

21. 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.

Since 1971, however, one or more Federal entities each year 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; 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-bud-

et entities (Federal entities included in the budget totals). Most of the tables in the budget document 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 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 before 1986 but were moved onto the budget under subsequent law.

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
1970	192.8	159.3	33.5	195.6	168.0	27.6	-2.8	-8.7	5.9
1971	187.1	151.3	35.8	210.2	177.3	32.8	-23.0	-26.1	3.0
1972	207.3	167.4	39.9	230.7	193.8	36.9	-23.4	-26.4	3.1
1973	230.8	184.7	46.1	245.7	200.1	45.6	-14.9	-15.4	0.5
1974	263.2	209.3	53.9	269.4	217.3	52.1	-6.1	-8.0	1.8
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	548.0	186.2	946.5	769.7	176.8	-212.3	-221.7	9.4
1986	769.3	569.0	200.2	990.5	807.0	183.5	-221.2	-238.0	16.7
1987	854.4	641.0	213.4	1,004.2	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	1,531.8	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	1,560.3	1,259.9	300.5	-107.3	-174.3	67.0
1997 estimate	1,505.4	1,116.5	388.9	1,631.0	1,316.0	315.0	-125.6	-199.5	73.9
1998 estimate	1,566.8	1,161.9	404.9	1,687.5	1,358.9	328.6	-120.6	-197.0	76.4
1999 estimate	1,643.3	1,218.1	425.2	1,760.7	1,422.8	337.9	-117.4	-204.7	87.3
2000 estimate	1,727.3	1,280.4	446.9	1,814.4	1,463.8	350.7	-87.1	-183.3	96.2
2001 estimate	1,808.3	1,340.7	467.6	1,844.5	1,480.0	364.5	-36.1	-139.2	103.1
2002 estimate	1,896.7	1,406.8	489.9	1,879.7	1,499.4	380.3	17.0	-92.5	109.5

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

The preceding table compares the total Federal Government receipts, outlays, and deficit 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 1998 the off-budget receipts are an estimated 26 percent of total receipts, and the off-budget outlays are an estimated 19 percent of total outlays. The 1998 total deficit of \$120.6 billion consists of an off-budget surplus of \$76.4 billion and an on-budget deficit of \$197.0 billion. The off-budget surplus consists almost entirely of social security. It was small or even a deficit in the 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.

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 the 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 do not represent 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 the deficit as explained in Chapter 12 of this volume, "Federal Borrowing and Debt."²

¹ See sec. 505(b).

² For additional explanation of the budget concepts for direct loans and loan guarantees, see Chapter 24 of this volume, "Budget System and Concepts and Glossary," the section on Federal credit. The structure of credit reform is further explained in Chapter VIII.A

Insurance programs have economic effects and pose a financial risk to the Government, but under present budgetary accounting they do not result in budget outlays unless the 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."

Other activities related to the Federal Government are outside the scope of budget outlays because of their inherent nature. The Government-sponsored enterprises, which are mostly financial intermediaries, 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.

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 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 have been defined as "tax expenditures" and are discussed in Chapter 5, "Tax Expenditures." Tax expenditures are also discussed in the individual chapters of Section VI of the *Budget*, "What the Government Does," in conjunction with the outlays that serve the same function.

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 Office of Management and Budget has recently published a report to the President, *More Benefits, Fewer Burdens*, that documents 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.³ The regulatory planning process is described annually in *The Regulatory Plan and the Unified Agenda of Federal Regulatory and Deregulatory Actions*.⁴

of the *Budget*, Fiscal Year 1992, Part Two, pp. 223–26. The implementation of credit reform is discussed in Chapter 8, "Underwriting Federal Credit and Insurance," *Analytical Perspectives, Budget of the United States Government, Fiscal Year 1997*, pp. 142–44.

³ 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).

⁴ The most recent publication was issued by the Regulatory Information Service Center in October 1996 (and printed in the Federal Register of November 29, 1996).