

21. UNDISTRIBUTED OFFSETTING RECEIPTS

Table 21-1. Undistributed Offsetting Receipts
(In millions of dollars)

| Function 950 | 2000 Actual | Estimate | | | | | |
|----------------------------|----------------|----------|---------|---------|---------|---------|---------|
| | | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| Spending: | | | | | | | |
| Mandatory Outlays: | | | | | | | |
| Existing law | -42,581 | -47,656 | -51,803 | -60,710 | -62,399 | -56,213 | -57,761 |
| Proposed legislation | | | 2,400 | 331 | -8,184 | -2,651 | -4,617 |

Undistributed offsetting receipts, totaling \$49.4 billion in 2002, fall into two categories: (1) the Government's receipts from performing certain business-like activities, such as proceeds from oil and gas leases on the Outer Continental Shelf; and (2) collections of Federal agencies' contributions to Federal employees' retirement plans. Receipts from all business-like activities are offset against budget authority and outlays, instead of being recorded as governmental receipts, so that the budget totals represent the amount of resources allocated by the Government rather than by the market mechanism. Unlike most business-like receipts, which are offset within the same function as the spending that gives rise to the receipt, some are so large that it would distort the functional totals to distribute them by function. Instead, they are undistributed by function and offset against the budget totals.

Receipts of agency retirement contributions are offset against the payments, so that the budget totals measure the Government's transactions with the public. These intrabudgetary transactions are important for allocating costs to programs that incur the cost, but they have no net impact on total budget authority and outlays. They are offset against total budget authority and outlays because offsetting them within the functions in which the payments are recorded would

cause the totals for those functions to seriously understate current expenditures.

Rents and Royalties on the Outer Continental Shelf (OCS)

The Department of the Interior's Outer Continental Shelf lands leasing program, which began in 1954, currently generates about 26 percent of total U.S. domestic production and 27 percent of total natural gas production. Since the OCS program's inception, it has held 131 lease sales, covering areas three to 200 miles offshore and generating over \$134 billion in rents, bonuses, and royalties—mainly for the general fund of the Treasury—with an estimated \$5.9 billion in OCS receipts in 2002. OCS revenues also provide nearly all funding for the Land and Water Conservation Fund.

Employee Retirement

In 2002, Federal agencies are expected to pay an estimated \$41.6 billion on behalf of their employees to the Federal retirement trust funds,¹ the Medicare health insurance trust fund, and the Social Security trust funds. As civilian and military employees' pay rises, agencies must make commensurate increases in their payments to recognize the rising cost of retirement. The amount of

¹The major programs are the Military Retirement System, the Civil Service Retirement System, and the Federal Employees' Retirement System.

receipts also changes with increases or decreases in the number of employees and changes in the retirement accruals charged to agencies. The agency payments and trust fund receipts are offsetting and do not affect the unified budget totals. Under the 1997 Balanced Budget Act, agency contributions for employees covered by the Civil Service Retirement System were increased from seven percent of salary to 8.51 percent beginning in 1998. These higher contributions are set to expire in 2003.

Spectrum Auction Receipts

In 1993, the President and Congress gave the Federal Communications Commission (FCC) authority to assign spectrum licenses through competitive bidding, which has proven to be a very efficient and effective way to allocate this finite public resource. Since the beginning of the auctions program, the FCC has auctioned over 14,300 licenses for over \$31 billion in actual and expected cash receipts—encouraging the development of innovative telecommunications services and ensuring that the public receives compensation for the private use of a public resource. Over the next five years, spectrum auctions are expected to generate more than \$25 billion in receipts.

The Administration is proposing authorization language that provides a legislative

framework for FCC to develop regulations that promote clearing the spectrum in channels 60–69 (747–762 and 777–792 MHz) for new wireless services in a manner that ensures incumbent broadcasters are fairly compensated. The legislative language would also shift the statutory deadline for the 60–69 auction from 2000 to 2004 and shift the statutory deadline for the auction of channels 52–59 (698–746 MHz) from 2002 to 2006. As a result of the increased certainty about how and when the spectrum in channels 60–69 will become available for new entrants and shifting the deadlines for both auctions closer to when the spectrum is expected to become available, revenues for these auctions are expected to increase by \$7.5 billion.

Arctic National Wildlife Refuge Lease Receipts

The Administration proposes to open up the coastal plain of the Arctic National Wildlife Refuge in northern Alaska to environmentally sound oil and natural gas leasing. The budget assumes leasing begins in 2004, generating \$2.4 billion in lease bonus bids, with the bid receipts shared 50/50 with the State of Alaska. The remaining \$1.2 billion would be dedicated for research and development of solar and renewable energy technology, to be conducted by the Department of Energy over seven years.