

21. OFF-BUDGET FEDERAL ENTITIES AND NON-BUDGETARY ACTIVITIES

The budget does not include some activities of the Federal Government that result in spending similar to budget outlays. These activities nevertheless channel economic resources toward particular uses in ways that are similar or analogous to budget spending. The budget also does not include some activities that are related to the Government but are non-budgetary by their inherent nature, either because they are not activities of the Government itself or because the transactions are not costs to the Government. Nevertheless, many of these activities are discussed in the budget documents, and in some cases the amounts of spending are presented together with budget data.

Off-budget Federal entities.—The Federal Government has used the unified budget concept as the foundation for its budgetary analysis and presentation since the 1969 budget. This concept was developed by the President's Commission on Budget Concepts in 1967. It calls for the budget to include all the Federal Govern-

ment's programs and all the fiscal transactions of these programs with the public.

Every year since 1971, however, one or more Federal entities have been off-budget. Off-budget Federal entities are federally owned and controlled, but their transactions are excluded from the budget totals by law. When a Federal entity is off-budget, its receipts, outlays, and deficit or surplus are not included in budget receipts, budget outlays, or the budget deficit or surplus; and its budget authority is not included in the totals of budget authority for the budget. The off-budget Federal entities conduct programs of the same type as on-budget entities (i.e., Federal entities included in the budget totals). Most of the tables in the budget include the on-budget and off-budget amounts in combination, or add them together to arrive at the unified or consolidated Government totals, in order to show Federal outlays and receipts comprehensively.

The off-budget Federal entities currently consist of the two social security trust funds, old-age and survivors insurance and disability insurance, and the Postal

TABLE 21-1. COMPARISON OF TOTAL, ON-BUDGET, AND OFF-BUDGET TRANSACTIONS ¹

Fiscal Year	Receipts			Outlays			Surplus or deficit (-)		
	Total	On-budget	Off-budget	Total	On-budget	Off-budget	Total	On-budget	Off-budget
1975	279.1	216.6	62.5	332.3	271.9	60.4	-53.2	-55.3	2.0
1976	298.1	231.7	66.4	371.8	302.2	69.6	-73.7	-70.5	-3.2
TQ	81.2	63.2	18.0	96.0	76.6	19.4	-14.7	-13.3	-1.4
1977	355.6	278.7	76.8	409.2	328.5	80.7	-53.7	-49.8	-3.9
1978	399.6	314.2	85.4	458.7	369.1	89.7	-59.2	-54.9	-4.3
1979	463.3	365.3	98.0	504.0	404.1	100.0	-40.7	-38.7	-2.0
1980	517.1	403.9	113.2	590.9	476.6	114.3	-73.8	-72.7	-1.1
1981	599.3	469.1	130.2	678.2	543.1	135.2	-79.0	-74.0	-5.0
1982	617.8	474.3	143.5	745.8	594.4	151.4	-128.0	-120.1	-7.9
1983	600.6	453.2	147.3	808.4	661.3	147.1	-207.8	-208.0	0.2
1984	666.5	500.4	166.1	851.9	686.1	165.8	-185.4	-185.7	0.3
1985	734.1	547.9	186.2	946.4	769.6	176.8	-212.3	-221.7	9.4
1986	769.2	569.0	200.2	990.5	807.0	183.5	-221.2	-238.0	16.7
1987	854.4	641.0	213.4	1,004.1	810.3	193.8	-149.8	-169.3	19.6
1988	909.3	667.8	241.5	1,064.5	861.8	202.7	-155.2	-194.0	38.8
1989	991.2	727.5	263.7	1,143.7	932.8	210.9	-152.5	-205.2	52.8
1990	1,032.0	750.3	281.7	1,253.2	1,028.1	225.1	-221.2	-277.8	56.6
1991	1,055.0	761.2	293.9	1,324.4	1,082.7	241.7	-269.4	-321.6	52.2
1992	1,091.3	788.9	302.4	1,381.7	1,129.3	252.3	-290.4	-340.5	50.1
1993	1,154.4	842.5	311.9	1,409.4	1,142.8	266.6	-255.0	-300.4	45.3
1994	1,258.6	923.6	335.0	1,461.7	1,182.4	279.4	-203.1	-258.8	55.7
1995	1,351.8	1,000.8	351.1	1,515.7	1,227.1	288.7	-163.9	-226.3	62.4
1996	1,453.1	1,085.6	367.5	1,560.5	1,259.6	300.9	-107.4	-174.0	66.6
1997	1,579.3	1,187.3	392.0	1,601.2	1,290.6	310.6	-21.9	-103.3	81.4
1998 estimate	1,657.9	1,241.9	416.0	1,667.8	1,348.1	319.7	-10.0	-106.3	96.3
1999 estimate	1,742.7	1,308.6	434.1	1,733.2	1,404.4	328.9	9.5	-95.7	105.3
2000 estimate	1,793.6	1,339.7	453.9	1,785.0	1,444.6	340.4	8.5	-104.9	113.5
2001 estimate	1,862.6	1,389.9	472.7	1,834.4	1,484.0	350.4	28.2	-94.1	122.3
2002 estimate	1,949.3	1,455.0	494.3	1,859.6	1,499.6	360.0	89.7	-44.6	134.4
2003 estimate	2,028.2	1,511.5	516.6	1,945.4	1,574.3	371.1	82.8	-62.8	145.5

¹ Off-budget transactions consist of the social security trust funds for all years and the Postal Service fund as of 1989.

Service fund. Social security was removed from the budget in 1985 and the Postal Service fund in 1989. The Budget Enforcement Act of 1990 excludes these entities from the deficit targets and other enforcement calculations except for the administrative expenses of social security. Other entities were off-budget at different times before 1986 but were moved onto the budget by subsequent laws.

The preceding table compares the total Federal Government receipts, outlays, and deficit or surplus with the amounts that are on-budget and off-budget. Social security is classified as off-budget for all years, in order to provide consistent comparison over time. The much smaller Postal Service transactions are classified as off-budget starting in 1989. Entities that were off-budget at one time but are now on-budget are classified as on-budget for all years.

In 1999 the off-budget receipts are an estimated 25 percent of total receipts, and the off-budget outlays are an estimated 19 percent of total outlays. The 1999 total surplus of \$9.5 billion consists of an off-budget surplus of \$105.3 billion and an on-budget deficit of \$95.7 billion. The off-budget surplus consists almost entirely of social security. It was small or even a deficit in the 1970s and early 1980s but then grew substantially to 1990. It has grown again since 1994 and is estimated to increase each year throughout the projection period.

Federal credit: budgetary and non-budgetary transactions.—The Federal Credit Reform Act of 1990 refined budget concepts by distinguishing between the costs of credit programs, which are budgetary in nature, and the other transactions of credit programs, which are not. For 1992 and subsequent years, the costs of direct loans and loan guarantees have been calculated as the present value of estimated cash outflows from the Government less the present value of estimated cash inflows to the Government. These costs are equivalent to the outlays of other Federal programs and are included in the budget as outlays of credit program accounts when the Federal Government makes a direct loan or guarantees a private loan. The cash transactions with the public—the disbursement and repayment of loans, the payment of default claims on guarantees, the collection of interest and fees, and so forth—are recorded in separate financing accounts. The transactions of the financing accounts are not costs to the Government above and beyond those costs that are already included in the credit program accounts. Therefore, they are non-budgetary in concept, and the Act excludes them from the budget.¹ Because the financing accounts are non-budgetary in concept, they are not classified as off-budget Federal entities.

The budget outlays of credit programs thus reflect only the cost of Government decisions, and they reflect this cost when the Federal credit assistance is provided. This enables the budget to better fulfill its purpose of being a financial plan for allocating resources among alternative uses: comparing the cost of a program with

its benefits, comparing the cost of credit programs with the cost of other spending programs, and comparing the cost of one type of credit assistance with the cost of another type. Since the financing accounts do affect the Government's cash position, they add to the Government's borrowing requirement or finance part of the deficit as explained in chapter 13 of this volume, "Federal Borrowing and Debt."²

Federal insurance.—Insurance programs have economic effects and pose financial risks to the Government, but under present budgetary accounting they do not result in budget outlays until an insured event occurs and the Government pays a claim. In this respect their budgetary treatment is similar to the treatment of loan guarantees before the Credit Reform Act. Insurance programs are discussed in chapter 8, "Underwriting Federal Credit and Insurance."

Deposit funds.—Deposit funds are non-budgetary accounts that record amounts held by the Government temporarily until ownership is determined (such as earnest money paid by bidders for mineral leases) or held by the Government as an agent for others (such as State income taxes withheld from Federal employees' salaries). The largest deposit fund is the Thrift Savings Fund, which holds stocks and bonds for Federal employees who participate in the Thrift Savings Plan, a defined contribution retirement plan. Because these assets are the property of the employees and are held by the Government in a fiduciary capacity, the transactions of the fund are not transactions of the Government itself and therefore are inherently non-budgetary. The administrative costs and the transactions of budgetary accounts with the fund are included in the budget. Deposit funds are further discussed in a section of chapter 24, "Budget Systems and Concepts and Glossary."

Government-sponsored enterprises.—The Federal Government has established a number of Government-sponsored enterprises, such as the Federal National Mortgage Association, to provide financial intermediation for specified purposes. They are excluded from the budget on the grounds that they are privately owned and controlled. However, because of their close relationship to the Federal Government, detailed estimates of their activities are reported in a separate chapter of the budget appendix and an assessment of the risk they pose to the Government is presented in chapter 8, "Underwriting Federal Credit and Insurance."

¹For more explanation of the budget concepts for direct loans and loan guarantees, see the section on Federal credit in chapter 24 of this volume, "Budget System and Concepts and Glossary." The structure of credit reform is further explained in chapter VIII.A of the *Budget, Fiscal Year 1992*, Part Two, pp. 223–26. The implementation of credit reform through 1995 is reviewed in chapter 8, "Underwriting Federal Credit and Insurance," *Analytical Perspectives, Budget of the United States Government, Fiscal Year 1997*, pp. 142–44. Recent simplifications enacted by the Balanced Budget Act of 1997 or provided by OMB guidance are explained briefly in Part I of chapter 8 of this volume, "Underwriting Federal Credit and Insurance."

²See sec. 505(b).

Taxation and tax expenditures.—Taxation provides the Government with income, which is included in the budget as “receipts” and which withdraws purchasing power from the private sector in order to finance Government expenditure. In addition to this primary effect, taxation has important effects on the allocation of resources among private uses and the distribution of income among individuals. These effects are caused by the choice of taxes used to collect receipts and by the rates and other structural characteristics of each tax. These latter effects of taxation on resource allocation and income distribution are analogous to the effects of outlays, but they are not recorded as outlays nor are they measured by receipts. Some of these effects arise from revenue losses caused by special exclusions, exemptions, deductions, and other special provisions. Such revenue losses are defined as “tax expenditures” and are discussed in chapter 5 of this volume, “Tax Expenditures.” Tax expenditures are also discussed in the individual chapters of Section VI of the *Budget*, “Investing in the Common Good: What the Federal Government Does,” in conjunction with the outlays that serve the same function.

Regulation.—Some types of regulation have economic effects that are similar to budget outlays by requiring the private sector to make expenditures for specified purposes such as safety and pollution control. The regulatory planning process is described annually

in *The Regulatory Plan and the Unified Agenda of Federal Regulatory and Deregulatory Actions*.³ In 1996 the Office of Management and Budget published a report, *More Benefits, Fewer Burdens*, that documented efforts in this Administration since the President issued Executive Order No. 12866 to develop better new regulations, to change the face of existing regulations, and to change the culture of the regulatory system.⁴

Last fall the Office of Management and Budget published a report on the costs and benefits of Federal regulation that discussed the development of the regulatory system and regulatory analysis, estimated the total annual costs and benefits of Federal regulatory programs, estimated the costs and benefits of recent major rules, and recommended ways to improve regulatory programs.⁵ Section VI of the *Budget*, “Investing in the Common Good: What the Federal Government Does,” has a separate chapter that summarizes this report’s estimates and conclusions on the costs and benefits of Federal regulation. Information on regulation is also included in the other chapters of Section VI in conjunction with the outlays and tax expenditures that serve the same function.

³The most recent publication was issued by the Regulatory Information Service Center in October 1997 (and printed in the Federal Register of October 29, 1997).

⁴Office of Information and Regulatory Affairs, Office of Management and Budget, *More Benefits, Fewer Burdens: Creating a Regulatory Systems that Works for the American People* (December 1996).

⁵Office of Information and Regulatory Affairs, Office of Management and Budget, *Report to Congress on the Costs and Benefits of Federal Regulation* (September 30, 1997).