mineral leases) or held by the Government as an agent for others (e.g., State and local income taxes withheld from Federal employees' salaries). Deposit fund transactions are excluded from the budget totals because they are not Government funds. Since they reduce Treasury's need to borrow, they are a means of financing the deficit.

Direct loan is a disbursement of funds by the Government to a non-Federal borrower under a contract that requires the repayment of such funds with or without interest. The term includes the purchase of, or participation in, a loan made by a non-Federal lender. The term includes the sale of a Government asset on credit terms of more than 90 days duration, as well as financing arrangements for other transactions that defer payment for more than 90 days. It also includes loans financed by the Federal Financing Bank (FFB) pursuant to agency loan guarantee authority (see section 12.3(c)). The term does not include the acquisition of Federally guaranteed non-Federal loans in satisfaction of default or other guarantee claims or the price support loans of the Commodity Credit Corporation. (See section 33.) (cf., *loan guarantee.*)

Direct spending means budget authority provided by law other than appropriation acts, entitlement authority, and the food stamp program. (See section 14.2(e).) (cf., *discretionary appropriations.*)

Discretionary appropriations means budgetary resources (except those provided to fund direct-spending programs) provided in appropriations acts. (See section 14.2(e).) (cf., *direct spending.*)

Emergency appropriation is an appropriation that the President and the Congress have designated as an emergency requirement under the BEA. If it pertains to a discretionary program, such an appropriation results in an adjustment to the discretionary cap. Mandatory emergencies are not counted as pay-as-you-go costs.

Expenditure transfer—See *transfers.*

Federal funds are the moneys collected and spent by the Government other than those designated as trust funds. Federal funds include general, special, public enterprise, and intragovernmental funds. (cf., *trust funds.)*

Financing account collects the cost payments from a credit program account and includes other cash flows to and from the Government resulting from direct loan obligations or loan guarantee commitments made on or after October 1, 1991. At least one financing account is associated with each credit program account. For programs with direct and guaranteed loans, there are separate financing accounts for direct loans and guaranteed loans. The transactions of the financing accounts, which are non-budgetary, are not included in the budget totals. (See section 33.) (cf., *liquidating account.*)

Fiscal year is the Government's accounting period. It begins on October 1st and ends on September 30th, and is designated by the calendar year in which it ends. See section 11.3 for the phrases and abbreviations used to identify specific fiscal years.

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 13.1.)

Functional classification arrays budget authority, outlays, and other budget data according to the major purpose served—e.g., agriculture.

General fund consists of accounts for receipts not earmarked by law for a specific purpose, the proceeds of general borrowing, and the expenditure of these moneys.

Liquidating account is an account for a credit program that includes all cash flows to and from the Government resulting from direct loan obligations and loan guarantee commitments prior to October 1, 1991. (See section 33.) (cf., *financing account.*)

Loan guarantee is any guarantee, insurance, or other pledge with respect to the payment of all or a part of the principal or interest on any debt obligation of a non-Federal borrower to a non-Federal lender. The term does not include the insurance of deposits, shares, or other withdrawable accounts in financial institutions. (See section 33.) (cf., *direct loan.*)

Means of financing refers to borrowing, use of cash balances, and certain other transactions that are used to finance the deficit. By definition, the means of financing are not treated as receipts or outlays.

Intragovernmental funds are accounts for business-type or market-oriented activities conducted primarily within and between Government agencies and financed by offsetting collections that are credited directly to the fund.

Non-expenditure transfers—See *transfers.*

Obligations are binding agreements that will result in outlays, immediately or in the future. Budgetary resources must be available before obligations can be incurred legally. (See section 14.2(f).)

Off-budget—See *budget totals.*

Offsetting collections are collections from the public that result from business-type or market-oriented activities and collections from other Government accounts. These collections are deducted from gross budget authority and gross outlays in calculating budget authority and outlays, rather than counted in governmental receipt totals. Some are credited directly to appropriation or fund accounts; others, called offsetting receipts, are credited to receipt accounts. The authority to spend offsetting collections is a form of budget authority. (See sections 14.2(b) and (d).) (cf., *receipts, governmental.*)

On-budget—See *budget totals.*

Outlays are the measure of Government spending. They are payments to liquidate obligations (other than the repayment of debt). Except where outlay figures are labeled as gross, they are stated net of any related refunds and offsetting collections. Outlays generally are equal to cash disbursements, but they are also recorded for cash-equivalent transactions, such as the subsidy cost of direct loans and loan guarantees, and interest accrued on public issues of the public debt.

Outyear estimates refer to the estimates for each of the nine years beyond the budget year.

Pay-as-you-go (PAYGO) is a term that refers to requirements in the BEA that result in a sequester if the estimated combined result of legislation affecting direct spending or receipts is a net cost for a fiscal year. (See section 14.2(e).)

Public enterprise funds are accounts for business or market-oriented activities conducted primarily with the public. They are generally financed by offsetting collections that are credited directly to the fund.

Reappropriations occur if a law extends the availability of unobligated budget authority that has expired or would otherwise expire. Reappropriations are counted as new budget authority in the year in which the balance becomes newly available. (See section 14.2(h).)

Receipts, governmental are collections that result primarily 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. (See section 14.2(d).) (cf., *offsetting collections.*)

Receipts, offsetting—See *offsetting collections.*

Receipts, offsetting governmental—See section 14.2(d). (cf., *offsetting collections.)*

Refunds received are the return of excess payments to the Government. The refund of a payment in the same year in which the obligation for payment was recorded is netted from obligations for that year. A refund in a subsequent year is counted as an offsetting collection. Refunds paid by the Government are recorded as obligations and outlays. (See section 14.2(i).)

Reimbursable obligations are obligations financed by offsetting collections credited to an expenditure account in payment for goods and services provided by a government account. (See section 14.2(j)).

Rescission is a legislative action that cancels new budget authority or the availability of unobligated balances of budget authority prior to the time the authority would otherwise have expired. (See section 14.2(k).)

Scorekeeping refers to measuring the budget effects of legislation, generally in terms of budget authority, receipts, and outlays for purposes of the BEA.

Sequester is the cancellation of non-exempt budgetary resources provided by discretionary appropriations or direct spending legislation, following various procedures prescribed in the BEA. A sequester may occur in response to a discretionary appropriation that causes a breach or in response to net costs resulting from the combined result of legislation affecting direct spending or receipts (referred to as a ''pay-as-you-go'' sequester).

Special funds are Federal fund accounts for receipts earmarked for specific purposes and for the expenditure of these receipts. (cf., *trust funds.*)

Spending authority is defined in section 401(c)(2) of the Congressional Budget Act of 1974, as amended, as various types of authority to obligate the United States to make payments, the budget authority for which is not provided in advance in appropriations acts. The various types include authority to enter into contracts (i.e., contract authority); to incur indebtedness; to make payments (including loans and grants) to persons or governments who meet requirements established by law; to forgo the collection by the United States of proprietary offsetting receipts; and to make any other payments (including loans, grants, and payments from revolving funds).

Spending authority from offsetting collections—See *budget authority.*

Subsidy means the same as cost when it is used in connection with Federal credit programs. (See section 33.)

Surplus is the amount by which receipts exceed outlays.

Supplemental appropriation is one enacted subsequent to a regular annual appropriations act when the need for funds is too urgent to be postponed until the next regular annual appropriations act.

Transfers occur when all or part of the budgetary resources in one Government account are transferred to another Government account. Transfers must be authorized by law. Generally, the nature of the transfer determines whether it is recorded as an expenditure transfer (recorded as an obligation and outlay in the paying account and an offsetting collection in the performing account) or a nonexpenditure transfer (recorded as a shift in budgetary resources from one account to the other). The transfer is treated as an expenditure transfer when the purpose is to purchase goods or services or otherwise to benefit the paying account. The transfer is treated as a nonexpenditure transfer when budgetary resources are shifted from one purpose to another. By convention, all transfers between Federal and trust funds are treated as expenditure transfers except for amounts borrowed from the general fund and repayments of outstanding borrowing (principal). (See section 14.2(l).)

Transfer in the estimates refers to a proposed transfer of the financing of an activity from one account to another. Budgetary resources are not transferred between the accounts. Instead, the budget estimates reflect that funding for the activity ends after the current year in the losing account and begins in the budget year in the gaining account. (See section 14.2(m).)

Trust funds are accounts, designated by law as trust funds, for receipts earmarked for specific purposes and for the expenditure of these receipts. (cf., *Federal funds* and *special funds.*)

User fees are fees, charges, and assessments levied on a class directly benefiting from, or subject to regulation by, a government program or activity, to be utilized solely to support the program or activity. The payers of the fee must be limited in the authorizing legislation to those benefiting from, or subject to regulation by, the program or activity, and may not include the general public or a broad segment of the public. The user fee must be authorized for use only to fund the specified programs or activities for which they are charged, including directly associated agency functions, not for unrelated programs or activities and not for broad purposes of the Government or an agency.

User fees *include:*
—collections from non-Federal sources for goods and services provided;
—*voluntary* payments to social insurance programs;
—miscellaneous customs fees (e.g., United States Customs Service merchandise processing fees);
—many fees for permits, and regulatory and judicial services; and
—specific taxes and duties on an exception basis.
User fees *do not include:*
—collections from other Federal accounts;
—collections deposited in general fund receipt accounts;
—collections associated with credit programs;
—realizations upon loans and investments;
—interest, dividends, and other earnings;
—*involuntary* payments to social insurance programs;
—excise taxes;
—customs duties;
—fines, penalties, and forfeitures;
—cost-sharing contributions;
—proceeds from asset sales (property, plant, and equipment);
—Outer Continental Shelf receipts;
—spectrum auction proceeds; and
—Federal Reserve System earnings.

14.2. Basic budget concepts.

This section elaborates on some of the terms introduced in the previous section and explains certain basic budget concepts.

(a) Balances of budgetary resources.—For a given year, balances of budgetary resources provided in previous years are shown as either unobligated balances or balances of unpaid obligations.

Unobligated balances are balances of budgetary resources that remain available for obligation, i.e., unobligated balances of budget authority (appropriations, authority to borrow, and contract authority) and unobligated balances of offsetting collections (unfilled interagency orders on hand that constitute valid obligations of the ordering accounts, advances received from the public, and other cash receipts lawfully credited to the appropriation or fund account being reported). Unobligated balances reported in program and financing schedules for a fiscal year will not reflect unobligated balances that expired in prior years or were canceled. They will also exclude offsetting collections that are not available for obligation (e.g., because of a limitation on obligations in appropriations acts) and special and trust fund amounts that are precluded from obligation in that fiscal year by a provision of law, such as a limitation on obligations or a benefit formula. The unavailable offsetting collections and receipts will be reported in a schedule of unavailable collections (see section 36.6).

Unpaid obligations are obligations that have been incurred but not liquidated (paid). ***Obligated balances*** are unpaid obligations net of accounts receivable from Federal sources for which payment has not been received and unpaid, unfilled orders from Federal sources. These accounts receivable and orders must represent a valid obligation against budgetary resources of the ordering Federal account. Orders for which subsequent cash collections will be credited to a receipt account rather than to the expenditure account will be excluded from the calculation of the obligated balance. In addition, receivables from the public, loans and other long-term receivables, amounts due at some future date under credit sales, and deferred charges will not be deducted from unpaid obligations in computing the obligated balances. *Unpaid obligations, obligated balances,* and *receivables and unpaid, unfilled orders from Federal sources* will be presented separately in the program and financing schedule. (See section 32.4. and exhibit 10E.)

Unobligated balances of appropriations, contract authority, and authority to borrow are appropriate only when such authority is provided for more than one year and in definite amounts or when the amount of indefinite authority is based on the appropriation of receipts from a specified source. Obligated balances, however, may pertain to both definite and indefinite forms of budget authority.

Balances at the start and end of the past year should be consistent with the amounts reported in the Treasury Department's Annual Report, except as indicated in section 14.2(c). (See exhibit 10E.)

(b) Budget authority.—Budget authority is the authority becoming available during the year to enter into obligations that result in immediate or future outlays of Government funds. The treatment described below is consistent with the definition of budget authority contained in section 3(2) of the Congressional Budget and Impoundment Control Act of 1974, as amended by the Omnibus Budget and Reconciliation Act of 1990. Most budget authority is in the form of *appropriations;* other types are *contract authority, authority to borrow,* and *spending authority from offsetting collections.*

Appropriations, which may be provided in appropriations acts or other laws, permit obligations to be incurred and payments to be made. An appropriation may make funds available from the general fund, special funds, trust funds, or authorize the spending of offsetting collections credited to expenditure accounts, including revolving funds. Because of the special nature of spending authority from offsetting collections, it is treated as a separate form of budget authority, as described below. An *advance appropriation* is one made to become available one fiscal year or more beyond the fiscal year for which an appropriation act is passed.

Contract authority permits obligations to be incurred but requires a subsequent appropriation or offsetting collections to liquidate (pay) the obligations.

Authority to borrow permits obligations to be incurred but requires funds to be borrowed to liquidate the obligations. Usually, the funds are borrowed from the Treasury, but in a few cases agencies may borrow directly from the public.

Spending authority from offsetting collections permits offsetting collections to be credited to an expenditure account and obligations and payments to be made using the offsetting collections. Spending authority from such offsetting collections includes accounts receivable and unpaid, unfilled orders received from other *Federal* accounts. Any portion of spending authority that is not available for obligation is not recorded as budget authority. For accounts with limitations on the use of offsetting collections, budget authority will include spending authority from balances of offsetting collections previously credited to the account (but unavailable for obligation) to the extent that the amounts become available for obligation. The offsetting collections (cash) collected in a year that are credited to an account, plus the increases (or minus the decreases) in accounts receivable and unpaid, unfilled orders from Federal sources, are then deducted from gross budget authority, and the result is reported as net budget authority for the account. It should be noted that the full amount of offsetting collections (cash) collected in a year is deducted from the gross budget authority and outlays for the year, even if a portion of the offsetting collections is not available for obligation in that year.

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

Amounts appropriated to liquidate contract authority or repay debt (authority to borrow) are not available to incur new obligations and are not budget authority.

The proceeds from the sale of financial assets (e.g., Federal loan assets) with recourse (i.e., the Federal government guarantees repayment of principal and interest in the event of default) are budget authority.

Budget authority may be classified further as follows:

Definite authority is stated as a specific amount or ''not to exceed'' a specific aggregate amount at the time the authority is granted, whether in an appropriations act or other law, and the full amount so provided is recorded as budget authority for that period.

Indefinite authority is not stated as a specific amount. Rather, the amount provided is determined by specified variable factors, such as the amount of the receipts from a specified source, the amount of the proceeds from the sale of financial assets with recourse, or the amount necessary to cover obligations associated with entitlements. In the case of receipts or proceeds from financial assets sold with recourse, the amount of budget authority to be shown in any year will equal the amount received or estimated to be received in that year.

Special and trust fund appropriations that are predicated on estimated receipts are limited to the lower of the actual receipts or the amount of the appropriation.

Budget authority that is available in amounts needed to cover specified payments will be shown in an amount equal to the amount of obligations incurred or estimated to be incurred. This applies to obligations covered by authority to borrow or contract authority even though they may be liquidated by offsetting collections rather than borrowings or appropriations to liquidate.

Some legislation limits the amount of debt that may be outstanding at any time. In such cases, the amount of budget authority is not limited except by considerations of the need to borrow to pay obligations that will become due as the limit on outstanding borrowing is approached.

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 Congress after transmittal of the budget for the year involved. When permanent budget authority is enacted, it is treated as permanent authority the first year it becomes available, as well as in succeeding years.

The budget authority effect of proposals that require congressional action in the year involved (e.g., supplementals, proposals to rescind current year budget authority, and legislative proposals for later transmittal) will be treated as current or permanent authority, depending on the nature of the authority that is affected by the proposal. Transfers of permanent authority directed in an appropriations act will be treated as current.

Limitations on permanent authority.—In some cases, amounts of what would otherwise be permanent budget authority (definite or indefinite) are precluded from obligation in a fiscal year by a provision of law (such as a limitation on obligations or a benefit formula). These amounts are not counted as budget authority in that year. However, the program and financing schedules will present the total amount of budget authority that would be available without the limitation or benefit formula, the amount that is unavailable because of the limitation or benefit formula, and the reduced amount of budget authority available for obligation. As a general rule, obligations will be applied first against new receipts; balances that were previously precluded from obligation (i.e., unavailable balances) will be used only to the extent that new receipts are not adequate to cover obligations.

Permanent budget authority that is subject to an obligation limitation set in an appropriations act will be scored as discretionary spending (see section 14.2(e)).

Period of availability.—One-year (annual) authority is budget authority available for obligation only during a specified fiscal year and expires at the end of that time. Multiple-year authority is budget authority available for obligation for a specified period of time in excess of one fiscal year. This authority generally takes the form of two-year, three-year, etc., availability, but may cover periods that do not coincide with the start or end of a fiscal year. No-year authority is budget authority that remains available for obligation for an indefinite period of time, usually until the objectives for which the authority was made available are achieved.

Annual and multi-year authority expire for the purpose of incurring new obligations. However, the authority is available for adjustments to obligations and for disbursements (i.e., expenditures) that were incurred or made during the period prior to expiration, but not recorded. Unless specifically authorized in law, the period that the expired authority is available for adjustments to obligations or for disbursements is five fiscal years (beginning with the first expired year). At the end of the fifth expired year, the authority is ''canceled''. Thereafter, the authority is not available for any purpose.

(c) Cash-equivalent transactions.—Outlays and collections usually are in the form of cash (currency, checks, and electronic fund transfers). Normally the amount of cash disbursed or collected is the appropriate measure of the value of the transaction, and the budget records outlays or collections equal to the cash that changes hands. In other cases, however, the cash disbursed or collected does not accurately measure the cost of the transactions. In these cases, the budget records the cash-equivalent value of the transactions. For example, outlays are reported for the gross amount of pay for Federal employees, even though the cash payments to employees are net of withholding for Federal income taxes and other payroll deductions. Income tax receipts are recorded for the amount of Federal income taxes withheld from Federal employees' pay, even though no cash is received. Outlays for the interest on the public issues of Treasury debt securities are recorded as the interest accrues, not when the cash is paid. For Federal credit programs, outlays are equal to the subsidy cost of direct loans and loan guarantees and are recorded as the underlying loans are disbursed.

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, outlays or collections are recorded on a cash-equivalent basis. The Government can borrow from the public to raise cash and then use the cash proceeds to liquidate an obligation, or it may be able to liquidate the obligation by issuing securities in lieu of the cash. The latter method combines two transactions into one. Combining these transactions into one does not change the nature of the transactions. Since the two methods of payment are equivalent, the budget records the same amount of outlays for both cases. 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 budget 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 budget records the same amount of collections in either case.

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. Outlays are reported 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 (see Appendix B).

The scorekeeping effect of cash-equivalent transactions is not limited to outlays and collections. The authority to incur obligations that will be liquidated through cash-equivalent payments is recorded 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, the issuance of a debenture is recorded as an increase in debt, and the Government's acceptance of a debenture as payment of fees is recorded as a reduction in debt. An increase in debt is also recorded as the means of financing the cash-equivalent outlays of lease-purchase arrangements in which the Government assumes substantial risk. The Government's subsequent cash lease payments are scored as the equivalent of interest outlays on that debt and principal repayments.

(d) Collections.—In general, amounts collected by the Government are classified in two major categories:

Governmental receipts, which are compared with outlays in calculating the surplus or deficit.

Offsetting collections, which are deducted from gross disbursements in calculating outlays.

Collections usually are in the form of cash; however, collections also are recorded when cash-equivalents are used to pay the Government (see section 14.2(g)). The proceeds of borrowing are not counted as collections, because borrowing and the repayment of borrowing are treated as a means of financing outlays. Certain other monies received by the Government (e.g., deposits to deposit funds, which are for moneys that are on deposit with the Government but that are not owned by the Government) are not counted as collections.

Governmental receipts.—These are collections from the public that arise from the Government's sovereign or governmental powers. They consist primarily of tax receipts, but also include compulsory user charges, customs duties, court fines, certain licenses, etc. Gifts and contributions are also counted as governmental receipts. As a general rule, governmental receipts are deposited into receipt accounts and reported in total (rather than as an offset to budget authority and outlays). However, some receipts that are governmental in nature are required by law or other reasons to be deposited to offsetting receipt accounts or to be credited as offsetting collections to appropriations or other expenditure accounts. These are classified as offsetting governmental receipts or offsetting governmental collections, respectively.

Offsetting collections.—These collections arise as a result of business-type transactions with the public (e.g., from the sale of services or goods) or as a result of a payment from one Government account to another. The proceeds from the sale of financial assets with recourse are treated as budget authority, not as offsetting collections (see section 14.2(b)). There are two major categories of offsetting collections: offsetting receipts and offsetting collections credited to appropriations or other expenditure accounts.

—*Offsetting receipts.* All collections credited to receipt accounts that are offset against budget authority and outlays rather than reflected as governmental receipts in computing budget totals are termed offsetting receipts. Most offsetting receipts are offset against both agency budget authority and outlay totals. Offsetting receipts are composed of:

(1) *Proprietary receipts.*—These are collections from the public that arise out of the business-type or market-oriented activities of the Government (e.g., sale of services and products, loan repayments, rents, and sale of property).

(2) *Intragovernmental receipts.*—These are payments from appropriations or fund accounts that are deposited into receipt accounts. These are further classified as follows:

–*Interfund* receipts are amounts derived from payments between Federal and trust funds.

–*Intrafund* receipts are amounts derived from payments within the same fund group (i.e., within the Federal fund group or within the trust fund group).

(3) *Offsetting governmental receipts.*—These receipts are governmental in nature but are required by law or other reasons to be treated as offsetting.

—*Offsetting collections credited to appropriation or fund accounts.* When specifically authorized by law, offsetting collections are credited to appropriation or fund accounts. Such collections are reported in program and financing schedules. The authority to incur obligations against offsetting collections credited to an account is a form of budget authority. Budget authority and outlays are reported gross and net of the total amount of offsetting collections credited to the account in a particular year (see sections 14.2(b) and 32.5). Collections credited to appropriation or fund accounts generally consist of reimbursements (including advances when authorized by law) and may also include proceeds from the sale of assets without recourse and other non-operating collections. The total spending authority from offsetting collections reported for an account will also include orders on hand from another account of a Federal agency for which payment has not been received, if an obligation in that amount has been recorded in the paying account.

(e) Discretionary spending and direct spending and pay-as-you-go (PAYGO).—The Budget Enforcement Act of 1990 (BEA) defines two main classifications of spending and specifies separate procedures for controlling such spending.

Discretionary spending. The BEA sets annual limits, commonly referred to as ''caps,'' on budget authority and outlays provided in annual appropriation acts. If either the budget authority or outlay cap for a year is breached, the budget authority of each non-exempt, discretionary account is sequestered.

Direct spending/PAYGO. The BEA requires all direct spending (commonly referred to as ''mandatory spending'') and receipts legislation to be on a pay-as-you-go (PAYGO) basis. That is, legislated increases in direct spending or reductions in receipts must be offset by other legislated reductions in direct spending or increases in receipts. If not, a sequester of non-exempt mandatory spending is imposed. Authorizing legislation that affects direct spending or receipts is PAYGO legislation (even if the net effect on spending and receipts is estimated to be zero). Changes in direct spending or receipts that are not the result of legislation (e.g., increases in entitlement programs resulting from inflation or growth in the beneficiary population) are not subject to PAYGO requirements. Changes in direct spending and receipts that are enacted in appropriations acts are treated as discretionary spending, not as PAYGO.

OMB calculates the net effect on direct spending and receipts of each piece of legislation, comparing it to the baseline published in the most recent President's budget. Following the end of a session of Congress, OMB determines the net effect of such legislation for the current year and the budget year. If the net effect is an increase, all non-exempt direct spending accounts must be sequestered to reduce spending by the amount of the increase.

The Statement of the Managers that accompanied the BEA listed all accounts under the Appropriations Committees' jurisdiction that are either discretionary or direct spending (mandatory). All references to entitlement authority include this list of mandatory appropriations. Accounts that are not listed are classified as direct spending if budgetary resources are provided by statutes other than appropriations acts. The classification of new accounts follows the same criteria used for existing accounts, but any new classifications are determined by OMB in consultation with Congress, as required by law.

Direct spending/discretionary classifications are used for measuring compliance with the BEA. However, these classifications have no bearing on whether a program provides legal entitlement to a payment or benefit.

Agencies should consult their OMB representative with questions concerning BEA classifications and legal entitlements.

Appropriations actions modifying mandatory accounts.—In general, Appropriations Committee actions are discretionary. Therefore, if a provision in an appropriations bill makes a substantive change to a mandatory account, the costs or savings of that change will be treated as discretionary for the purpose of scoring under the BEA discretionary limits. The amount of discretionary costs or savings to be scored will be the difference between the new level of spending (or receipts) and the baseline level.

Permanent budget authority that is subject to an obligation limitation set in an appropriations act will be scored as discretionary spending for all affected accounts, except trust fund accounts in the Department of Transportation.

Enacted provisions. Discretionary changes to mandatory accounts will be scored to the appropriations bill at the time of enactment. However, budgets transmitted subsequent to enactment will return to showing the accounts as entirely mandatory in every year, and the mandatory estimates for those accounts will include any effect of the Appropriations Committee action. If appropriate, the discretionary spending limits will be adjusted to capture the effects (if any) of the appropriations committee action.

Proposed provisions. Budget proposals for appropriations language changes to mandatory accounts will be scored as discretionary.

(f) Obligations.—Obligations reflect the amounts of orders placed, contracts awarded, services received, and similar actions requiring payments. Obligations will be shown in the obligations by program activity section of program and financing schedules to reflect the level of program activity. The total of such obligations in any year is financed by budgetary resources. Obligations reflected in the budget will conform with applicable provisions of law and will be supported by the documentary evidence required by 31 U.S.C. 1501. Unliquidated obligations should be reviewed regularly and those not likely to require payment should be deobligated.

(g) Outlays.—Outlays are the measure of Government spending. They are payments to liquidate obligations (other than the repayment of debt), net of refunds and offsetting collections. They are recorded when obligations are paid, in the amount that is paid. Outlays usually are in the form of cash; however, outlays also are recorded when cash-equivalents are used to liquidate obligations (see section 14.2(c)). Outlays are stated both gross and net of offsetting collections for an account, but totals are only stated net. Outlays during a fiscal year may be for the payment of obligations incurred in prior years or in the same year. Outlays, therefore, flow in part from unexpended balances of prior year budget authority and in part from budget authority provided for the year in which the money is spent.

Outlays are recorded for the subsidy cost of direct loans and loan guarantees as the underlying loans are disbursed (see section 33). Other cash flows associated with direct loans and loan guarantees are not counted as outlays or collections. Interest on public issues of the public debt is recorded as an outlay on an accrual rather than a cash basis. Borrowing is not recorded as a receipt because it is a means of financing outlays. Since borrowing is not a receipt, it follows that repayment of borrowing is not an outlay. Certain other payments (e.g., disbursements from deposit funds, which are moneys that are on deposit with the Government but that are not owned by the Government) are not counted as outlays.

Outlays for the past year must agree with amounts reported in the Department of the Treasury's Annual Report unless an exception is requested by the agency and approved by OMB.

(h) Reappropriations.—The budget will show the funds that are affected by a reappropriation as expiring in the year the amounts expired or would otherwise expire under their original availability. The amounts shown as expired will be excluded from the balances carried forward to the following year. New budget authority in the same amount will be shown in the first year of the extended availability, which is usually the fiscal year following the year in which the amounts would otherwise lapse.

(i) Refunds.—Refunds that are received by an expenditure account in the *same fiscal year* during which the obligation for the refund is recorded will be netted against obligations without further identification in the budget schedules, thereby reducing both obligations and outlays for that year.

The treatment of refunds that pertain to obligations recorded *in previous fiscal years* will depend on the availability of the appropriation from which the obligation was originally incurred.

—If the appropriation from which the obligation was originally incurred is *still available for new obligations,* then the refund will be recorded as an offsetting collection credited to the account.

—If the appropriation from which the obligation was originally incurred has *expired but is not yet canceled,* then the refund will be recorded as an adjustment to the expired account.

—If the appropriation from which the obligation was originally incurred *has been canceled,* then the refund is to be credited to miscellaneous receipts.

Refunds paid by an expenditure account will be shown as an obligation and an outlay in the account making the payment. Refunds of receipts that result from overpayments (such as income taxes withheld in excess of tax liabilities) are recorded as reductions of receipts, rather than as outlays. However, payments to taxpayers for the credits (such as earned income tax credits) that exceed the taxpayer's tax liability are recorded as outlays.

(j) Reimbursable obligations.—Reimbursable obligations are those financed by spending authority from offsetting collections credited to an expenditure account in payment for goods and services provided by the account. Reimbursable obligations also include jointly-funded projects to carry out grant programs or other projects of common interest that are supported by more than one Federal agency.

Reimbursable obligations *include:*

—revolving fund obligations; and

—obligations financed by:

(1) payments from non-Federal sources for goods and services; and

(2) expenditure transfers from Federal sources for goods and services.

Reimbursable obligations *do not include:*

—obligations of credit program and liquidating accounts;

—obligations financed by budget authority from sources other than offsetting collections;

—obligations financed by spending authority from loan principal repayments or proceeds of asset sales;

—obligations financed by certain offsetting collections including:

(1) interest on Federal securities;

(2) interest on uninvested funds;

(3) offsetting governmental collections (i.e., compulsory collections from the public, such as tax receipts, compulsory user charges, customs duties, license fees)

(4) expenditure transfers from Federal accounts that are not payments for goods and services, such as legislated transfers of budget authority between Federal and trust fund accounts.

(k) Rescissions.— Enacted rescissions are reflected in the regular budget schedules. Proposed rescissions are displayed in separate budget schedules (see section 32.8(b)).

For special fund accounts, rescinded amounts may either revert to the special fund receipt account or be permanently withdrawn. As a general rule, when amounts are rescinded from an annually appropriated special fund account, the rescinded amounts are returned to the receipt account and can be made available for obligation through subsequent appropriations action. When amounts are rescinded from a permanently appropriated special fund account, the rescinded amounts are withdrawn and returned to the General Fund of the Treasury.

(l) Transfers.—Transfers of budgetary resources from one account to another must be authorized in law. The nature of the transfer—expenditure or nonexpenditure—determines how the transfer is recorded in the budget. Agencies will ensure that transfers are reported consistently by all parties to the transaction.

Expenditure transfers—Where the purpose of the transfer is to purchase goods or services or otherwise benefit the transferring account, the transfer will be recorded as an obligation and an outlay in the transferring account and an offsetting collection in the receiving account (see section 14.2(d)). If the receiving account is a general fund appropriation account or a revolving fund account, the offsetting collection will be credited to the appropriation or fund account. If the receiving account is a special fund or trust fund account, the offsetting collection usually will be credited to a receipt account of the fund. All transfers between Federal funds (general, special, and revolving funds) and trust funds are treated as expenditure transfers, except that amounts borrowed by trust funds from the general fund and repayments of outstanding principal by trust funds to the general fund are treated as nonexpenditure transfers. Trust fund borrowing includes repayable advances from the general fund to trust funds.

Reimbursement between two accounts for goods or services is an expenditure transfer, with an obligation and an outlay in the account making the payment and a collection credited to the performing account. Such collections will be shown in the schedules for the appropriation or fund account to which they apply and will represent amounts that have been, or will be, credited to that account when received.

Nonexpenditure transfers.—The law authorizing a nonexpenditure transfer should be carefully reviewed to determine whether the purpose is to shift budgetary resources, to reflect the transfer of an activity, or to establish an allocation. Where the purpose of the transfer is to shift budgetary resources from one purpose to another (e.g., to fund pay raises) or to reflect the transfer of an activity (e.g., reorganization transfers), the transfer will be recorded as an adjustment to budget authority or balances in both accounts, rather than an obligation and outlay in the transferring account and a corresponding offsetting collection in the receiving account.

If a transfer of budget authority occurs in the same year in which the authority becomes available, the transfer will always be shown as an adjustment to budget authority in both accounts.

If the transfer involves balances of budget authority provided in a previous year, or other budgetary resources, but results from legislation which changes the purpose for which the resources are available, the transfer will also be shown as an adjustment to budget authority in both accounts. However, if a transfer of balances results from general transfer authority provided to an agency by Congress or reflects the transfer of an activity where the purpose has not changed, the transfer will be shown as an adjustment to balances in both accounts.

Nonexpenditure transfers also include allocations. Allocations are transfers of obligational authority from one agency or bureau to a transfer appropriation account that is established in another agency or bureau to carry out the purposes of the parent appropriation or fund. Such transfers are not adjustments to budget authority or balances of budget authority. Associated obligations and outlays are reflected in the budget schedules of the parent account (see section 11.5(e)). As a general rule, allocations should not be used where the nature of the transfer is a reimbursement, such as transactions under the Economy Act. In such cases, agencies should make expenditure transfers. Agencies should consult their OMB representative with questions concerning allocation accounts.

(m) Transfer in the estimates.—A transfer in the estimates indicates that an activity currently financed under one budget account is proposed to be financed under another account, beginning in the budget year. A transfer in the estimates is effected by reflecting the budget year estimate for the shifted activity in the appropriation account to which the transfer is proposed, and by eliminating that budget year estimate from the appropriation account from which the activity is being transferred. A proposal for a transfer in the estimates requires advance approval by OMB (see section 11.6).

Use of a transfer in the estimates may arise out of a need to consolidate appropriations, distribute the financing of activities between two or more accounts, or transfer the financing of an activity from one account to another in the budget year. A transfer in the estimates is to be distinguished from a transfer of funds by which money available under one appropriation title is moved to another. A transfer in the estimates will be identified in a note following the program and financing schedules of the losing and gaining accounts (see section 32.8(c)).

14.3. Investments in securities and disinvestment.

The budget treatment for investments in securities and their disinvestment depends on whether the securities are U.S. or non-U.S. securities. U.S. securities include public debt securities issued by the Treasury Department and securities issued by other Federal agencies. They exclude securities issued by non-Federal entities (including Government-sponsored enterprises), regardless of whether the securities are federally guaranteed.

(a) Non-U.S. securities.—Budget authority must be available and outlays will be recorded when the Government invests in non-U.S. securities (equity or debt securities) in an amount equal to the purchase price. Interest is recorded as offsetting collections or receipts on a cash basis. When a security is sold, the budget records offsetting collections or receipts equal to the sales proceeds.

(b) U.S. securities.—Because U.S. securities are the equivalent of cash for budget purposes, investment and disinvestment of these securities are recorded as a change in the mix of assets held.

Principal.—When funds are invested in a U.S. security, the principal transaction is treated as an asset exchange, i.e., no obligation or outlay is recorded, and the total level of fund balances does not change as result of the principal transaction.

(1) *Program and financing schedules.*—Entries for balances in the program and financing schedules (MAX schedule P) no longer distinguish between uninvested amounts and holdings in U.S. securities. As a result, while the mix of assets changes, the amount of fund balances reported in MAX schedule P will not change. Total unobligated and obligated balances reported in this schedule should represent the corresponding balances available for obligation, i.e., cash balances, plus investments at par, plus unrealized discounts, which are recorded as negative amounts, even though these amounts are not separately identified. New memorandum entries at the end of the program and financing schedules are used to report the start and end of year balances of total investments in U.S. securities at par value for PY through BY.

(2) ***Status of funds schedules.***—Status of funds schedules (MAX schedule J) continue to distinguish between uninvested amounts and holdings in U.S. securities. In MAX schedule J, cash balances are reduced by the purchase price, and holdings of U.S. securities are increased by the par (face or nominal) value of the security acquired, adjusted for any discount as described below. When a U.S. security is sold or redeemed, holdings in U.S. securities are decreased by the par value and cash balances are increased by the sales price or redemption value of the security. Balances of U.S. securities will be recorded at par value. Where the securities were purchased at a discount, the total amount of the balances will be reduced by reporting the amount of the unrealized discounts separately as a negative amount (See purchase discount below.)

Interest, discounts, and premiums.—Interest, discounts, and premiums determine the earnings on the principal invested in U.S. securities. This section will describe first the general treatment of these transactions and then the specific treatment of each type of transaction.

Interest, earned discounts, and premiums will be recorded as increases and decreases, as appropriate, in the receipts of special and trust funds or in offsetting collections credited to appropriation or fund account (usually revolving funds, including trust revolving funds).

For special and trust funds, these adjustments will affect the amount of receipts available for appropriation for those funds where the receipts are subject to annual appropriation, or the amount of budget authority becoming available in the year for those funds where the receipts are permanently appropriated. For offsetting collections credited to appropriation or fund accounts, these adjustments will affect the amount of offsetting collections reported for the year.

Interest, earned discounts, and premiums will be combined and recorded on a net basis as interest on investments. Purchase discounts, which are not realized until a security matures or is sold, require the special treatment described below. Interest will be reported separately in the program and financing schedule; however unrealized discounts will be reflected (on lines 2140, 2440, 7240, 7440) without separate identification. Both interest and unrealized discounts will be reported separately in the status of funds schedule (section 36.5)

Interest.—The nominal or stated amount of interest received or estimated for the year will be recorded as an increase in the receipt account for interest (usually suffix .20) for a special or trust fund or as an increase in offsetting collections for interest credited to appropriations or fund accounts (line 88.20 on the program and financing schedule).

Accrued interest purchase.—Payments from a fund to the former owner of a purchased security for the amount of interest that has accrued to the owner but that will be received by the fund will be recorded as a decrease in the receipt account for interest (usually suffix .20) for a special or trust fund or a decrease in offsetting collections for interest credited to appropriations or fund accounts (line 88.20 on the program and financing schedule).

Purchase discount.—When a security is purchased for an amount less than the par value, the status of funds schedule will show a decrease in uninvested balances equal to the purchase price; an increase in balances of U.S. securities equal to the par value; and the difference between the purchase price and the par value as unrealized discounts.

When the security matures, uninvested balances in the status of funds schedule will be increased by the amount of the par value of the maturing security (unless the proceeds are reinvested during the year), the balance entries for unrealized discounts will be reduced by the amount of the discount at purchase, and receipts or offsetting collections will be increased.

Purchase premium.—When a security is purchased for an amount greater than the par value, the difference will be recorded as a decrease in the receipt account for interest (usually suffix .20) for a special or trust fund or a decrease in offsetting collections for interest credited to appropriations or fund accounts (line 88.20 on the program and financing schedule).

Sales discount.—When a security is sold for an amount less than the par value, the difference between the purchase price and the sales price will be recorded as an increase if it is a gain and a decrease if it is a loss in the receipt account for interest (usually suffix .20) in a special or trust fund or in offsetting collections for interest credited to appropriations or fund accounts (line 88.20 on the program and financing schedule).

Sales premium.—When a security is sold for an amount greater than the par value, the difference between the purchase price and the sales price will be recorded as an increase if it is a gain and a decrease if it is a loss in the receipt account for interest (usually suffix .20) for a special or trust fund or in offsetting collections for interest credited to appropriations or fund accounts (line 88.20 on the program and financing schedule).

Alternative guidance will be specified by OMB for certain accounts where these rules may result in significant distortions of amounts presented in the budget.

Amortized discounts and premiums.—For purposes of financial reporting, purchase discounts and premiums are amortized over the life of the security. On the statement of operations, the amortized portions of discounts and premiums are recorded as revenue or adjustments to revenue. On the balance sheet, the balance of unamortized discounts or premiums are recorded as an adjustment to the par value of the security (see section 36.3).

(c) Differences between Treasury balances and balances in the budget.—Although the amounts related to investments must be consistent, certain differences in availability of receipts with current, definite appropriations must be recognized in reconciling the amounts.

The receipts of some special and trust funds, by law, are available to incur obligations for program purposes only to the extent provided in annual appropriations acts. However, if the law authorizes such funds to be invested, the Treasury Department records such receipts as appropriated in the year received and subsequently as unexpended balances of appropriations. Since such appropriations do not provide budget authority (authority to incur obligations), those amounts will not be reported in program and financing schedules. However, they will be included with the other amounts reported as unavailable collections in the special schedule required under section 36.6 but will not be identified separately.