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INTRODUCTION

STRUCTURE, COVERAGE AND CONCEPTS

Historical Tables provides a wide range of data on Federal Government finances. Many of the data series begin in 1940 and include estimates of the President's budget for 2007–2013. Additionally, Table 1.1 provides data on receipts, outlays, and surpluses or deficits for 1901–1939 and for earlier multi-year periods.

Structure

This document is composed of 17 sections, each of which has one or more tables. Each section covers a common theme. Section 1, for example, provides an overview of the budget and off-budget totals; Section 2 provides tables on receipts by source; and Section 3 shows outlays by function. When a section contains several tables, the general rule is to start with tables showing the broadest overview data and then work down to more detailed tables. The purpose of these tables is to present a broad range of historical budgetary data in one convenient reference source and to provide relevant comparisons likely to be most useful. The most common comparisons are in terms of proportions (e.g., each major receipt category as a percentage of total receipts and of the gross domestic product).

Section notes explain the nature of the activities covered by the tables in each section. Additional descriptive information is also included where appropriate. Explanations are generally not repeated, but there are occasional cross-references to related materials.

Because of the numerous changes in the way budget data have been presented over time, there are inevitable difficulties in trying to produce comparable data to cover many years. The general rule is to provide data in as meaningful and comparable a fashion as possible. To the extent feasible, the data are presented on a basis consistent with current budget concepts. When a structural change is made, insofar as possible the data are adjusted for all years.

One significant change made in the early 1990s concerns the budgetary treatment of Federal credit programs, which was changed by the Federal Credit Reform Act of 1990. Previously the budget recorded the cost of direct and guaranteed loans on a cash basis. Under credit reform, the budget only records budget authority and outlays for the subsidy cost of direct and guaranteed loans made in 1992 and subsequent years. The subsidy is defined as the net estimated cash flows to and from the Government over the life of the loan, discounted to the present. The cash transactions are recorded as a means of financing item. Because it was impossible to convert the pre-1992 loans to a credit reform basis, the data are on a cash basis for pre-1992 loans and on a credit reform basis for loans made in 1992 and subsequent years.

Coverage

The Federal Government has used the unified or consolidated budget concept as the foundation for its budgetary analysis and presentation since the 1969 budget. The basic guidelines for the unified budget were presented in the *Report of the President's Commission on Budget Concepts* (October 1967). The Commission recommended the budget include all Federal fiscal activities unless there were exceptionally persuasive reasons for exclusion. Nevertheless, from the very beginning some programs were perceived as warranting special treatment. Indeed, the Commission itself recommended a bifurcated presentation: a "unified budget" composed of an "expenditure account" and a "loan account." The distinction between the expenditure account and the loan account proved to be confusing and caused considerable complication in the budget for little benefit. As a result, this distinction was eliminated

starting with the 1974 budget. However, even prior to the 1974 budget, the Export-Import Bank had been excluded by law from the budget totals, and other exclusions followed. The structure of the budget was gradually revised to show the off-budget transactions in many locations along with the on-budget transactions, and the off-budget amounts were added to the on-budget amounts in order to show total Federal spending.

The Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99–177) repealed the off-budget status of all then existing off-budget entities, but it also included a provision moving the Federal old-age, survivors, and disability insurance funds (collectively known as Social Security) off-budget. To provide a consistent time series, the budget historical data show Social Security off-budget for all years since its inception, and show all formerly off-budget entities on-budget for all years. The Omnibus Budget Reconciliation Act of 1989 (OBRA 1989) moved the Postal Service fund off-budget, starting in fiscal year 1989. Again to provide a consistent time series, transactions of the Postal Service fund are shown off-budget beginning with its inception in 1972. The transactions of its predecessor, the Post Office Department, remain on-budget.

Though Social Security and the Postal Service are now off-budget, they continue to be Federal programs. Indeed, Social Security currently accounts for about one-fourth of all Federal receipts and over one-fifth of all Federal spending. Hence, the budget documents include these funds and focus on the Federal totals that combine the on-budget and off-budget amounts. Various budget tables and charts show total Federal receipts, outlays, and surpluses and deficits, and divide these totals between the portions that are on-budget and off-budget.

Changes in Historical Budget Authority, Outlays, Receipts and Deficits

This year's annual consultations with the Congress resulted in no reclassification of accounts or activities as to function or subfunction. Very minor (and, generally, offsetting) adjustments have been made to reflect corrections in agency reporting provided to the Treasury Department.

Note on the Fiscal Year

The Federal fiscal year begins on October 1 and ends on the subsequent September 30. It is designated by the year in which it ends; for example, fiscal year 2007 began on October 1, 2006, and ended on September 30, 2007. Prior to fiscal year 1977 the Federal fiscal years began on July 1 and ended on June 30. In calendar year 1976 the July-September period was a separate accounting period (known as the transition quarter or TQ) to bridge the period required to shift to the new fiscal year.

Concepts Relevant to the Historical Tables

Budget receipts constitute the income side of the budget; they are composed almost entirely of taxes or other compulsory payments to the Government. Any income from business-type activities (e.g., interest income or sale of electric power), and any income by Government accounts arising from payments by other Government accounts is offset against outlays, so that total *budget outlays* are reported net of offsetting collections. This method of accounting permits users to easily identify the size and trends in Federal taxes and other compulsory income, and in Federal spending financed from taxes, other compulsory income, or borrowing. *Budget surplus* refers to any excess of budget receipts over budget outlays, while *budget deficit* refers to any excess of budget outlays over budget receipts.

The terms *off-budget receipts, off-budget outlays, off-budget surpluses,* and *off-budget deficits* refer to similar categories for off-budget activities. The sum of the on-budget and off-budget transactions constitute the consolidated or total Federal Government transactions.

The budget is divided between two fund groups, Federal funds and trust funds. The Federal funds grouping includes all receipts and outlays not specified by law as being trust funds. All Federal funds are on-budget except for the Postal Service fund, which

is shown as off-budget starting with fiscal year 1972. All trust funds are on-budget, except the two Social Security retirement trust funds, which are shown off-budget for all years.

The term *trust fund* as used in Federal budget accounting is frequently misunderstood. In the private sector, "trust" refers to funds of one party held by a second party (the trustee) in a fiduciary capacity. In the Federal budget, the term "trust fund" means only that the law requires the funds be accounted for separately and used only for specified purposes and that the account in which the funds are deposited is designated as a "trust fund." A change in law may change the future receipts and the terms under which the fund's resources are spent. The determining factor as to whether a particular fund is designated as a "Federal" fund or "trust" fund is the law governing the fund.

The largest trust funds are for retirement and social insurance (e.g., civil service and military retirement, Social Security, Medicare, and unemployment benefits). They are financed largely by social insurance taxes and contributions and payments from the general fund (the main component of Federal funds). However, there are also major trust funds for transportation (highway and airport and airways) and for other programs financed in whole or in part by beneficiary-based, earmarked taxes.

Sometimes there is confusion between budget receipts and offsetting receipts and offsetting collections. Receipts are income that results from the Government's exercise of its sovereign power to tax, or otherwise compel payment, or from gifts of money to the Government. They are also called governmental receipts or budget receipts. Offsetting collections and offsetting receipts result from either of two kinds of transactions: business-like or market-oriented activities with the public and intragovernmental transactions, the receipt by one Government account of a payment from another account.

For example, the budget records the proceeds from the sale of postage stamps, the fees charged for admittance to recreation areas, and the proceeds from the sale of Government-owned land, as offsetting collections or offsetting receipts. An example of an intragovernmental transaction is the payments received by the General Services Administration from other Government agencies for the rent of office space. These are credited as offsetting collections in the Federal Buildings Fund. Offsetting collections and offsetting receipts are deducted from gross budget authority and outlays, rather than added to receipts. This treatment produces budget totals for receipts, budget authority, and outlays that represent governmental transactions with the public rather than market activity.

When funds are earmarked, it means the receipts or collections are separately identified and used for a specified purpose—they are not commingled (in an accounting sense) with any other money. This does not mean the money is actually kept in a separate bank account. All money in the Treasury is merged for efficient cash management. However, any earmarked funds are accounted for in such a way that the balances are always identifiable and available for the stipulated purposes.

HISTORICAL TRENDS

Because the *Historical Tables* publication provides a large volume and wide array of data on Federal Government finances, it is sometimes difficult to perceive the longer term patterns in various budget aggregates and components. To assist the reader in understanding some of these longer term patterns, this section provides a short summary of the trends in Federal deficits and surpluses, debt, receipts, outlays and employment.

Deficits and Debt.—As shown in Table 1.1, except for periods of war (when spending for defense increased sharply), depressions or other economic downturns (when receipts fell precipitously), the Federal budget was generally in surplus throughout most of the Nation's first 200 years. For our first 60 years as a Nation (through 1849), cumulative budget surpluses and deficits yielded a net surplus of $70 million. The Civil War, along with the Spanish-American War and the depression of the 1890s, resulted in a cumulative deficit totaling just under $1 billion during the 1850–1900 period. Between 1901 and 1916, the budget hovered very close to balance every year. World War I brought large deficits that totaled $23 billion over the 1917–1919 period. The budget was then in surplus throughout the 1920s. However, the combination of the Great Depression followed by World War II resulted in a long, unbroken string of deficits that were historically unprecedented in magnitude. As a result, Federal debt held by the public mushroomed from less than $3 billion in 1917 to $16 billion in 1930 and then to $242 billion by 1946. In relation to the size of the economy, debt held by the public grew from 16% of GDP in 1930 to 109% in 1946.

During much of the postwar period, this same pattern persisted—large deficits were incurred only in time of war (e.g., Korea and Vietnam) or as a result of recessions. As shown in Table 1.2, prior to the 1980s, postwar deficits as a percent of GDP reached their highest during the 1975–76 recession at 4.2% in 1976. Debt held by the public had grown to $477 billion by 1976, but, because the economy had grown faster, debt as a percent of GDP had declined throughout the postwar period to a low of 23.9% in 1974, climbing back to 27.5% in 1976. Following five years of deficits averaging 2.5% of GDP between 1977–1981, debt held by the public stood at 25.8% of GDP by 1981, only two percentage points higher than its postwar low.

The traditional pattern of running large deficits only in times of war or economic downturns was broken during much of the 1980s. In 1982, partly in response to a recession, large tax cuts were enacted. However, these were accompanied by substantial increases in defense spending. Although reductions were made to nondefense spending, they were not sufficient to offset the impact on the deficit. As a result, deficits averaging $206 billion were incurred between 1983 and 1992. These unprecedented peacetime deficits increased debt held by the public from $789 billion in 1981 to $3.0 trillion (48.1% of GDP) in 1992.

After peaking at $290 billion in 1992, deficits declined each year, dropping to a level of $22 billion in 1997. In 1998, the Nation recorded its first budget surplus ($69.3 billion) since 1969. As a percent of GDP, the budget bottom line went from a deficit of 4.7% in 1992 to a surplus of 0.8% in 1998, increasing to a 2.4% surplus in 2000. An economic slowdown began in 2001 and was exacerbated by the terrorists attacks of September 11, 2001. The deterioration in the performance of the economy together with income tax relief provided to help offset the economic slowdown and additional spending in response to the terrorist attacks produced a drop in the surplus to $128 billion (1.3% of GDP) in 2001 and a return to deficits ($158 billion, 1.5% of GDP) in 2002. These factors also contributed to the increase in the deficit in the following two years, reaching $413 billion (3.6% of GDP) in 2004. Strong economic growth in 2005 and 2006

produced a sharp increase in revenues, helping to reduce the deficit to $248 billion (1.9% of GDP) in 2006 and even further to $162 billion (1.2% of GDP) in 2007. Debt held by the public, which had peaked at 49.4% of GDP in 1993, fell to 33.0% by 2001 and increased thereafter, reaching 37.5% by 2005. The recent declines in the deficit have helped to reduce debt held by the public to 36.8% of GDP in 2007.

Receipts.—From the beginning of the Republic until the start of the Civil War, our Nation relied on customs duties to finance the activities of the Federal Government. During the 19th Century, sales of public lands supplemented customs duties. While large amounts were occasionally obtained from the sale of lands, customs duties accounted for over 90% of Federal receipts in most years prior to the Civil War. Excise taxes became an important and growing source of Federal receipts starting in the 1860s. Estate and gift taxes were levied and collected sporadically from the 1860s through World War I, although never amounting to a significant source of receipts during that time. Prior to 1913, income taxes did not exist or were inconsequential, other than for a brief time during the Civil War period, when special tax legislation raised the income tax share of Federal receipts to as much as 13% in 1866. Subsequent to the enactment of income tax legislation in 1913, these taxes grew in importance as a Federal receipts source during the following decade. By 1930, the Federal Government was relying on income taxes for 60% of its receipts, while customs duties and excise taxes each accounted for 15% of the receipts total.

During the 1930s, total Federal receipts averaged about 5% of GDP. World War II brought a dramatic increase in receipts, with the Federal receipts share of GDP peaking at 20.9% in 1944. The share declined somewhat after the war and has remained between 16%–20% of GDP during most of this time. In recent years, receipts have increased as a share of GDP—from 17.5% in 1992 to 20.9% in 2000, dropping back to 16.4% in 2004 before increasing to 18.5% in 2006 and 18.8% in 2007. There have been some significant shifts during the postwar period in the underlying sources or composition of receipts.

The increase in taxes needed to support the war effort in the 1940s saw total (corporate and individual) income taxes rise to prominence as a source of Federal receipts, reaching nearly 80% of total receipts in 1944. After the war, the total income tax share of receipts fell from a postwar high of 74% in 1952 to an average of 64% in the late 1960s. The growth in social insurance taxes (such as Social Security and Medicare) more than offset a postwar secular decline in excise and other non-income tax shares. The combination of substantial reductions in income taxes enacted in the early 1980s and the continued growth in social insurance taxes resulted in a continued decline in the total income tax share of receipts. By 1983 the total income tax share had dropped to 54% of receipts, where it remained until the mid-1990s. Since 1994, the total income tax share of receipts has increased, reaching 60% in 2000, before dropping back to 53% by 2004 and then increasing to 58% in 2006 and 60% in 2007.

Corporation income taxes accounted for a large part of this postwar decline in total income tax share, falling from over 30% of total Federal receipts in the early 1950s to 20% in 1969. During the same period, pretax corporate profits fell from about 12% of GDP in the early 1950s to 10% in 1968. By 1980 the corporation income tax share of total receipts had dropped to 12.5%. During the 1980s, pretax corporate profits declined as a percent of GDP and, thus, the corporation income tax share dropped to a low of 6.2% in 1983. By 1996, the share had climbed back to 11.8%. By 2003, it had dropped back to 7.4%, which was well below the 1980 share, before climbing back to 10.1% in 2004 and increasing further to 14.7% in 2006, but dropping slightly to 14.4% in 2007. This postwar drop in corporation income tax share of total receipts was more than offset by the growth in social insurance taxes and retirement receipts, as both tax rates and percentage of the workforce covered by payroll taxes increased. This category of receipts increased from only 8% of total receipts during the mid-1940s to 38% by 1992, but declined to 32% by 2000 before

rising to back a 40% share in 2003 and falling off to 35% in 2006 and 34% in 2007. Excise taxes have also declined in relative importance during the postwar period, falling from a 19% share in 1950 to 10% by 1965 and 5% by 1985. Excise taxes accounted for only 3% of total receipts in 2006 and dropped further to 2.5% in 2007, due, in part, to the end of the Federal telephone excise tax on long distance calls.

Outlays and Federal employment.—Throughout most of the Nation's history prior to the 1930s, the bulk of Federal spending went towards national defense, veterans benefits and interest on the public debt. In 1929, for example, 71% of Federal outlays were in these three categories. The 1930s began with Federal outlays comprising just 3.4% of GDP. As shown in Table 1.2, the efforts to fight the Great Depression with public works and other nondefense Federal spending, when combined with the depressed GDP levels, caused outlays and their share of GDP to increase steadily during most of that decade, with outlays rising to 10.3% of GDP by 1939 and to 12.0% by 1941 on the eve of U.S. involvement in World War II. Defense spending during World War II resulted in outlays as a percent of GDP rising sharply, to a peak of 43.6% in 1944. The end of the war brought total spending down to 14.3% of GDP by 1949. Then the Korean War increased spending to an average 19.5% of GDP for a few years in the early 1950s, but outlays as a percent of GDP then stabilized at around 17–19% until U.S. involvement in the Vietnam war escalated sharply in the middle 1960s and early 1970s. From 1967 through 1971, Federal outlays averaged 19.6% of GDP. The decline in defense spending as a percent of GDP that began in 1971, as the Vietnam War began to wind down, was more than offset by increased spending on human resources programs during the 1970s—due to the maturation of the Social Security program and other longstanding income support programs, as well as a takeoff in spending on the recently enacted Great Society programs, such as Medicare and Medicaid—so that total spending increased as a percent of GDP, averaging 20% during the 1970s (reflecting, in part, the substantial increase in grants to State and local governments during the 1970s). Since receipts were averaging 18% of GDP during that decade, the result was chronic deficits averaging 2% of GDP (contributing to this was the recession of 1975–76, which saw deficits increase to 4.2% in 1976).

The 1980s began with substantial momentum in the growth of Federal nondefense spending in the areas of human resources, grants to State and local governments, and, as a result of the deficits incurred throughout the 1970s, interest on the public debt. In the early 1980s, a combination of substantially increased defense spending, continued growth in human resource spending, a tax cut and a recession caused the deficits to soar, which, in turn, sharply increased spending for interest on the public debt. Federal spending climbed to an average of 22.8% of GDP during 1981–1985. An end to the rapid defense buildup and a partial reversal of the tax cuts, along with a strong economy during the second half of the decade, brought Federal spending back down to 21.2% of GDP by 1989. In the early 1990s, another recession, in the face of continued rapid growth in Federal health care spending and additional spending resulting from the savings and loan crisis, caused the outlay share of GDP to average over 22.2% in 1991 and 1992. Since then, this outlay growth trend was reversed. Outlays as a percent of GDP fell to 18.4% by 2000, but have gradually risen since then, exceeding 20% in both 2005 and 2006, due, in part, to increased spending related to the global war on terrorism and the Iraq war, exacerbated by further spending increases in response to the devastating hurricanes that struck States along the Gulf Coast in late summer 2005. However, in 2007, the deficit has dropped just below 20% of GDP.

Despite the growth in total Federal spending as a percent of GDP in the postwar period, Federal Executive Branch employment, as shown in Table 17.1, has remained roughly constant, ranging from 1.6 to 2.3 million civilian employees (excluding the Postal Service) throughout this period. The composition of employment has shifted dramatically between defense and civilian agencies over the last 35 years. In 1951, for example, of the 2.0 million employees, 1.2 million

worked for the Department of Defense and 0.7 million worked for civilian agencies. By 1974, Federal employment was split equally between defense and civilian agencies, with each accounting for 1.1 million employees. After a buildup in defense civilian employment in the 1980s, the shift away from defense to civilian agency employment resumed in the 1990s, so that by 1999 civilian agency employment was 1.2 million and Department of Defense employment was 0.7 million, nearly the reverse of the proportions in 1951. Since 1990, when there were over 2.2 million civilians employed by the Executive Branch of the Federal Government, employment has been reduced by over 300 thousand, totaling less than 1.9 million in 2007.

Although total spending has increased substantially as a percent of GDP since the 1950s, the growth in the various components of spending has not been even and, thus, the composition of spending has changed significantly during the same period:

Discretionary spending totaled 12.7% of GDP in 1962, with three-fourths going to defense. Defense spending increased during the Vietnam War buildup in the late 1960s causing total discretionary outlays to rise to 13.6% of GDP by 1968, after which a secular decline began. By the middle 1970s, this category had dropped to 10% of GDP, where it hovered until the late 1980's, when the defense buildup that started early in that decade ended. As a percent of GDP, discretionary spending fell substantially over the 1990s, from 9.0% in 1991 to 6.3% in 1999. Since then, discretionary spending has increased, standing at 7.6% of GDP in 2007, down from 7.8% in 2006. While discretionary spending has followed a path of secular decline over the past 25 years, its major components—defense and nondefense—have contrasting histories.

Defense discretionary spending was at 9.3% of GDP in 1962. As shown in Table 8.4, spending in this category had declined to 7.4% of GDP by 1965, then increased as a result of the Vietnam War. After peaking at 9.5% of GDP in 1968, it returned to the 1965 level by 1971. The decline continued throughout the 1970s, hitting a low point in this decade of 4.7% of GDP in 1979. The defense buildup starting in the early 1980s boosted its percentage of GDP back to 6.2% by 1986, after which it again began a gradual decline throughout the rest of that decade. By 2000, defense discretionary spending stood at 3.0% of GDP, reflecting the impact of the end of the Cold War on our Nation's defense requirements and the significant economic growth during much of the 1990s. Spending on the current war against terrorism has partially reversed this decline, with defense discretionary spending growing to 4.0% of GDP in 2005, 2006 and 2007.

Nondefense discretionary spending as a percent of GDP has followed a much different path. In 1962, it stood at 3.4% of GDP. During the next few years it quickly increased, reaching 4.2% of GDP by 1967. It dropped slightly after that year, but still averaged about 4.0% of GDP until 1975, when it surged to 4.5% of GDP due to the recession and partly due to growth in spending on energy, the environment, housing and other income support programs. Much of this growth was in the form of Federal grants to State and local governments. Additional grant spending arose from the creation of General Revenue Sharing in 1972 and various anti-recession grants at the end of the decade. Nondefense discretionary outlays peaked as a percent of GDP during the recession in 1980 at 5.2%. This category declined sharply as a percent of GDP starting in 1982, falling to 3.9% by 1985 and to 3.5% during the 1987–1991 period. Spending for these programs then increased slightly as a percent of GDP, climbing to 3.8% by 1993 before receding in subsequent years, reaching a low of 3.2% in 1999. Growth in recent years has increased, with nondefense discretionary spending reaching 3.8% of GDP in 2006, dropping slightly to 3.6% in 2007.

Programmatic mandatory spending (which excludes net interest and undistributed offsetting receipts) accounts for a large part of the growth in total Federal spending as a percent of GDP since the 1950s. Major programs in this category include Social Security, Medicare, deposit insurance and means-tested entitlements (Medicaid, aid to dependent children, food stamps and other programs subject to an income test). Prior to the

start of Medicare and Medicaid in 1966, this category averaged 5.7% of GDP between 1962 and 1965 (less than half the size of total discretionary spending), with Social Security accounting for nearly half. Within a decade, this category was comparable in size to total discretionary spending, nearly doubling as a percent of GDP to 10.6% by 1976 (1.1% of which was for unemployment compensation that year).

Although part of this growth represented the impact of the 1975–76 recession on GDP levels and outlays for unemployment compensation, the largest part was due to growth in Social Security, Medicare and Medicaid. These three programs totaled 3.4% of GDP in 1968 and grew rapidly to 5.5% of GDP by 1976. While Social Security stabilized as a percent of GDP during 1985–1997, ranging from 4.3% to 4.6%, the growth in other programmatic mandatory spending has continued to outpace the growth in GDP since the mid-1970s (apart from recession recovery periods) due largely to Medicare and Medicaid. These two programs, which were 1.2% of GDP in 1975, have more than doubled as a percent of GDP since then, reaching 3.5% in 1997, dropping slightly to 3.2% in 1999 and 2000, before rising to 3.4% in 2001, 3.9% in 2005 and 4.1% by 2007. Excluding Medicaid, spending for means-tested entitlements in 2006 and 2007 was at 1.3% percent of GDP, nearly the same as it was over twenty-five years ago in 1975. By way of contrast, the remaining programmatic mandatory spending—i.e., excluding Medicare, unemployment compensation, Social Security, deposit insurance and means-tested entitlements—has been more than halved as a percent of GDP, falling from 3.2% in 1975 to no more than 1.5% during the past ten years. (Major programs in this grouping include Federal employee and railroad retirement, farm price supports and veterans' compensation and readjustment benefits.) Nevertheless, total programmatic mandatory spending in 2007 was 11.2% of GDP compared to 7.6% for total discretionary spending.

Additional perspectives on spending trends available in this document include spending by agency, by function and subfunction and by composition of outlays categories, which include payments for individuals and grants to State and local governments.

SECTION NOTES

Notes on Section 1 (Overview of Federal Government Finances)

This section provides an overall perspective on total receipts, outlays (spending), and surpluses or deficits. Off-budget transactions, which consist of the Social Security trust funds and the Postal Service fund, and on-budget transactions, which equal the total minus the off-budget transactions, are shown separately. Tables 1.1 and 1.2 have similar structures; 1.1 shows the data in millions of dollars, while 1.2 shows the same data as percentages of the gross domestic product (GDP). For all the tables using GDP, fiscal year GDP is used to calculate percentages of GDP. The fiscal year GDP data are shown in Table 1.2. Additionally, Table 1.1 shows budget totals annually back to 1901 and for multi-year periods back to 1789.

Table 1.3 shows total Federal receipts, outlays, and surpluses or deficits in current and constant (Fiscal Year 2000=100) dollars, and as percentages of GDP. Section 6 provides a disaggregation of the constant dollar outlays.

Table 1.4 shows receipts, outlays and surpluses or deficits for the consolidated budget by fund group. The budget is composed of two principal fund groups—Federal funds and trust funds. Normally, whenever data are shown by fund group, any payments from programs in one fund group to accounts of the other are shown as outlays of the paying fund and receipts of the collecting fund. When the two fund groups are aggregated to arrive at budget totals these interfund transactions are deducted from both receipts and outlays in order to arrive at transactions with the public. Table 1.4 displays receipts and outlays on a gross basis. That is, in contrast to normal budget practice, collections of interfund payments are included in the receipts totals rather than as offsets to outlays. These interfund collections are grossed-up to more closely approximate cash income and outgo of the fund groups.

Notes on Section 2 (Composition of Federal Government Receipts)

Section 2 provides historical information on on-budget and off-budget receipts. Table 2.1 shows total receipts divided into five major categories; it also shows the split between on-budget and off-budget receipts. Table 2.2 shows the receipts by major category as percentages of total receipts, while Table 2.3 shows the same categories of receipts as percentages of GDP. Table 2.4 disaggregates two of the major receipts categories, social insurance taxes and contributions and excise taxes, and Table 2.5 disaggregates the "other receipts" category. While the focus of the section is on total Federal receipts, auxiliary data show the amounts of trust fund receipts in each category, so it is possible to readily distinguish the Federal fund and trust fund portions.

Notes on Section 3 (Federal Government Outlays by Function)

Section 3 displays Federal Government outlays (on-budget and off-budget) according to their functional classification. The functional structure is divided into 18 broad areas (functions) that provide a coherent and comprehensive basis for analyzing the budget. Each function, in turn, is divided into basic groupings of programs entitled subfunctions. The structure has two categories—allowances and undistributed offsetting receipts—that are not truly functions but are required in order to cover the entire budget. At times a more summary presentation of functional data is needed; the data by "superfunction" is produced to satisfy this need. Table 3.1 provides outlays by superfunction and function while Table 3.2 shows outlays by function and subfunction.

In arraying data on a functional basis, budget authority and outlays are classified according to the primary purpose of the activity. To the extent feasible, this classification is made without regard to agency or

organizational distinctions. Classifying each activity solely in the function defining its most important purpose—even though many activities serve more than one purpose—permits adding the budget authority and outlays of each function to obtain the budget totals. For example, Federal spending for Medicaid constitutes a health care program, but it also constitutes a form of income security benefits. However, the spending cannot be counted in both functions; since the main purpose of Medicaid is to finance the health care of the beneficiaries, this program is classified in the "health" function. Section 3 provides data on budget outlays by function, while Section 5 provides comparable data on budget authority.

Notes on Section 4 (Federal Government Outlays by Agency)

Section 4 displays Federal Government outlays (on- and off-budget) by agency. Table 4.1 shows the dollar amounts of such outlays, and Table 4.2 shows the percentage distribution. The outlays by agency are based on the agency structure currently in effect. For example, the Department of Homeland Security was established by legislation enacted in 2002. However, these data show spending by the Department of Homeland Security in previous years that consists of spending attributable to predecessor agencies in earlier years, but now attributable to the Department of Homeland Security.

Notes on Section 5 (Budget Authority—On- and Off-Budget)

Section 5 provides data on budget authority (BA). BA is the authority provided by law for agencies to obligate the Government to spend. Table 5.1 shows BA by function and subfunction, starting with 1976. Table 5.2 provides the same information by agency, and Table 5.3 provides a percentage distribution of BA by agency. Tables 5.4 and 5.5 provide the same displays as Tables 5.2 and 5.3, but for discretionary budget authority rather than total budget authority. (Discretionary refers to the Budget Enforcement Act category that includes programs subject to the annual appropriations process.)

The data in these tables were compiled using the same methods used for the historical tables for receipts and outlays (e.g., to the extent feasible, changes in classification are reflected retroactively so the data show the same stream of transactions in the same location for all years). However, BA is heterogeneous in nature, varying significantly from one program to another. As a result, it is not additive—either across programs or agencies for a year or, in many cases, for an agency or program across a series of years—in the same sense that budget receipts and budget outlays are additive. The following are examples of different kinds of BA and the manner in which BA results in outlays:

- BA and outlays for each year may be exactly the same (e.g., interest on the public debt).
- For each year the Congress may appropriate a large quantity of BA that will be spent over a subsequent period of years (e.g., many defense procurement contracts and major construction programs).
- Some BA (e.g., the salaries and expenses of an operating agency) is made available only for a year and any portion not obligated during that year lapses (i.e., it ceases to be available to be obligated).
- Revolving funds may operate spending programs indefinitely with no new infusion of BA, other than the authority to spend offsetting collections.
- BA may be enacted with the expectation it is unlikely ever to be used (e.g., standby borrowing authority).
- All income to a fund (e.g., certain revolving, special, and trust funds) may be permanently appropriated as BA; as long as the fund has adequate resources, there is no further relationship between the BA and outlays.
- As a result of the Budget Enforcement Act of 1990, the measurement of BA changed in most special and trust funds with legislatively imposed limitations or benefit formulas that constrain the use of BA. Where previously budget authority was the total income to the fund, BA in these funds for 1990 and subsequent years is now an esti-

mate of the obligations to be incurred during the fiscal year for benefit payments, administration and other expenses of the fund. In some, but not all, cases it was possible to adjust BA figures for these funds for years prior to 1990 to conform to the current concepts.

- Although major changes in the way BA is measured for credit programs (beginning in 1992) result from the Budget Enforcement Act, these tables could not be reconstructed to show revised BA figures for 1991 and prior years on the new basis.
- In its earliest years, the Federal Financing Bank (FFB) was conducted as a revolving fund, making direct loans to the public or purchasing loan assets from other funds or accounts. Each new loan by the FFB required new BA. In many cases, if the same loan were made by the account being serviced by the FFB, the loan could be financed from offsetting collections and no new BA would be recorded. Under terms of the 1985 legislation moving the FFB on-budget, the FFB ceased to make direct loans to the public. Instead, it makes loans to the accounts it services, and these accounts, in turn, make the loans to the public. Such loans could be made from new BA or other obligational authority available to the parent account. These tables have not been reconstructed to shift BA previously scored in the FFB to the parent accounts, because there is no technical way to reconfigure the data.

Despite these qualifications there is a desire for historical data on BA, and this section has been developed to meet that desire. Budget authority data are also provided by function in Table 8.9 for various discretionary program groupings.

Notes on Section 6 (Composition of Federal Government Outlays)

The "composition" categories in this section divide total outlays (including Social Security) into national defense and nondefense components, and then disaggregate the nondefense spending into several parts:

- *Payments for individuals:* These are Federal Government spending programs designed to transfer income (in cash or in kind) to individuals or families. To the extent feasible, this category does not include reimbursements for current services rendered to the Government (e.g., salaries and interest). The payments may be in the form of cash paid directly to individuals or they may take the form of the provision of services or the payment of bills for activities largely financed from personal income. They include outlays for the provision of medical care (in veterans hospitals, for example) and for the payment of medical bills (e.g., Medicare). They also include subsidies to reduce the cost of housing below market rates, and food and nutrition assistance (such as food stamps). The data base, while not precise, provides a reasonable perspective of the size and composition of income support transfers within any particular year and trends over time. Section 11 disaggregates the components of this category. The data in Section 6 show a significant amount of payments for individuals takes the form of grants to State and local governments to finance benefits for the ultimate recipients. These grants include Medicaid, some food and nutrition assistance, and a significant portion of the housing assistance payments. Sections 11 and 12 provide a more detailed disaggregation of this spending.
- *All other grants to State and local governments:* This category consists of the Federal nondefense grants to State and local governments other than grants defined as payments for individuals. Section 12 disaggregates this spending.
- *Net interest:* This category consists of all spending (including offsetting receipts) included in the functional category "net interest." Most spending for net interest is paid to the public as interest on the Federal debt. As shown in Table 3.2, net interest includes, as an offset, significant amounts of interest income.
- *All other:* This category consists of all remaining Federal spending and offsetting receipts except for those included in the category "undistributed offsetting receipts." It includes most Federal loan activities and most Federal spending for for-

eign assistance, farm price supports, medical and other scientific research, and, in general, Federal direct program operations.

- *Undistributed offsetting receipts:* These are offsetting receipts that are not offset against any specific agency or programmatic function. They are classified as function 950 in the functional tables. Additional details on their composition can be found at the end of Table 3.2.

Table 6.1 shows these outlays in current and constant dollars, the percentage distribution of current dollar outlays, and the current dollar outlays as percentages of GDP. The term "constant dollars" means the amounts of money that would have had to be spent in each year if, on average, the unit cost of everything purchased within that category each year (including purchases financed by income transfers, interest, etc.) were the same as in the base year (fiscal year 2000). The adjustments to constant dollars are made by applying a series of chain-weighted price indexes to the current dollar data base. The composite total outlays deflator is used to deflate current dollar receipts to produce the constant dollar receipts in Table 1.3. The separate composite deflators used for the various outlay categories are shown in Table 10.1.

Notes on Section 7 (Federal Debt)

This section provides information about Federal debt. Table 7.1 contains data on gross Federal debt and its major components in terms of both the amount of debt outstanding at the end of each year and that amount as a percentage of fiscal year GDP.

Gross Federal debt is composed both of Federal debt held (owned) by the public and Federal debt held by Federal Government accounts, which is mostly held by trust funds. Federal debt held by the public consists of all Federal debt held outside the Federal Government accounts. For example, it includes debt held by individuals, private banks and insurance companies, the Federal Reserve Banks, and foreign central banks. The sale (or repayment) of Federal debt to the public is the principal means of financing a Federal budget deficit (or disposing of a Federal budget surplus).

The Federal Government accounts holding the largest amount of Federal debt securities are the civil service and military retirement, Social Security, and Medicare trust funds. However, significant amounts are also held by some other Government accounts, such as the unemployment and highway trust funds.

Table 7.1 divides debt held by the public between the amount held by the Federal Reserve Banks and the remainder. The Federal Reserve System is the central bank for the Nation. Their holdings of Federal debt are shown separately because they do not have the same impact on private credit markets as does other debt held by the public. They accumulate Federal debt as a result of their role as the country's central bank, and the size of these holdings has a major impact on the Nation's money supply. Since the Federal budget does not forecast Federal Reserve monetary policy, it does not project future changes in the amounts of Federal debt that will be held by the Federal Reserve Banks. Hence, the split of debt held by the public into that portion held by the Federal Reserve Banks and the remainder is provided only for past years. Table 2.5 shows deposits of earnings by the Federal Reserve System. Most interest paid by Treasury on debt held by the Federal Reserve Banks is returned to the Treasury as deposits of earnings, which are recorded as budget receipts.

As a result of a conceptual revision in the quantification of Federal debt, the data on debt held by the public and gross Federal debt—but only a small part of debt held by Government accounts—were revised back to 1956 in the 1990 budget. The total revision was relatively small—a change of under one percent of the recorded value of the debt—but the revised basis is more consistent with the quantification of interest outlays, and provides a more meaningful measure of Federal debt. The change converted most debt held by the public from the par value to the sales price plus amortized discount.

Most debt held by Government accounts is issued at par, and securities issued at

a premium or discount were formerly recorded at par. However, zero-coupon bonds are recorded at estimated market or redemption price. Starting in 1989, other debt held by Government accounts is adjusted for any initial discount.

Table 7.2 shows the end-of-year amounts of Federal debt subject to the general statutory limitation. It is recorded at par value (except for savings bonds) through 1988, but by law the basis was changed, in part, to accrual value for later years. Before World War I, each debt issue by the Government required specific authorization by the Congress. Starting in 1917, the nature of this limitation was modified in several steps until it developed into a limit on the total amount of Federal debt outstanding. The Treasury is free to borrow whatever amounts are needed up to the debt limit, which is changed from time to time to meet new requirements. Table 7.3 shows the ceiling at each point in time since 1940. It provides the specific legal citation, a short description of the change, and the amount of the limit specified by each Act. Most, but not all, of gross Federal debt is subject to the statutory limit.

Notes on Section 8 (Outlays by Budget Enforcement Act Category)

Section 8 is composed of nine tables, eight of which present outlays by the major categories used under the Budget Enforcement Act (BEA) and under previous budget agreements between Congress and the current and previous Administrations. The final table presents discretionary budget authority. (Discretionary budget authority is shown on an agency basis in Section 5, Table 5.4 and Table 5.5.) Table 8.1 shows Federal outlays within each of the categories and subcategories. The principal categories are outlays for mandatory and related programs and outlays for discretionary programs. Mandatory and related programs include direct spending and offsetting receipts whose budget authority is provided by law other than appropriations acts. These include appropriated entitlements and the food stamp program, which receive pro forma appropriations. Discretionary programs are those whose budgetary resources (other than entitlement authority) are provided in appropriations acts. The table shows two major categories of discretionary programs: Defense (Function 050) and Nondefense (all other discretionary programs). Table 8.2 has the same structure, but shows the data in constant (FY 2000) dollars. Table 8.3 shows the percentage distribution of outlays by BEA category and Table 8.4 shows outlays by BEA category as a percentage of GDP.

Table 8.5 provides additional detail by function and/or subfunction for mandatory and related programs. Table 8.6 shows the same data in constant dollars.

Table 8.7 provides additional detail by function and/or subfunction on outlays for discretionary programs. Table 8.8 provides the same data in constant dollars. Table 8.9 provides function and/or subfunction detail on budget authority for discretionary programs.

Notes on Section 9 (Federal Government Outlays for Major Physical Capital, Research and Development, and Education and Training)

Tables in this section provide a broad perspective on Federal Government outlays for public physical capital, the conduct of research and development (R&D), and education and training. These data measure new Federal spending for major public physical assets, but they exclude major commodity inventories. In some cases it was necessary to use supplementary data sources to estimate missing data in order to develop a consistent historical data series. The data for the conduct of research and development exclude outlays for construction and major equipment because such spending is included in outlays for physical capital.

Table 9.1 shows total investment outlays for major public physical capital, R&D, and education and training in current and constant (FY 2000) dollars, and shows the percentage distribution of outlays and outlays as a percentage of GDP. Table 9.2 focuses on direct Federal outlays and grants for major public physical capital investment in current and constant (FY 2000) dollars, disaggregating direct Federal outlays into national defense

and nondefense capital investment. Table 9.3 retains the same structure as 9.2, but shows direct Federal outlay totals for physical capital investment as percentages of total outlays and as percentages of GDP. Table 9.4 disaggregates national defense direct outlays, while Table 9.5 disaggregates nondefense outlays for major public physical capital investment. Table 9.6 shows the composition of grant outlays for major public physical capital investment.

Table 9.7 provides an overall perspective on Federal Government outlays for the conduct of R&D. It shows total R&D spending and the split between national defense and nondefense spending in four forms: in current dollars, in constant dollars, as percentages of total outlays, and as percentages of GDP. Table 9.8 shows outlays in current dollars by major function and program.

Table 9.9 shows outlays for the conduct of education and training in current dollars for direct Federal programs and for grants to State and local governments. Total outlays for the conduct of education and training as a percentage of Federal outlays and in constant (FY 2000) dollars are also shown. As with the series on physical capital, several budget data sources have been used to develop a consistent data series extending back to 1962. A discontinuity occurs between 1991 and 1992 and affects primarily direct Federal higher education outlays. For 1991 and earlier, these data include net loan outlays. Beginning in 1992, pursuant to changes in the treatment of loans as specified in the Credit Reform Act of 1990, this series includes outlays for loan repayments and defaults for loans originated in 1991 and earlier and credit subsidy outlays for loans originated in 1992 and later years.

Table 9.9 also excludes education and training outlays for physical capital (which are included in Table 9.7) and education and training outlays for the conduct of research and development (which are in Table 9.8). Also excluded are education and training programs for Federal civilian and military personnel.

Notes on Section 10 (Implicit Outlay Deflators)

Section 10 consists of Table 10.1, Gross Domestic Product and Deflators Used in the Historical Tables, which shows the various implicit deflators used to convert current dollar outlays to constant dollars. The constant dollar deflators are based on chain-weighted (FY 2000 chained-dollars) price indexes derived from the National Income and Product Accounts data.

Notes on Section 11 (Federal Government Payments for Individuals)

This section provides detail on outlays for Federal Government payments for individuals, which are also described in the notes on Section 6. The basic purpose of the payments for individuals aggregation is to provide a broad perspective on Federal cash or in-kind payments for which no current service is rendered yet which constitutes income transfers to individuals and families. Table 11.1 provides an overview display of these data in four different forms. All four of these displays show the total payments for individuals, and the split of this total between grants to State and local governments for payments for individuals (such as Medicaid and grants for housing assistance) and all other ("direct") payments for individuals.

Table 11.2 shows the functional composition of payments for individuals (see notes on Section 3 for a description of the functional classification), and includes the same grants versus nongrants ("direct") split provided in Table 11.1. The off-budget Social Security program finances a significant portion of the Federal payments for individuals. These tables do not distinguish between the on-budget and off-budget payments for individuals. However, all payments for individuals shown in Table 11.2 in function 650 (Social Security) are off-budget outlays, and all other payments for individuals are on-budget. Table 11.3 displays the payments for individuals by major program category.

Notes on Section 12 (Federal Grants To State and Local Governments)

For several decades the Federal budget documents have provided data on Federal grants to State and local governments. The purpose of these data is to identify Federal Government outlays that constitute income to State and local governments to help finance their services and their income transfers (payments for individuals) to the public. Grants generally exclude Federal Government payments for services rendered directly to the Federal Government; for example, they exclude most Federal Government payments for research and development, and they exclude payments to State social service agencies for screening disability insurance beneficiaries for the Federal disability insurance trust fund.

Table 12.1 provides an overall perspective on grants; its structure is similar to the structure of Table 11.1.

Table 12.2 displays Federal grants by function (see notes on Section 3 for a description of the functional classification). The bulk of Federal grants are included in the Federal funds group; however, since the creation of the highway trust fund in 1957, significant amounts of grants have been financed from trust funds (see notes to Section 1 for a description of the difference between "Federal funds" and "trust funds"). All Federal grants are on-budget. Wherever trust fund outlays are included in those data, Table 12.2 not only identifies the total grants by function but also shows the split between Federal funds and trust funds.

Table 12.3 provides data on grants at the account or program level, with an identification of the function, agency, and fund group of the payment.

Notes on Section 13 (Social Security and Medicare)

Over the past several decades the Social Security programs (the Federal old-age and survivors insurance (OASI) and the Federal disability insurance (DI) trust funds) and the Medicare programs (the Federal hospital insurance (HI) and the Federal supplementary medical insurance (SMI) trust funds) have grown to be among the largest parts of the Federal budget. Because of the size, the rates of growth, and the specialized financing of these programs, policy analysts frequently wish to identify these activities separately from all other Federal taxes and spending. As discussed in the introductory notes, the two Social Security funds are off-budget, while the Medicare funds are on-budget. As Table 13.1 shows, the first of these funds (OASI) began in 1937. The table shows the annual transactions of that fund and of the other funds beginning with their points of origin.

The table provides detailed information about Social Security and Medicare by fund. It shows total cash income (including offsetting receipts, but excluding any offsetting collections, which are offset within the expenditure accounts) by fund, separately identifying social insurance taxes and contributions, intragovernmental income, and proprietary receipts from the public. Virtually all of the proprietary receipts from the public, especially those for the supplementary medical insurance trust fund, are Medicare insurance premiums. The table shows the income, outgo, and surplus or deficit of each fund for each year, and also shows the balances of the funds available for future requirements. Most of these fund balances are invested in public debt securities and constitute a significant portion of the debt held by Government accounts (see Table 7.1).

The SMI fund, which was established in 1967, is financed primarily by payments from Federal funds and secondarily by medical insurance premiums (proprietary receipts from the public). The other three trust funds are financed primarily by social insurance taxes. The law establishing the rate and base of these taxes allocates the tax receipts among the three funds.

The table shows significant transfers by OASI and DI to the railroad retirement Social Security equivalent account. These transfers are equal to the additional amounts of money Social Security would have had to pay, less additional receipts it would have collected, if the rail labor force had been included directly under Social Security

since the inception of the Social Security program.

In 1983, when the OASI fund ran short of money, Congress passed legislation that (a) provided for a one-time acceleration of military service credit payments to these trust funds, (b) provided for a Federal fund payment to OASDI for the estimated value of checks issued in prior years and charged to the trust funds but never cashed, (c) required that the Treasury make payments to OASDHI on the first day of the month for the estimated amounts of their social insurance taxes to be collected over the course of each month (thereby increasing each affected trust fund's balances at the beginning of the month), and (d) subjected some Social Security benefits to Federal income or other taxes and provided for payments by Federal funds to Social Security of amounts equal to these additional taxes. Additionally, in 1983 the OASI fund borrowed from the DI and HI funds (the tables show the amounts of such borrowing and repayments of borrowing). The large intragovernmental collections by OASDHI in 1983 are a result of the transactions described under (a) and (b) above. Also starting in 1983, OASI began paying interest to DI and HI to reimburse them for the balances OASI borrowed from them; OASDHI paid interest to Treasury to compensate it for the balances transferred to these funds on the first day of each month. The legal requirement for Treasury to make payments on the first day of the month, and the associated interest payment, ended in 1985 for HI and in 1991 for OASI and DI.

Notes on Section 14 (Federal Sector Transactions in the National Income and Product Accounts)

The principal system used in the United States for measuring total economic activity is the system of national income and product accounts (NIPA), which provide calculations of the GDP and related data series. These data are produced by the Bureau of Economic Analysis (BEA) of the Department of Commerce. As part of this work the BEA staff analyze the budget data base and estimate transactions consistent with this measurement system. The NIPA data are normally produced for calendar years and quarters. Section 14 provides Federal Sector NIPA data on a fiscal year basis. The main body of the table shows the components of Current Receipts and Expenditures. An addendum shows Total Receipts and Expenditures starting in fiscal year 1960.

Notes on Section 15 (Total (Federal and State and Local) Government Finances)

Section 15 provides a perspective on the size and composition of total Government (Federal, State, and local) receipts and spending. Both the Bureau of the Census and the Bureau of Economic Analysis in the Commerce Department provide information (in the national income and product accounts (NIPA) data) on income and spending for all levels of government in the United States. The tables in this section include the NIPA State and local transactions with the Federal Government (deducting the amount of overlap due to Federal grants to State and local governments) to measure total Government receipts and spending on a fiscal year basis. The NIPA State and local government receipts and expenditures have been adjusted to be more comparable to the Federal unified budget receipts and outlays by using State and local government Total Expenditures, by including NIPA Capital Receipts from Estate and Gift taxes, and by displaying State and local interest receipts as an offset to State and local interest expenditures.

Notes on Section 16 (Federal Health Spending)

Section 16 consists of Table 16.1, Total Outlays for Health Programs. This table shows a broad definition of total Federal health spending by type of health program, including defense and veterans health programs, Medicare, Medicaid, Federal employees' health benefits and other health spending. It also shows Federal health spending as percentages of total outlays and of GDP.

Notes on Section 17 (Federal Employment)

Section 17 provides an overview of the size and scope of the Federal work force. The measures of Federal employment currently in use are end-strength and full-time equivalents (FTEs). End-strength is the measure of total positions filled at the end of the fiscal year, representing a "head count" of all paid employees.

Federal employment in the Executive Branch, however, is controlled on the basis of FTEs. Full-time equivalent (FTE) employment is the measure of the total number of regular (non-overtime) hours worked by an employee divided by the number of compensable hours applicable to each fiscal year. A typical FTE workyear is equal to 2,080 hours. Put simply, one full-time employee counts as one FTE, and two employees who work half-time count as one FTE. FTE data have been collected for Executive Branch agencies since 1981.

The tables included in this section illustrate the size of the governmental work forces utilizing these measures. Table 17.1 shows the end-strength of the Executive Branch and selected agencies starting in 1940. Table 17.2 shows the end-strength of the Executive Branch and selected agencies as a percentage of total Executive Branch employment starting in 1940. Table 17.3 shows FTEs for the Executive Branch and selected agencies for 1981 and subsequent years; Table 17.4 shows these FTEs as a percentage of total Executive Branch FTEs. Table 17.5 shows a comparison of the end-strengths of Federal employment and State and local government employment, and the total of the two as a percentage of the U.S. population in each year.