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

The budget does not include some activities of the Federal Government that result in the same kind of spending as budget outlays. These activities nevertheless channel economic resources toward particular uses in the same way as budget spending. They are discussed in the following section on off-budget Federal entities.

The budget also does not include some activities that are related to the Federal Government but that are non-budgetary by their inherent nature. In some cases this is because they are not activities of the Government itself, and in other cases this is because the transactions are not costs to the Government. Nevertheless, many of these activities are discussed in the budget documents, and in some cases the amounts involved are presented together with budget data. They are discussed in the section of this chapter on non-budgetary activities.

Off-Budget Federal Entities

The Federal Government has used the unified budget concept as the foundation for its budgetary analysis and presentation since the 1969 budget. This concept was developed by the President's Commission on Budget Concepts in 1967. It calls for the budget to include all the Federal Government's programs and all the fiscal transactions of these programs with the public.

Every year since 1971, however, at least one Federal entity has been off-budget. Off-budget Federal entities are federally owned and controlled, but their transactions are excluded from the budget totals by law. When a Federal entity is off-budget, its receipts, outlays, and surplus or deficit are not included in budget receipts, budget outlays, or the budget surplus or deficit; and its budget authority is not included in the totals of budget authority for the budget. The Budget Enforcement Act of 1990 excludes these entities from general enforcement provisions (except for the administrative expenses of Social Security), although it has special enforcement provisions for Social Security.

The off-budget Federal entities conduct programs of the same type as the on-budget entities (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, 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 Service fund. Social Security was removed from the budget in 1985 and the Postal Service fund in 1989. A number of other entities were off-budget at different times before 1986 but were moved onto the budget by law as of 1986 or earlier.

The following table divides the total Federal Government receipts, outlays, and surplus or deficit for years before 2001 between the on-budget and off-budget amounts. Beginning in 2001, it also shows the effect of the Administration's proposal to reserve part of the on-budget surplus for Medicare solvency and for catastrophic prescription drug coverage. These amounts will not be available for spending under the budget resolution or on the PAYGO scorecard. They will be available only for debt reduction, pending their use for Medicare or the catastrophic prescription drug program. The difference between on-budget receipts and on-budget outlays in this table is therefore divided between the on-budget surplus and the Medicare Solvency Debt Reduction Reserve.[1]

Within this table Social Security is classified as off-budget for all years, in order to provide consistent comparison over time. The much smaller Postal Service transactions are classified as off-budget starting in 1989. Entities that were off-budget at one time but are now on-budget are classified as on-budget for all years.

In 2001, 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 off-budget surplus of $160 billion accounts for most of the unified budget surplus of $184 billion. The off-budget surplus consists almost entirely of Social Security. Social Security had a small surplus or even a deficit in the 1970s and early 1980s, but the surplus has grown by very large amounts and is estimated to increase each year throughout the projection period. By 2010 the off-budget surplus of $272 billion is still the major part of the unified budget surplus of $363 billion.

Non-Budgetary Activities

Federal credit: budgetary and non-budgetary transactions.—The Federal Credit Reform Act of 1990 refined budget concepts by distinguishing between the costs of credit programs, which are budgetary in nature, and the other transactions of credit programs, which are not. For 1992 and subsequent years, the costs of direct loans and loan guarantees 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

[1] This proposal is part of a broader budget framework proposal discussed in chapter 13, "Preview Report."

TABLE 19–1. COMPARISON OF TOTAL, ON-BUDGET, OFF-BUDGET, AND MEDICARE SOLVENCY TRANSACTIONS [1]

(In billions of dollars)

Fiscal Year	Receipts			Outlays			Surplus or deficit (–)			
	Total	On-budget	Off-budget	Total	On-budget	Off-budget	Total	On-budget	Off-budget	Medicare Solvency
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	–185.6	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	1,409.5	1,142.9	266.6	–255.1	–300.5	45.3	....
1994	1,258.6	923.6	335.0	1,461.9	1,182.5	279.4	–203.3	–258.9	55.7	....
1995	1,351.8	1,000.8	351.1	1,515.8	1,227.2	288.7	–164.0	–226.4	62.4	....
1996	1,453.1	1,085.6	367.5	1,560.6	1,259.7	300.9	–107.5	–174.1	66.6	....
1997	1,579.3	1,187.3	392.0	1,601.3	1,290.7	310.6	–22.0	–103.4	81.4	....
1998	1,721.8	1,306.0	415.8	1,652.6	1,336.0	316.6	69.2	–30.0	99.2	....
1999	1,827.5	1,383.0	444.5	1,703.0	1,382.3	320.8	124.4	0.7	123.7	....
2000 estimate	1,956.3	1,479.5	476.8	1,789.6	1,460.6	328.9	166.7	18.9	147.8	....
2001 estimate	2,019.0	1,519.1	499.9	1,835.0	1,494.8	340.3	184.0	9.0	159.6	15.4
2002 estimate	2,081.2	1,559.0	522.2	1,895.3	1,545.2	350.2	185.9	1.2	172.1	12.6
2003 estimate	2,147.5	1,603.2	544.2	1,962.9	1,602.9	359.9	184.6	0.3	184.3	....
2004 estimate	2,236.1	1,669.4	566.7	2,041.1	1,669.1	372.0	195.0	0.3	194.6	....
2005 estimate	2,340.9	1,742.3	598.6	2,125.5	1,740.5	384.9	215.4	1.8	213.7	....
2006 estimate	2,440.3	1,817.3	623.0	2,184.7	1,785.9	398.8	255.6	1.4	224.2	30.0
2007 estimate	2,558.8	1,906.3	652.5	2,267.0	1,853.2	413.8	291.8	1.1	238.7	52.0
2008 estimate	2,676.0	1,995.6	680.4	2,361.9	1,931.7	430.2	314.1	0.1	250.2	63.8
2009 estimate	2,785.2	2,076.7	708.6	2,456.1	2,007.1	449.0	329.1	0.1	259.6	69.4
2010 estimate	2,916.7	2,173.8	742.9	2,553.4	2,082.7	470.6	363.3	0.2	272.3	90.8

[1] Off-budget transactions consist of the social security trust funds for all years and the Postal Service fund as of 1989. The Medicare Solvency Debt Reduction Reserve consists of Medicare solvency transfers and reserve for catastrophic prescription drug coverage.

loan or guarantees a private loan. The complete cash transactions with the public—the disbursement and repayment of loans, the payment of default claims on guarantees, the collection of interest and fees, and so forth—are recorded in separate financing accounts. The transactions of the financing accounts are not costs to the Government except for 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.[2] Because the financing accounts are non-budgetary in concept, they are not classified as off-budget Federal entities.

The budget outlays of credit programs thus reflect only the cost of Government credit decisions, and they reflect this cost when the Federal credit assistance is provided. This enables the budget to fulfill better its purpose of being a financial plan for allocating resources among alternative uses: comparing the cost of a program with its benefits, comparing the cost of credit programs with the cost of other spending programs, and comparing the cost of one type of credit assistance with the cost of another type. Because the financing accounts do affect the Government's cash position, they change the amount of the Government's borrowing requirement or debt repayment as explained in chapter 12 of this volume, "Federal Borrowing and Debt."[3]

Credit programs are discussed in chapter 8 of this volume, "Federal Credit and Insurance."

Premiums and discounts on debt buybacks.—The Treasury Department plans to buy back outstanding

[2] See sec. 505(b).

[3] For 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. Refinements and simplifications enacted by the Balanced Budget Act of 1997 or provided by later OMB guidance are explained briefly in chapter 8, "Underwriting Federal Credit and Insurance," *Analytical Perspectives, Budget of the United States Government, Fiscal Year 1999*, p. 170.

notes and bonds as part of its efforts to manage the reduction of the publicly held debt. The premiums and discounts on debt buybacks will be recorded outside the budget totals as a "means of financing other than borrowing from the public." This is discussed in a section of chapter 24, "Budget System and Concepts and Glossary."

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

Beginning in fiscal year 2000, the Federal budget excludes funds that are owned by Indian tribes and held and managed by the Government in a fiduciary capacity on the tribes' behalf. The Indian tribal funds were included in the budget from the adoption of the unified budget in 1969 through fiscal year 1999 under the generic title, "tribal trust funds." Most of these funds, however, are owned by Indian tribes and held and managed by the Government in a fiduciary capacity on the tribes' behalf. Therefore, the transactions of these funds are not transactions of the Government itself and are non-budgetary in concept, like the transactions of the Thrift Savings Fund. The Indian tribal funds with these characteristics have been reclassified as deposit funds. Reclassification does not affect the ownership of the fund assets, the legal obligations of the Secretary of the Interior, or the Federal management of the funds as prescribed by current law. The change in classification is discussed in chapter 15, "Trust Funds and Federal Funds." Deposit funds as such are further discussed in a section of chapter 24, "Budget System and Concepts and Glossary."

Taxation and tax expenditures.—Taxation provides the Government with income, which is included in the budget as "receipts," and which withdraws purchasing power from the private sector to finance Government expenditure. In addition to this primary 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 composition of the Federal tax system, and by the rates and other structural characteristics of each Federal tax. These last 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 last effects, but not all, arise from revenue losses caused by special exclusions, exemptions, deductions, and similar provisions as identified by comparison of the tax law with a baseline. Revenue losses caused by these special provisions 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 V of the Budget, "Improving Government Performance," in conjunction with the outlays that serve the same major purposes.

Government-sponsored enterprises.—The Federal Government has established a number of Government-sponsored enterprises, such as the Federal National Mortgage Association and the Farm Credit Banks, to provide financial intermediation for specified public purposes. They are excluded from the budget because they are privately owned and controlled. However, primarily because they were established by the Federal Government for public-policy purposes, estimates of their activities are reported in a separate chapter of the budget *Appendix*, their activities are analyzed in chapter 8 of this volume, "Credit and Insurance," and their lending and borrowing are summarized in tables 8–11 and 8–12 of that chapter.

Regulation.—Some types of regulation have economic effects that are similar to budget outlays by requiring the private sector to make expenditures for specified purposes, such as safety and pollution control. The regulatory planning process is described annually in *The Regulatory Plan and the Unified Agenda of Federal Regulatory and Deregulatory Actions.*[4] In 1996 the Office of Management and Budget published a report, *More Benefits, Fewer Burdens*, that documented efforts by this Administration to develop better new regulations, to change the face of existing regulations, and to change the culture of the regulatory system.[5]

In the fall of 1997 the Office of Management and Budget published a report on the costs and benefits of Federal regulation. That report 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.[6] It was updated with new data and information last year[7] and will be updated again in a report being published early this year.

[4] The most recent publication was issued by the Regulatory Information Service Center in October 1999 (and printed in the Federal Register of November 22, 1999).

[5] Office 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).

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

[7] Office of Information and Regulatory Affairs, Office of Management and Budget, *Report to Congress on the Costs and Benefits of Federal Regulation* (1998).