

20. RELATIONSHIP OF BUDGET AUTHORITY TO OUTLAYS

Budget authority is the authority for Federal agencies to enter into obligations that will result in immediate or future outlays.¹ Budget authority is provided in laws, and Federal agencies cannot obligate the Government to make outlays until budget authority is provided. New budget authority for most Federal programs is provided in 13 annually enacted appropriations acts. However, new budget authority for more than half of all outlays is made available through permanent appropriations under existing laws. This consists mainly of budget authority for trust funds, which for most trust funds is automatically appropriated under existing law from the available balance of their receipts and equals the estimated annual obligations of the funds; interest on the public debt, for which budget authority is automatically provided under a permanent appropriation enacted in 1847 and equals interest outlays; and the authority to spend offsetting collections credited to appropriation or fund accounts.

Not all of the new budget authority for 1998 will be obligated or spent in 1998:²

- Budget authority for most trust funds comes from the authority of these funds to spend their receipts (limited, in most cases, by the estimated obligations). Any unexpended balances remain available to these trust funds indefinitely in order to finance benefits and other purposes specified by law.
- Budget authority for most major construction and procurement projects covers the entire cost estimated when the projects are initiated, even though work will take place and outlays will be made over a period extending beyond the year for which the budget authority is enacted.
- Until recent years, budget authority for large portions of the subsidized housing programs was equal to the Government's estimated obligation to pay subsidies under contracts, which extended for periods of up to 40 years; these contracts are now

for one year only and the budget authority requirements are therefore now appropriated year-by-year.

- New budget authority for most other long-term contracts covers the estimated maximum obligation of the Government.
- Budget authority for most education and job training activity is appropriated for school or program years that begin in the fourth quarter of the fiscal year. Most of these funds result in outlays in the year after the year of appropriation.
- Government enterprises are occasionally given budget authority for standby reserves that will be used only in special circumstances.

As a result of these factors, a substantial amount of budget authority carries over from one year to the next. Most of this is earmarked for specific uses and is not available for new programs. A small part may never be obligated or spent, primarily the amount for contingencies that do not occur or reserves that never have to be used.

As shown in the following chart, \$353 billion of the outlays in 1998 (21 percent of the total) will be made from budget authority enacted in previous years. At the same time, \$375 billion of the new budget authority proposed for for 1998 (22 percent of the total amount proposed) will not lead to outlays until future years. Although outlays in 1998 are, coincidentally, very nearly equal to budget authority for that year (98.7 percent), this coincidence only occurs because the prior-year authority that will produce 1998 outlays (\$353 billion) nearly equals the new 1998 authority that will not be spent until future years (\$375 billion). Thus, in general, the total budget authority for a particular year is not directly indicative of that year's outlays, since it combines various types of budget authority that have different short-term and long-term implications for budget obligations and outlays.

¹For most budget accounts, the relationship of budget authority, obligations, and outlays is shown in a "program and financing" schedule in the budget *Appendix* volume.

²This subject is also discussed in a separate OMB report, "Balances of Budget Authority,"

which can be purchased from the National Technical Information Service shortly after the budget is transmitted.

Chart 20-1. RELATIONSHIP OF BUDGET AUTHORITY TO OUTLAYS FOR FY 1998

(Dollars in billions)

