Analytical Perspectives

Budget of the U.S. Government

Fiscal Year 2011

Office of Management and Budget
www.budget.gov

THE BUDGET DOCUMENTS

Budget of the United States Government, Fiscal Year 2011 contains the Budget Message of the President, information on the President's priorities, budget overviews organized by agency, and summary tables.

Analytical Perspectives, Budget of the United States Government, Fiscal Year 2011 contains analyses that are designed to highlight specified subject areas or provide other significant presentations of budget data that place the budget in perspective. This volume includes economic and accounting analyses; information on Federal receipts and collections; analyses of Federal spending; information on Federal borrowing and debt; baseline or current services estimates; and other technical presentations.

The *Analytical Perspectives* volume also contains supplemental material with several detailed tables, including tables showing the budget by agency and account and by function, subfunction, and program, that is available on the Internet and as a CD-ROM in the printed document.

Historical Tables, Budget of the United States Government, Fiscal Year 2011 provides data on budget receipts, outlays, surpluses or deficits, Federal debt, and Federal employment over an extended time period, generally from 1940 or earlier to 2011 or 2015.

To the extent feasible, the data have been adjusted to provide consistency with the 2011 Budget and to provide comparability over time.

Appendix, Budget of the United States Government, Fiscal Year 2011 contains detailed information on the various appropriations and funds that constitute the budget and is designed primarily for the use of the Appropriations Committees. The *Appendix* contains more detailed financial information on individual programs and appropriation accounts than any of the other budget documents. It includes for each agency: the proposed text of appropriations language; budget schedules for each account; legislative proposals; explanations of the work to be performed and the funds needed; and proposed general provisions applicable to the appropriations of entire agencies or group of agencies. Information is also provided on certain activities whose transactions are not part of the budget totals.

AUTOMATED SOURCES OF BUDGET INFORMATION

The information contained in these documents is available in electronic format from the following sources:

Internet. All budget documents, including documents that are released at a future date, spreadsheets of many of the budget tables, and a public use budget database are available for downloading in several formats from the Internet at *www.budget.gov/budget*. Links to documents and materials from budgets of prior years are also provided.

Budget CD-ROM. The CD-ROM contains all of the budget documents in fully indexed PDF format along with the software required for viewing the documents. The CD-ROM has many of the budget tables in spreadsheet format and also contains the materials that are included on the separate *Analytical Perspectives* CD-ROM.

For more information on access to electronic versions of the budget documents (except CD-ROMs), call (202) 512-1530 in the D.C. area or toll-free (888) 293-6498. To purchase the budget CD-ROM or printed documents call (202) 512-1800.

GENERAL NOTES

1. All years referenced for budget data are fiscal years unless otherwise noted. All years referenced for economic data are calendar years unless otherwise noted.

2. Detail in this document may not add to the totals due to rounding.

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INTRODUCTION

1. INTRODUCTION

PURPOSE OF THIS VOLUME

The *Analytical Perspectives* volume presents analyses that highlight specific subject areas or provide other significant data that place the Budget in context. This volume presents crosscutting analyses of Government programs and activities from several perspectives.

Presidential budgets have included separate analytical presentations of this kind for many years. The 1947 Budget and subsequent budgets included a separate section entitled "Special Analyses and Tables" that covered four and sometimes more topics. For the 1952 Budget, the section was expanded to 10 analyses, including many subjects still covered today, such as receipts, investment, credit programs, and aid to State and local governments. With the 1967 Budget this material became a separate volume entitled "Special Analyses," and included 13 chapters. The material has remained a separate volume since then, with the exception of the *Budgets* for 1991–1994, when all of the budget material was included in one large volume. Beginning with the 1995 Budget, the volume has been named *Analytical Perspectives*.

Again this year, several large tables are included at *http://www.whitehouse.gov/omb/budget/fy2011/spec.html* and on the *Analytical Perspectives* CD-ROM enclosed with the printed version of this volume. A list of these items is in the Table of Contents.

Overview of the Chapters

Introduction

Introduction. This chapter briefly discusses each of the subsequent chapters presented in this year's *Analytical Perspectives* volume.

Economic and Budget Analyses

Economic Assumptions. This chapter reviews recent economic developments; presents the Administration's assessment of the economic situation and outlook, including the effects of macroeconomic policies; and compares the economic assumptions on which the Budget is based with the assumptions for last year's Budget and those of other forecasters.

Interactions Between the Economy and the Budget. This chapter illustrates how different economic paths would automatically produce different budget results, and provides sensitivity estimates for the effects on the budget of changes in specified economic assumptions. It also provides estimates of the cyclical and structural components of the budget deficit. Past errors in economic projections are reviewed.

Financial Stabilization Efforts and Their Budgetary Effects. This chapter focuses on Federal efforts to stabilize the economy and promote financial recovery, including the Troubled Asset Relief Program (TARP), reform of financial regulation, and other measures. The chapter also includes special analyses of the TARP as described in Section 203(a) of the Emergency Economic Stabilization Act of 2008.

Long-Term Budget Outlook. This chapter assesses the long-term budget outlook and the sustainability of current budget policy by focusing on 75-year projections of the Federal budget and showing how alternative long-term budget assumptions would produce different results. The chapter presents information on the size of the fiscal gap, and the budgetary effects of growing health costs. The chapter also explains why long-term primary surpluses (surpluses when interest costs are not counted) would be needed to achieve sustainability.

Federal Borrowing and Debt. This chapter analyzes Federal borrowing and debt and explains the budget estimates. It includes sections on special topics such as the trends in debt, agency debt, investment by Government accounts, and the statutory debt limit.

Performance and Management

Delivering High-Performance Government. This chapter describes this Administration's approach to performance management, the Federal Government's use of performance goals and measurement to drive significant performance gains. Leaders of the largest Federal agencies have identified between three and eight ambitious, high-priority, outcome-focused performance goals to achieve within the next 24 months. These are listed in this chapter. In addition, the chapter explains how the Administration expects agencies to use outcome-focused performance information to lead, learn, and improve outcomes; candidly communicate the priorities, problems, and progress of Government programs; and tap into practitioner communities to improve outcomes.

Program Evaluation. The Program Evaluation chapter is new, which underscores this Administration's commitment to measuring what works and what does not. The chapter reports on the OMB Director's October 7th memo which called for an "Increased Emphasis on Program Evaluations." As part of this memo, the Administration has committed to making ongoing program evaluation research available on-line, to creating an interagency task force that will identify and help to shape evaluations of programs, and to funding a new program evaluation initiative designed to strengthen rigorous, objective assessments of existing Federal activities to improve results and better inform funding decisions. This initiative funds

32 proposals for new program evaluations and/or efforts to build agency evaluation capacity. Finally, this chapter offers guidelines for strong evaluations and for effectively building agency evaluation capacity.

Benefit-Cost Analysis. This chapter discusses the use of benefit-cost analysis to design programs and policies to ensure that they achieve the maximal benefit to society and do not impose unjustified or excessive costs.

Improving the Federal Workforce. Strengthening the Federal workforce is essential to building a high-performing Government. This chapter presents summary data on Federal employment, compensation, and benefits; examines the challenges posed by aging employees and technological change; and discusses plans for improving the Federal workforce.

Budget Concepts and Budget Process

Budget Concepts. This chapter includes a basic description of the budget process, concepts, laws, and terminology, and includes a glossary of budget terms.

Coverage of the Budget. This chapter distinguishes between activities that are included in budget receipts and outlays ("budgetary"), and those that are not included in the budget ("non-budgetary"). It also defines the terms "on-budget" and "off-budget."

Budget Process. This chapter includes a brief description of the Administration's proposals to make the budget process more responsible and to make budgets more transparent, accurate, and comprehensive.

Federal Receipts

Governmental Receipts. This chapter presents information on receipts estimates, enacted tax legislation, and the receipts proposals in the Budget.

Offsetting Collections and Offsetting Receipts. This chapter presents information on collections that offset outlays, including both transactions with the public and intragovernmental transactions. In addition, this chapter presents information on "user fees," charges associated with market-oriented activities, and regulatory fees.

Tax Expenditures. This chapter describes and presents estimates of tax expenditures, which are defined as revenue losses from special exemptions, credits, or other preferences in the tax code.

Special Topics

Aid to State and Local Governments. This chapter presents crosscutting information on Federal grants to State and local governments, including highlights of Administration proposals. An Appendix to this chapter includes State-by-State spending estimates of major grant programs, including estimates for grant spending from the American Recovery and Reinvestment Act of 2009 (ARRA).

Strengthening Federal Statistics. This chapter discusses 2011 Budget proposals for the Government's principal statistical programs.

Information Technology. This chapter gives an overview of Federal spending on information technology, and the major initiatives through which the Administration is seeking to improve Federal information technology to deliver better value to taxpayers, through improved program performance, greater efficiency and cost savings, and extending the transparency of government and participation of citizens. The chapter also discusses the Administration's plans to extend its accomplishments in Federal information technology from its first year while continuing to provide strong information security and protection of privacy information.

Federal Investment. This chapter discusses federally financed spending that yields long-term benefits. It presents information on annual spending on physical capital, research and development, and education and training, and on the cumulative capital stocks resulting from that spending.

Research and Development. This chapter presents a crosscutting review of research and development funding in the Budget, including discussions about priorities, performance, and coordination across agencies.

Credit and Insurance. This chapter provides crosscutting analyses of the roles, risks, and performance of Federal credit and insurance programs and Government-sponsored enterprises (GSEs). The general portion of the chapter covers the categories of Federal credit (housing, education, business including farm operations, and international) and insurance programs (deposit insurance, pension guarantees, disaster insurance, and insurance against terrorism-related risks). Additionally, two detailed tables, "Table 22–11, Direct Loan Transactions of the Federal Government" and "Table 22–12. Guaranteed Loan Transactions of the Federal Government," are available at the Internet address cited above for the electronic version of this volume and on the *Analytical Perspectives* CD-ROM enclosed with the printed version of this volume.

Homeland Security Funding Analysis. This chapter discusses homeland security funding and provides information on homeland security program requirements, performance, and priorities. Additional detailed information is available at the Internet address cited above for the electronic version of this volume and on the *Analytical Perspectives* CD-ROM enclosed with the printed version of this volume.

Federal Drug Control Funding. This chapter displays enacted and proposed drug control funding for Federal departments and agencies.

California-Federal Bay-Delta Budget Crosscut (CALFED). This chapter presents information on Federal and State funding for the CALFED program, in fulfillment of the reporting requirements for this program. Additional detailed tables on CALFED funding and project descriptions are available at the Internet address cited above for the electronic version of this volume and on the *Analytical Perspectives* CD-ROM enclosed with the printed version of this volume.

Technical Budget Analyses

Current Services Estimates. This chapter presents the Budget's estimates of what receipts, outlays, and the deficit would be if current policies remained in force (termed the "baseline projection of current policy"). It discusses the conceptual framework for these estimates and describes differences with the baseline as specified under the rules of the Budget Enforcement Act (BEA). A detailed table, "Table 26–14, Current Services Budget Authority and Outlays by Function, Category, and Program" is available at the Internet address cited above for the electronic version of this volume and on the *Analytical Perspectives* CD-ROM enclosed with the printed version of this volume.

Trust Funds and Federal Funds. This chapter provides summary information on the two fund groups – Federal funds and trust funds. In addition, for the major trust funds and several Federal fund programs, the chapter provides detailed information about income, outgo, and balances.

National Income and Product Accounts. This chapter discusses how Federal receipts and outlays fit into the framework of the National Income and Product Accounts (NIPAs) prepared by the Department of Commerce. The NIPA measures are the basis for reporting Federal transactions in the gross domestic product (GDP) and for analyzing the effect of the budget on aggregate economic activity.

Comparison of Actual to Estimated Totals. This chapter compares the actual receipts, outlays, and deficit for 2009 with the estimates for that year published two years ago in the 2009 Budget. It also includes a historical comparison of the differences between receipts, outlays, and the deficit as originally proposed with final outcomes.

Budget and Financial Reporting. This chapter summarizes information about the Government's financial performance that is provided by three complementary sources – the budget, the financial statements, and the national income and flow-of-funds accounts.

Social Indicators. This chapter presents a selection of statistics that offer a numerical picture of the United States. Included are economic statistics such as real GDP per capita, household income, and measures of income equality. There are also environmental and energy indicators. A second table shows health, education, and other social indicators. The general picture presented by the statistics is one of improvement over the 50 years since 1960, but there have been setbacks such as the 2008–2009 recession, which have had a negative effect on some of the indicators.

The following materials are available at the Internet address cited above for the electronic version of this volume and on the *Analytical Perspectives* CD-ROM enclosed with the printed version of this volume.

Detailed Functional Table

Detailed Functional Table. Table 32–1. "Budget Authority and Outlays by Function, Category, and Program."

Federal Programs by Agency and Account

Federal Programs by Agency and Account. Table 33–1. "Federal Programs by Agency and Account."

ECONOMIC AND BUDGET ANALYSES

2. ECONOMIC ASSUMPTIONS

When the President took office in January 2009, the economy was in the midst of an economic crisis. The recession, which began in December 2007, became more severe toward the end of 2008, and, in the three quarters ending in the first quarter of 2009, real GDP fell at an annual rate of 4.8 percent, the steepest three-quarter decline since 1947. Meanwhile, the unemployment rate surged 1.2 percentage points in the first quarter of 2009, the largest increase since 1975.[1]

The first order of business for the new Administration was to arrest the rapid decline in economic activity. The President and Congress took unprecedented actions to restore demand, stabilize financial markets, and put people back to work. These steps included passage of the American Recovery and Reinvestment Act (ARRA), signed by the President just 28 days after taking office. They also included the Financial Stability Plan, announced in February, which encompassed wide-ranging measures to strengthen the banking system, increase consumer and business lending, and stem foreclosures and support the housing market. These and a host of other actions walked the economy back from the brink.

While current data suggest that production bottomed out during the summer of 2009, American businesses were still shedding jobs in the third and four quarters. The unemployment rate was 10.0 percent in December 2009 (the most recent month of data), and the number of long-term unemployed was 6.1 million. The recovery is projected to gain momentum slowly in 2010 and to strengthen in 2011-2013. Unfortunately, even with healthy economic growth there is likely to be an extended period of higher-than-normal unemployment lasting for several years.

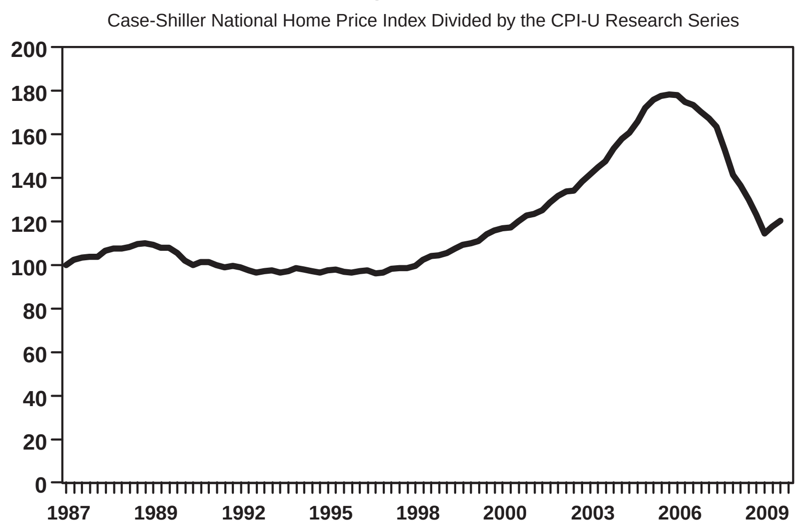
[1] In the Budget, economic performance is discussed in terms of calendar years. Budget figures are discussed in terms of fiscal years.

Recent Economic Performance

The accumulated stresses from a contracting housing market and strains on financial markets brought the previous expansion to an end in December 2007. In its early stages, the 2008-2009 recession was relatively mild, but financial conditions worsened sharply in the fall of 2008, and from that point forward the recession became much more severe. Production began rising in the second half of 2009, but the labor market has not yet begun to recover, although it is expected to begin to recover in 2010. The strength of the recovery is one of the key issues for the forecast.

***Housing Markets.*—**The downturn had its origin in the housing market. In hindsight, it is clear that by the early years of this decade, housing prices had become caught up in a speculative bubble that finally burst. Housing prices fell sharply from 2006 until 2009, but in recent months the market has shown signs of stabilizing (see Chart 2–1). As prices fell, investment in housing plummeted, reducing the rate of real GDP growth by an average of 1 percentage point per quarter. With the stabilization of house prices in the second half of 2009, housing

Chart 2-1. Relative House Prices Stopped Falling in 2009



investment also began to recover, adding 0.4 percentage points to real GDP growth in the third quarter.

At the low point for residential building in April 2009, monthly housing starts fell to an annual rate of just 479,000 units. This was the lowest level ever recorded for this series, which dates from 1959. In normal times, at least 1.5 million starts a year are needed to accommodate the needs of an expanding population and to replace older units as they wear out. Since April, housing starts have been trending up, although they experienced a sharp drop in October as builders paused to see whether the homebuyers' tax credit would be extended. A bill extending the credit was signed by President Obama on November 6, 2009, and starts rebounded in November. A large overhang of vacant homes exists currently, however, which must be reduced before a robust housing recovery can become established. The foreclosure rate in the third quarter of 2009 was 1.4 percent, which is the highest since records have been kept going back to 1972. With foreclosures adding to the stock of vacant homes, housing prices are likely to remain subdued. Although residential building is likely to remain modest for some time, the forecast assumes a gradual recovery in housing activity, which contributes to GDP growth in 2010-2012.

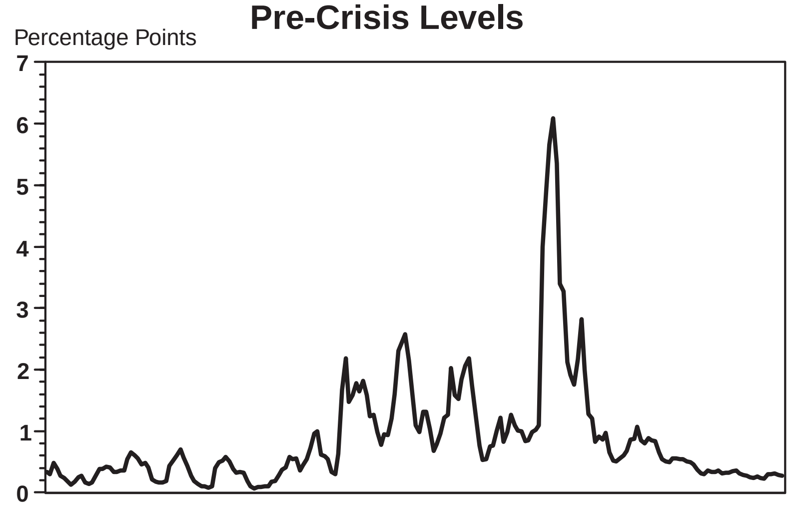
The Financial Crisis.—In August 2007, the United States subprime mortgage market became the focal point for a worldwide reduction in risk tolerance. Subprime mortgages are mortgages provided to borrowers who do not meet the standard criteria for borrowing at the lowest prevailing interest rate, either because of low income, a poor credit history, lack of a down payment, or other reasons. In the spring of 2007, there was over $1 trillion outstanding in such mortgages, and with house prices falling, many of these mortgages were on the brink of default.

As banks and other investors lost confidence in the value of these high-risk mortgages and the securities based on them, banks became much less willing to lend to each other. Money market participants outside the banks became unwilling to lend to one another as well. Financial market participants of all kinds were uncertain of the degree to which other participants' balance sheets had been contaminated. The heightened uncertainty was reflected in unprecedented spreads between interest rates on Treasury securities and those on various types of financial market debt.

One especially telling differential is the spread between the yield on short-term U.S. Treasury securities, and the London interbank lending rate (LIBOR) which banks trading in the London money market charge one another for short-term lending in dollars. Historically, this differential has amounted to only 30 or 40 basis points. In August 2007, it shot up to over 200 basis points, and it spiked again, most dramatically, in September 2008 following the bankruptcy of Lehman Brothers (see Chart 2-2). Gradually, over the course of this year the LIBOR spread and other measures of credit risk have declined. In recent months these spreads have regained their pre-crisis levels. This is the clearest evidence that the financial crisis has eased. Although financial institutions have easier access to funds, they remain reluctant to lend.

The policy response following the Lehman Brothers bankruptcy was crucial in restoring confidence and limiting the financial panic. Over the course of the following three months, the Federal Reserve lowered its short-term interest rate target to near zero, while creating new programs to provide credit to markets where banks were no longer lending. The Troubled Asset Relief Program (TARP) provided the Treasury with the financial resources to bolster banks' capital position and to remove troubled assets from banks' balance sheets. In the spring of 2009, the Treasury and bank regulators conducted the Supervisory Capital Assessment Program, a stress test to determine the health of the nineteen largest U.S. banks. The test provided more transparency than had existed

Chart 2-2. The One-Month LIBOR Spread over the One-Month Treasury Yield has Returned to Pre-Crisis Levels



before concerning the banks financial position, and this reassured investors. Consequently, the banks have been able to raise private capital, providing further evidence that the credit crisis has eased.

Negative Wealth Effects and Consumption.—Between the third quarter of 2007 and the first quarter of 2009, the net worth of American households declined by $17.5 trillion, or 26.5 percent – the equivalent of more than one year's GDP. A precipitous decline in the stock market and falling house prices over this period were the main reasons for the drop in household wealth. Since then wealth has partially recovered as the stock market has rallied, and house prices have stopped falling, but even so, household wealth remains well below its peak levels prior to the recession.

Americans have reacted to this massive loss of wealth by saving more. The household saving rate had been declining since the 1980s, and it reached a low point of 0.8 percent in April 2008. Since then it has increased sharply, rising to a temporary high point of 6.4 percent last May following a distribution of special $250 payments to Social Security and Supplemental Security Income recipients and the implementation of other Recovery Act provisions. In November, the saving rate was still 4.7 percent (see Chart 2–3). In the long-run, increased saving is essential for raising future living standards. However, a sudden increase in the desire to save implies a corresponding reduction in consumer demand, and that fall-off in consumption had a negative effect on the economy in the second half of 2008. During that period, real consumer spending fell at an annual rate of 3.3 percent, the steepest two-quarter decline since 1980. In 2009, consumption has started to rise again, but it has not yet regained its peak reached in 2007.

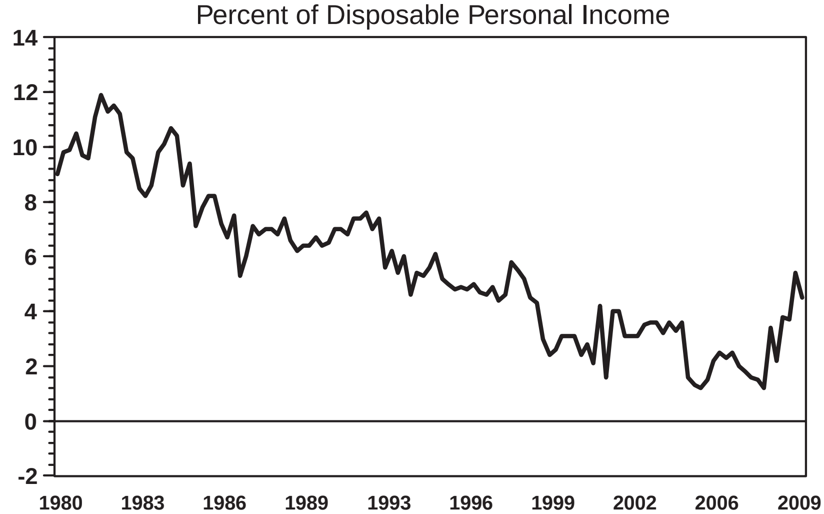
The Labor Market.—The unemployment rate continued to rise in the second half of 2009 despite the turnaround in economic production. The increase in unemployment has had devastating effects on American families, and the recovery will not be real for most Americans until the job market also turns around. The good news is that historically, when the economy grows so does employment, although there is usually a lag of one to two quarters before unemployment declines after the resumption of real GDP growth. The normal sequence of events around a business cycle trough is for aggregate demand to revive, which pulls up sales. Initially, firms respond to the pickup in demand by increasing work hours of the existing work force and hiring temporary workers, but eventually as the higher level of demand is recognized, firms begin to hire permanent employees again, and employment revives. At that point, labor force participation is also likely to increase as discouraged workers return to the market place. Finally, the unemployment rate declines as the recovery takes hold (see Chart 2–4).

Following the recessions in 1991 and 2001, however, the lag between increased output and the decline in unemployment was much longer than one or two quarters, mainly because the recovery in production was slower and more hesitant. Unfortunately, because of the lingering effects of the credit crisis and the accompanying loss of household wealth, the recovery from the current recession is also expected to begin more slowly than in some recoveries in the past. The expected growth rate should be rapid enough to reduce the unemployment rate in 2010, but the improvement could be slow at first.

Policy Background

Over the last 12 months, the Administration and the Federal Reserve have taken a series of actions to end the recession and bolster the economy. On the fiscal side, the passage of ARRA was a crucial step. Meanwhile, the Federal Reserve has kept its target interest rate near zero

Chart 2-3. The Personal Saving Rate has Risen Sharply Since 2008



in order to stimulate growth, and it has also taken several novel measures to unfreeze the Nation's credit markets.

Fiscal Policy.—The Federal budget affects the economy through many channels. For an economy coming out of a deep recession, the most important of these is the budget's effect on total demand. In a slumping economy, the level of demand is the main determinant of how much is produced and how many workers will be employed. Government spending on goods and services can substitute for missing private spending while changes in taxes and transfers can contribute to demand by enabling people to spend more than they otherwise would. ARRA bolstered aggregate demand in several ways which have helped spark the recovery. It increased spending on goods and services at the Federal level; it provided assistance to State governments; it included large tax reductions for middle-class families; and it extended unemployment insurance and other benefits which have allowed people to maintain spending at levels higher than would otherwise have occurred.

The fiscal stimulus in ARRA was intended to provide a significant boost to demand in both 2009 and 2010. So far the stimulus has proceeded as intended. Although the economy has continued to lose jobs, the loss would have been much larger without the benefits of ARRA. In the first quarter of 2009, payroll employment was falling at an average rate of 691 thousand jobs per month. By the fourth quarter, the rate of job loss had declined to 69 thousand per month. It is not possible to judge the effectiveness of a macroeconomic policy without some idea of the alternative. Critics of ARRA have tended to argue that continued job losses are evidence of ineffectiveness. However, the only way to know that is through a macroeconomic model that can be used to project the employment outcome under an alternative policy. In fact, results from a range of models imply that employment was increased through the fourth quarter of 2009 by between 1.0 million and 2.1 million jobs thanks to ARRA.

The economic recovery efforts have, intentionally, increased the deficit. The increase in the deficit has been extraordinary, but it was the necessary response to the crisis the Administration inherited. It is also temporary. The Budget provides a path to lower medium-term deficits.

Over the long term, deficits tend to have some combination of two macroeconomic effects. First, they can raise interest rates and decrease investment, as the Federal Government goes into the credit markets and competes with private investors for limited capital. Second, deficits can increase the amount that the United States borrows from abroad, as foreigners step in to finance our consumption. Either way, deficits reduce future standards of living. If interest rates rise and investment falls, that makes American workers less productive and reduces our incomes. If we borrow more from abroad as a result of our deficits, that means that more of our future incomes will be mortgaged to pay back foreign creditors. Persistent large deficits would also limit the Government's maneuvering room to handle future crises.

Monetary Policy.—The Federal Reserve is responsible for monetary policy. Traditionally, it has relied on a relatively narrow range of instruments to achieve its policy goals, but in the recent crisis the Federal Reserve is using a broader set of approaches. The reason for departing from past practice is that the traditional tool of monetary policy—adjusting short-term interest rates—has proved insufficient. In addressing the economic crisis, the Federal Reserve has created facilities to provide credit to the commercial paper market directly and to provide backup liquidity for money market mutual funds. The Federal Reserve together with Treasury has expanded a facility to lend against AAA-rated asset-backed securities collateralized by student loans, auto loans, credit card loans, and business loans guaranteed by the Small Business Administration (SBA). The Federal Reserve has also bought longer-term securities for its portfolio.

Chart 2-4. The Lag between the Turnaround in Real GDP and the Turning Point for Payroll Employment and the Unemployment Rate

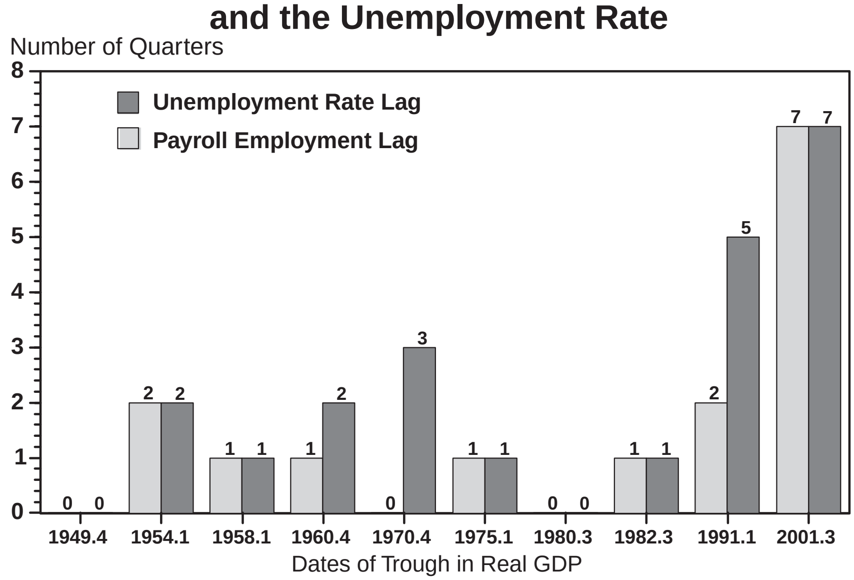


Table 2–1. ECONOMIC ASSUMPTIONS[1]
(Calendar years; dollar amounts in billions)

	2008 Actual	2009	Projections 2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Gross Domestic Product (GDP):													
Levels, dollar amounts in billions:													
Current dollars	14,441	14,252	14,768	15,514	16,444	17,433	18,446	19,433	20,408	21,373	22,329	23,312	24,323
Real, chained (2005) dollars	13,312	12,973	13,317	13,823	14,416	15,027	15,633	16,194	16,714	17,190	17,643	18,091	18,543
Chained price index (2005 = 100), annual average	108.5	109.8	110.8	112.2	114.0	116.0	117.9	120.0	122.0	124.3	126.5	128.8	131.1
Percent change, fourth quarter over fourth quarter:													
Current dollars	0.1	0.4	4.0	5.7	6.1	6.0	5.7	5.2	5.0	4.5	4.5	4.4	4.3
Real, chained (2005) dollars	–1.9	–0.5	3.0	4.3	4.3	4.2	3.9	3.4	3.1	2.7	2.6	2.5	2.5
Chained price index (2005 = 100)	1.9	0.9	1.0	1.4	1.7	1.7	1.7	1.7	1.8	1.8	1.8	1.8	1.8
Percent change, year over year:													
Current dollars	2.6	–1.3	3.6	5.1	6.0	6.0	5.8	5.3	5.0	4.7	4.5	4.4	4.3
Real, chained (2005) dollars	0.4	–2.5	2.7	3.8	4.3	4.2	4.0	3.6	3.2	2.8	2.6	2.5	2.5
Chained price index (2005 = 100)	2.1	1.2	0.9	1.2	1.6	1.7	1.7	1.7	1.8	1.8	1.8	1.8	1.8
Incomes, billions of current dollars:													
Corporate profits before tax	1,463	1,418	1,816	1,933	1,918	1,915	1,924	1,998	2,031	2,058	2,076	2,087	2,150
Employee Compensation	8,037	7,762	8,040	8,499	9,041	9,626	10,247	10,855	11,447	12,024	12,612	13,197	13,792
Wages and salaries	6,546	6,259	6,468	6,825	7,293	7,776	8,288	8,783	9,263	9,733	10,198	10,667	11,134
Other taxable income[2]	3,311	3,081	3,204	3,327	3,591	3,830	4,049	4,218	4,434	4,662	4,857	5,073	5,305
Consumer Price Index (all urban):[3]													
Level (1982–84 = 100), annual average	215.2	214.5	218.7	222.0	226.3	230.8	235.5	240.2	245.1	250.3	255.5	260.9	266.4
Percent change, fourth quarter over fourth quarter	1.5	1.4	1.3	1.7	2.0	2.0	2.0	2.0	2.1	2.1	2.1	2.1	2.1
Percent change, year over year	3.8	–0.3	1.9	1.5	2.0	2.0	2.0	2.0	2.0	2.1	2.1	2.1	2.1
Unemployment rate, civilian, percent:													
Fourth quarter level	6.9	10.3	9.8	8.9	7.9	7.0	6.2	5.7	5.4	5.3	5.2	5.2	5.2
Annual average	5.8	9.3	10.0	9.2	8.2	7.3	6.5	5.9	5.5	5.3	5.2	5.2	5.2
Federal pay raises, January, percent:													
Military[4]	3.5	3.9	3.4	1.4	NA	NA	NA	NA	NA	NA	NA	NA	NA
Civilian[5]	3.5	3.9	2.0	1.4	NA	NA	NA	NA	NA	NA	NA	NA	NA
Interest rates, percent:													
91-day Treasury bills[6]	1.4	0.2	0.4	1.6	3.0	4.0	4.1	4.1	4.1	4.1	4.1	4.1	4.1
10-year Treasury notes	3.7	3.3	3.9	4.5	5.0	5.2	5.3	5.3	5.3	5.3	5.3	5.3	5.3

NA = Not Available
[1] Based on information available as of mid-November 2009.
[2] Rent, interest, dividend, and proprietors' income components of personal income.
[3] Seasonally adjusted CPI for all urban consumers.
[4] Percentages apply to basic pay only; percentages to be proposed for years after 2011 have not yet been determined.
[5] Overall average increase, including locality pay adjustments. Percentages to be proposed for years after 2011 have not yet been determined.
[6] Average rate, secondary market (bank discount basis).

The Federal Reserve's actions helped ease the credit crisis as evidenced by a decline in the interest rate spread between U.S. Treasuries and other securities. The expanded credit facilities have also caused a large increase in the Federal Reserve's balance sheet. Federal Reserve assets have increased from under $1 trillion to over $2 trillion. Because much of the increase in Federal Reserve liabilities has gone into idle reserves of banks, and because of the considerable slack in the economy, current inflation risks are low. The Federal Reserve is prepared to reduce the assets on its balance sheet promptly as the economy recovers from the current recession and the crisis in the financial sector eases. Indeed, continued improvements in financial market conditions have been accompanied by further declines in credit extended through many of the Federal Reserve's liquidity programs.

Financial Stabilization Policies.—Over the course of the last 12 months, the U.S. financial system has been pulled back from the brink of a catastrophic collapse. The very real danger that the system would disintegrate in a cascade of failing institutions and collapsing asset prices has been averted. The Administration's Financial Stability Plan played a key role in cleaning up and strengthening the nation's banking system. This plan began with a forward-looking capital assessment exercise for the 19 U.S. banking institutions with assets in excess of $100 billion. This was the so-called "stress test" aimed at determining whether these institutions had sufficient capital to withstand stressful deterioration in economic conditions. The resulting transparency and resolution of uncertainty regarding banks' potential losses boosted confidence and allowed banks to raise substantial funds in private markets and repay tens of billions of dollars in taxpayer investments.

The second component of the Financial Stability Plan was aimed at establishing a market for the troubled real-estate assets that were at the center of the crisis. The plan included provisions for the Federal Government to join private investors in buying mortgage-backed securities. Removing these assets from the banks' balance sheets is a key step to restoring the financial system to normal functioning.

The Financial Stability Plan also aimed to unfreeze secondary markets for loans to consumers and businesses. The Administration has undertaken the Making Home Affordable plan to help distressed homeowners, encourage access to home financing credit and avoid foreclosures and stabilize neighborhoods. The Home Affordable Modification Program has over 850 thousand mortgage modifications underway. In 2009 millions of American took advantage of low interest rates to refinance their mortgages at lower interest rates. The Administration has launched several initiatives through the SBA to increase loans from small and community banks to small businesses, and it is continuing a joint Treasury-Federal Reserve program that expands credit to small businesses and consumers by lending against securities backed by business and consumer loans.

Economic Projections

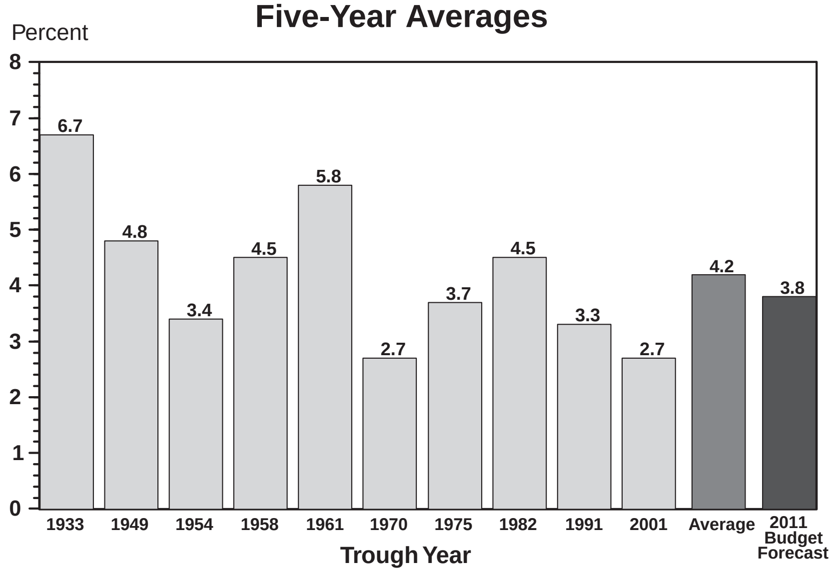
The economic projections underlying the 2011 Budget estimates are summarized in Table 2–1. The assumptions are based on information available as of mid-November 2009. This section discusses the Administration's projections and the next section compares the projections with those of the Blue Chip Consensus of outside forecasters.

Real GDP.—The Administration projects the economic recovery that began in the second half of 2009 will continue in 2010 with real GDP growing at an annual rate of 3.0 percent (fourth quarter over fourth quarter). In 2011-2013, growth is projected to increase to around 4-1/4 percent annually as underutilized economic capacity returns to productive uses.

As shown in Chart 2–5, the Administration's projections for real GDP growth over the next five years imply a recovery that is a bit below the historical average. It is true that recent recoveries have been somewhat weaker, but the last two expansions were preceded by relatively mild recessions, which left less pent-up demand when conditions improved. Because of the depth of the recent recession, there is much more room for a rebound in spending and production than was true either in 1991 or 2001. On the other hand, continued weakness in the financial sector may limit the pace of the recovery. Thus, on net, the Administration is forecasting a recovery over the next five years that is slightly below historical averages.

Longer-Term Growth.—The Administration forecast does not attempt to project cyclical developments beyond the next few years. The long-run projection for real economic growth and unemployment assumes that they will maintain trend values in the years following the return to full employment. In the nonfarm business sector, produc-

Chart 2-5. Real GDP Growth Following a Recession: Five-Year Averages



tivity growth is assumed to grow at 2.3 percent per year, while nonfarm labor supply grows at a rate of around 0.7 percent per year, so nonfarm business output grows approximately 3.0 percent per year. Real GDP growth, reflecting the slower measured growth in activity outside the nonfarm business sector, proceeds at a rate of 2.5 percent. That is markedly slower than the average growth rate of real GDP since 1947—3.3 percent per year. In the 21st Century, real GDP growth in the United States is likely to be permanently slower than it was in earlier eras because of the slowdown in labor force growth that is expected beginning with the retirement of the post-World War II "baby boom" generation.

Unemployment.—Although production began to increase last summer, the unemployment rate remains highly elevated. In October, the overall unemployment rate rose above 10.0 percent for the first time since 1983, and it was at 10.0 percent in both November and December. The broadest measure of underutilized labor published by the Bureau of Labor Statistics—the U-6 measure which includes discouraged workers and those working part-time for economic reasons—reached 17.4 percent in October, and was at 17.3 percent in December. The overall unemployment rate is projected to begin to decline slightly over the course of 2010, although it may increase slightly before finally turning around. Because growth in 2010 is projected to be relatively slow for the early stages of a recovery, unemployment is projected to remain high for a prolonged period. The unemployment rate is projected to decline to 7.0 percent by the end of 2013.

Inflation.—Inflation declined in 2009. Over the four quarters ending in 2009:3, the price index for GDP rose only 0.6 percent compared with an increase of 2.5 percent over the previous four quarters. The Consumer Price Index for all urban consumers (CPI-U) has been more volatile. For the 12 months ending in July the overall CPI-U fell by 1.9 percent. Over the previous 12 months it had increased by 5.4 percent. Since July the CPI has risen at an annual rate of 3.9 percent. Most of these swings have been due to sharp movements in food and energy prices over the last two years. The so-called "core" CPI, excluding both food and energy, was up 1.6 percent through the 12 months ending in July compared with 2.5 percent during the previous 12 months. While the rate of inflation in the overall CPI has increased since July, the core inflation rate has averaged only 1.4 percent. The weak demand resulting from the recession has held down prices increases for a wide range of goods and services. Continued high unemployment is expected to preserve a low inflation rate for the next several years. Eventually, as the economy recovers and the unemployment rate declines, the rate of inflation should rise again, returning to rates around 2 percent per year—similar to the rates that existed pre-recession. With the recovery path assumed in the Administration forecast, the risk of outright deflation appears minimal. In the long-run, the Administration assumes that the rate of change in the CPI will average 2.1 percent and that the GDP price index will increase at a 1.8 percent annual rate.

Interest Rates.—Interest rates on Treasury securities fell sharply in late 2008, as both short-term and long-term rates declined to their lowest levels in decades. In 2009, short-term Treasury rates remained near zero, and the monthly average 10-year yield fluctuated within a range of 2-1/2 percent to 3-3/4 percent. Investors have sought the security of Treasury debt during the heightened financial uncertainty of the last few years, which has reduced yields. In the Administration projections, interest rates are expected to rise as financial concerns are alleviated and the economy recovers from recession. The 91-day Treasury bill rate is projected to reach 4.1 percent and the 10-year rate 5.3 percent by 2013. These forecast rates are historically low, reflecting lower inflation in the forecast than for most of the post-World War II period. After adjusting for inflation, the projected real interest rates are close to their historical averages.

Income Shares.—The share of labor compensation in GDP was extremely low by historical standards in 2009. It is expected to rise over the forecast period to more normal levels. As a share of GDP, employee compensation was 54.5 percent in 2009 and it is expected to rise over the course of the 10-year forecast. In the expansion that ended in 2007, labor compensation tended to lag behind the growth in productivity, and that has also been true for the recent surge in productivity growth.

While the overall share of labor compensation is expected to increase, the share of taxable wages is expected to remain roughly flat. Rising health insurance costs are projected to put upward pressure on the share of fringe benefits. The Administration economic projections do not account for the effects of health reform on compensation shares.

The share of corporate profits before taxes was 13.9 percent of GDP in the third quarter of 2006 prior to the recession, which was near an all-time high. Since then profits before tax have dropped sharply. They are expected to be only 9.9 percent of GDP in 2009. As the economy recovers, the profit share is projected to rebound. In the forecast, the ratio of pretax profits to GDP reaches 12.5 percent in 2011 and then falls to around 9 percent by the end of the 10-year projection period as the share of employee compensation slowly recovers to approach its long-run historical average.

Comparison with Private-Sector Forecasts

Table 2–2 compares the economic assumptions for the 2011 Budget with projections by the Blue Chip Consensus, an average of about 50 private-sector economic forecasts. These other economic projections differ in some respects from the Administration's projections, but the forecast differences are relatively small over the next two years, especially when compared with the margin of error in all economic forecasts. Like the Administration, the private forecasters believe that real GDP growth resumed in mid-2009 and that the economy will continue to recover showing positive growth in 2010 and 2011. They also agree that inflation will be at a low rate in 2010-2011, while outright deflation is avoided, and that after peaking at a relatively high level, the unemployment rate gradually declines and interest rates rise.

There are some conceptual differences between the Administration forecast and the private economic forecasts. The Administration forecast assumes that the President's Budget proposals will be enacted. The 50 or so private forecasters in the Blue Chip Consensus make differing policy assumptions, but none would necessarily assume that the Budget is adopted in full. In addition, the forecasts were not made at the same time. The Administration forecast was completed in mid-November. The almost three-month lag between the forecast date and Budget release occurs because the budget process requires agencies to receive the forecast's assumptions in time to use them in making the budget estimates for agency programs that are incorporated in the Budget. Forecasts made at different dates will differ if there is economic news between the two dates that alters the economic outlook. The Blue Chip consensus displayed in this table was the latest available at the time the Budget went to print—and was completed in early January, about six weeks after the Administration forecast was finalized.

Real GDP Growth.—The Administration's real GDP projections are very similar to those of the Blue Chip consensus in 2010 while exceeding the consensus view in 2011. In its August 2009 projections (the most recent available) the Congressional Budget Office (CBO) projected long-run growth of 2.2 percent per year. Most of the difference between the Administration and CBO's long-run growth comes from a difference in the expected rate of growth of the labor force. Both forecasts assume that the labor force will grow more slowly than in the past because of population aging, but the Administration bases its population projections on the Census Bureau's projections, which tend to run higher than the CBO projections. The Administration also believes that labor force participation could be somewhat stronger in the future. The net difference in the two forecasts is only a few tenths of a percentage point.

All economic forecasts are subject to error, and the forecast errors are usually much larger than the forecast differences discussed above. As discussed in chapter 3, past forecast errors among the Administration, CBO, and the Blue Chip have been similar.

Unemployment, Inflation, and Interest Rates.— The Administration forecast has an unemployment rate of 10.0 percent in 2010 and 9.2 percent in 2011. The January Blue Chip consensus is identical to the Administration forecast in both years. Both the Administration and the Blue Chip consensus anticipate a moderate rate of inflation over the next two years. The forecasts are also similar in their projections for the path of interest rates.

Table 2–2. COMPARISON OF ECONOMIC ASSUMPTIONS

(Calendar years)

	2009	2010	2011
Nominal GDP (in billions of dollars):			
2011 Budget	14,252	14,768	15,514
Blue Chip	14,254	14,827	15,530
Real GDP (year-over-year):			
2011 Budget	–2.5	2.7	3.8
Blue Chip	–2.5	2.8	3.1
Real GDP (fourth-quarter-over-fourth-quarter):			
2011 Budget	–0.5	3.0	4.3
Blue Chip	–0.3	2.9	3.2
GDP Price Index:[1]			
2011 Budget	1.2	0.9	1.2
Blue Chip	1.2	1.2	1.6
Consumer Price Index (CPI-U):[1]			
2011 Budget	–0.3	1.9	1.5
Blue Chip	–0.3	2.1	2.0
Unemployment Rate:[2]			
2011 Budget	9.3	10.0	9.2
Blue Chip	9.2	10.0	9.2
Interest Rates:[2]			
91-Day Treasury Bills (discount basis):			
2011 Budget	0.2	0.4	1.6
Blue Chip	0.2	0.4	1.8
10-Year Treasury Notes:			
2011 Budget	3.3	3.9	4.5
Blue Chip	3.3	3.9	4.6

Sources: Administration, January 2010 Blue Chip Economic Indicators, Aspen Publishers, Inc.

[1] Year-over-year percent change.

[2] Annual averages, percent.

Short-term rates are expected to be near zero in 2009, but then to increase in 2010 and 2011. The interest rate on 10-year Treasury notes is projected to rise from 3.3 percent to about 4-1/2 percent in 2011 in both forecasts.

Changes in Economic Assumptions

Although some of the economic assumptions underlying this Budget have changed compared with those used for the 2010 Budget, most of the forecast values are similar, especially in the long run (see Table 2–3). The previous Budget did not fully anticipate the severity of the 2008-2009 recession, especially in the labor market. Consequently, the unemployment rate projected for 2009-2010 turned out to be too low. So far the forecast of 2009 real GDP growth appears to have been closer to the mark. The economic recovery projected for 2010 has been reduced slightly in view of the relatively modest start to the recovery so far in 2009. Finally, the long-run growth trend was pegged at 2.6 percent per year in the previous Budget and that has been reduced slightly to 2.5 percent per year in the current Budget in view of continuing revisions to the historical data that suggest a slower rate of trend productivity growth.

Table 2–3. COMPARISON OF ECONOMIC ASSUMPTIONS IN THE 2010 AND 2011 BUDGETS

(Calendar years; dollar amounts in billions)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Nominal GDP:											
2010 Budget Assumptions[1]	14,374	14,989	15,820	16,828	17,842	18,695	19,528	20,397	21,304	22,252	23,242
2011 Budget Assumptions	14,252	14,768	15,514	16,444	17,433	18,446	19,433	20,408	21,373	22,329	23,312
Real GDP (2005 dollars):											
2010 Budget Assumptions[1]	13,060	13,474	14,017	14,658	15,266	15,714	16,123	16,543	16,974	17,415	17,868
2011 Budget Assumptions	12,973	13,317	13,823	14,416	15,027	15,633	16,194	16,714	17,190	17,643	18,091
Real GDP (percent change):[2]											
2010 Budget Assumptions[1]	–1.9	3.2	4.0	4.6	4.2	2.9	2.6	2.6	2.6	2.6	2.6
2011 Budget Assumptions	–2.5	2.7	3.8	4.3	4.2	4.0	3.6	3.2	2.8	2.6	2.5
GDP Price Index (percent change):[2]											
2010 Budget Assumptions[1]	1.3	1.1	1.5	1.7	1.8	1.8	1.8	1.8	1.8	1.8	1.8
2011 Budget Assumptions	1.2	0.9	1.2	1.6	1.7	1.7	1.7	1.8	1.8	1.8	1.8
Consumer Price Index (all-urban; percent change):[2]											
2010 Budget Assumptions[1]	–0.6	1.6	1.8	2.0	2.1	2.1	2.1	2.1	2.1	2.1	2.1
2011 Budget Assumptions	–0.3	1.9	1.5	2.0	2.0	2.0	2.0	2.0	2.1	2.1	2.1
Civilian Unemployment Rate (percent):[3]											
2010 Budget Assumptions[1]	8.1	7.9	7.1	6.0	5.2	5.0	5.0	5.0	5.0	5.0	5.0
2011 Budget Assumptions	9.3	10.0	9.2	8.2	7.3	6.5	5.9	5.5	5.3	5.2	5.2
91-day Treasury bill rate (percent):[3]											
2010 Budget Assumptions[1]	0.2	1.6	3.4	3.9	4.0	4.0	4.0	4.0	4.0	4.0	4.0
2011 Budget Assumptions	0.2	0.4	1.6	3.0	4.0	4.1	4.1	4.1	4.1	4.1	4.1
10-year Treasury note rate (percent):[3]											
2010 Budget Assumptions[1]	2.8	4.0	4.8	5.1	5.2	5.2	5.2	5.2	5.2	5.2	5.2
2011 Budget Assumptions	3.3	3.9	4.5	5.0	5.2	5.3	5.3	5.3	5.3	5.3	5.3

[1] Adjusted for July 2009 comprehensive NIPA revisions.
[2] Year-over-year.
[3] Calendar year average.

3. INTERACTIONS BETWEEN THE ECONOMY AND THE BUDGET

The economy and the budget are interrelated. Both budget outlays and the tax structure have substantial effects on national output, employment, and inflation, and economic conditions significantly affect the budget.

Because of the complex interrelationships between the budget and the economy, budget estimates depend to a very significant extent upon assumptions about the economy. This chapter attempts to quantify the relationship between macroeconomic outcomes and budget outcomes and to illustrate the challenges that uncertainty about the future path of the economy poses for making budget projections.

While this chapter highlights uncertainty with respect to budget projections in the aggregate, estimates for many programs capture uncertainty using stochastic modeling. Stochastic models measure program costs as the probability-weighted average of costs under different scenarios, with economic, financial, and other variables differing across scenarios. Stochastic modeling is essential to properly measure the cost of programs that respond asymmetrically to deviations of actual economic and other variables from forecast values. In such programs, the Federal Government is subject to "one-sided bets" where costs go up when variables move in one direction but do not go down when they move in the opposite direction. The cost estimates for the Pension Benefit Guarantee Corporation, student loan programs, the Troubled Asset Relief Program (TARP), agriculture programs with price triggers, and heating oil programs all benefit from stochastic modeling.

The first section of the chapter provides rules of thumb that describe how changes in economic variables result in changes in receipts, outlays, and the deficit. The second section presents information on GDP forecast errors in past budgets and how these forecast errors compare to those in forecasts made by the Congressional Budget Office (CBO) and the Blue Chip consensus. The third section provides specific alternatives to the current Administration forecast—both more optimistic and less optimistic—and describes the resulting effects on the deficit. The fourth section shows a probabilistic range of budget outcomes based on past errors in projecting the deficit. The last section discusses the relationship between structural and cyclical deficits, showing how much of the actual deficit is related to the economic cycle (e.g., the recent recession) and how much would persist even if the economy were at approaches full employment.

Sensitivity of the Budget to Economic Assumptions

Both receipts and outlays are affected by changes in economic conditions. Budget receipts vary with individual and corporate incomes, which respond both to real economic growth and inflation. At the same time, outlays for many Federal programs are directly linked to developments in the economy. For example, most retirement and other social insurance benefit payments are tied by law to cost-of-living indices. Medicare and Medicaid outlays are affected directly by the price of medical services. Interest on the debt is linked to market interest rates and the size of the budget surplus or deficit, both of which in turn are influenced by economic conditions. Outlays for certain benefits such as unemployment compensation and food stamps vary with the unemployment rate and are thereby linked to the state of the economy.

This sensitivity complicates budget planning because errors in economic assumptions lead to errors in the budget projections. It is therefore useful to examine the implications of possible changes in economic assumptions. Many of the budgetary effects of such changes are fairly predictable, and a set of rules of thumb embodying these relationships can aid in estimating how changes in the economic assumptions would alter outlays, receipts, and the surplus or deficit. These rules of thumb should be understood as suggesting orders of magnitude; they ignore a long list of secondary effects that are not captured in the estimates.

The rules of thumb show how the changes in economic variables affect Administration estimates for receipts and outlays, holding other factors constant. They are not, for two reasons, a prediction of how receipts or outlays would actually turn out if the economic changes actually came to pass. First, the rules of thumb are based on a fixed budget policy that is not always a good predictor of what might actually happen to the budget should the economic outlook change substantially. For example, unexpected downturns in real economic growth, and attendant job losses, usually give rise to legislative actions to expand unemployment benefits, stimulate the economy with additional Federal investment spending, and the like. Second, economic rules of thumb do not capture certain "technical" changes that may in fact relate to economic changes, but do not have a clear relationship to specific economic variables. For example, the rules of thumb for receipts changes reflect how Treasury's receipts estimates would shift with certain economic changes, but they do not capture the effect of large changes in taxes on capital gains realizations that often occur when the economic outlook changes. On the spending side of the budget, the rules of thumb do not capture changes in deposit insurance outlays, even though bank failures are generally associated with turmoil in the economy.

Economic variables that affect the budget do not usually change independently of one another. Output and employment tend to move together in the short run: a high rate of real GDP growth is generally associated with a declining rate of unemployment, while slow or negative growth is usually accompanied by rising unemployment. This relationship is known as Okun's Law. In the long run, however, changes in the average rate of growth of real GDP are mainly due to changes in the rates of growth of productivity and the labor force, and are not necessarily associated with changes in the average rate of unemployment. Inflation and interest rates are also closely interrelated: a higher expected rate of inflation increases nominal interest rates, while lower expected inflation reduces nominal interest rates.

Changes in real GDP growth or inflation have a much greater cumulative effect on the budget if they are sustained for several years than if they last for only one year. However, even one-time changes can have permanent effects if they permanently raise the level of the tax base or the level of Government spending. Moreover, temporary economic changes can change the level of the debt, affecting future interest payments on the debt. Highlights of the budgetary effects of these rules of thumb are shown in Table 3–1.

For real growth and employment:

- The first block shows the effect of a temporary reduction in real GDP growth by one percentage point sustained for one year, followed by a recovery of GDP to the base-case level (the Budget assumptions) over the ensuing two years. In this case, the unemployment rate is assumed to rise by one-half percentage point relative to the Budget assumptions by the end of the first year, then return to the base case rate over the ensuing two years. After real GDP and the unemployment rate have returned to their base case levels, most budget effects vanish except for persistent out-year interest costs associated with larger near-term deficits.
- The second block shows the effect of a reduction in real GDP growth by one percentage point sustained for one year, with no subsequent "catch up," accompanying a permanent increase in the natural rate of unemployment (and of the actual unemployment rate) of one-half percentage point relative to the Budget assumptions. In this scenario, the level of GDP and taxable incomes are permanently lowered by the reduced growth rate in the first year. For that reason and because unemployment is permanently higher, the budget effects (including growing interest costs associated with larger deficits) continue to grow in each successive year.
- The budgetary effects are much larger if the growth rate of real GDP is permanently reduced by one percentage point even leaving the unemployment rate unchanged, as might result from a shock to productivity growth. These effects are shown in the third block. In this example, the cumulative increase in the budget deficit is many times larger than the effects in the first and second blocks.

For inflation and interest rates:

- The fourth block shows the effect of a one percentage point higher rate of inflation and one percentage point higher nominal interest rates maintained for the first year only. In subsequent years, the price level and nominal GDP would both be one percentage point higher than in the base case, but interest rates and future inflation rates are assumed to return to their base case levels. Receipts increase by about twice as much as outlays.
- In the fifth block, the rate of inflation and the level of nominal interest rates are higher by one percentage point in all years. As a result, the price level and nominal GDP rise by a cumulatively growing percentage above their base levels. In this case, again the effect on receipts is about double the effect on outlays. Because Congress and the President are not likely to allow inflation to erode the real value of spending permanently, these estimates assume that annual appropriations rise one percent a year faster beginning in 2012.
- The effects of a one percentage point increase in interest rates alone are shown in the sixth block. The outlay effect mainly reflects higher interest costs for Federal debt. The receipts portion of this rule-of-thumb is due to the Federal Reserve's deposit of earnings on its securities portfolio and the effect of interest rate changes on both individuals' income (and taxes) and financial corporations' profits (and taxes).
- The seventh block shows that a sustained one percentage point increase in GDP price index inflation decreases cumulative deficits substantially. The separate effects of higher inflation and higher interest rates shown in the sixth and seventh blocks do not sum to the effects for simultaneous changes in both shown in the fifth block. This is because the gains in budget receipts due to higher inflation result in higher debt service savings when interest rates are also assumed to be higher in the fifth block than when interest rates are assumed to be unchanged in the seventh block.
- The last entry in the table shows rules of thumb for the added interest cost associated with changes in the budget deficit, holding interest rates and other economic assumptions constant.

As noted, the rules of thumb discussed above are calculated assuming that in the long run funding levels for discretionary programs respond to changes in projected inflation. Specifically, in this Budget, discretionary funding levels for the outyears are based both on policy considerations and on the Administration's inflation forecast. Thus, while the Budget shows discretionary funding in nominal terms, it conceives of discretionary growth rates in inflation-adjusted terms. Although the Administration

Table 3–1. SENSITIVITY OF THE BUDGET TO ECONOMIC ASSUMPTIONS

(Fiscal years; in billions of dollars)

Budget Effect	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total of Effects, 2010–2020
Real Growth and Employment												
Budgetary effects of 1 percent lower real GDP growth:												
(1) For calendar year 2010 only, with real GDP recovery in 2011–12:[1]												
Receipts	–14.4	–21.8	–10.5	–1.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	–46.6
Outlays	2.8	6.1	4.8	3.0	2.7	2.8	2.8	2.9	3.0	3.1	3.2	37.0
Increase in deficit (+)	17.2	27.9	15.3	4.2	2.5	2.6	2.6	2.7	2.8	2.9	3.0	83.7
(2) For calendar year 2010 only, with no subsequent recovery:[1]												
Receipts	–14.4	–29.2	–34.4	–36.7	–38.8	–41.1	–43.2	–45.1	–47.2	–49.3	–51.7	–431.1
Outlays	2.8	7.2	9.9	13.3	16.5	19.5	22.5	25.5	28.5	31.7	35.1	212.4
Increase in deficit (+)	17.2	36.4	44.3	50.0	55.3	60.5	65.7	70.6	75.6	81.0	86.9	643.5
(3) Sustained during 2010 - 2020, with no change in unemployment:												
Receipts	–14.5	–44.6	–84.1	–128.1	–176.8	–230.7	–288.8	–349.3	–414.3	–483.3	–557.8	–2,772.4
Outlays	–0.7	–0.8	1.1	6.0	12.2	20.1	30.2	42.4	57.1	74.6	95.2	337.4
Increase in deficit (+)	13.8	43.8	85.3	134.1	189.0	250.8	319.0	391.7	471.3	557.9	653.1	3,109.8
Inflation and Interest Rates												
Budgetary effects of 1 percentage point higher rate of:												
(4) Inflation and interest rates during calendar year 2010 only:												
Receipts	21.3	41.4	39.4	36.5	38.9	41.5	43.9	46.1	48.4	50.7	53.0	461.2
Outlays	21.7	37.4	31.2	29.6	27.5	26.5	24.4	23.4	21.2	21.8	21.1	285.6
Decrease in deficit (–)	0.4	–4.0	–8.2	–6.9	–11.5	–15.0	–19.6	–22.8	–27.2	–28.9	–32.0	–175.5
(5) Inflation and interest rates, sustained during 2010–2020:												
Receipts	21.3	64.6	111.1	157.8	208.9	264.1	325.1	390.0	459.2	533.7	614.7	3,150.5
Outlays	21.1	61.3	104.3	147.7	190.0	234.2	280.8	330.6	381.1	438.9	498.6	2,688.5
Decrease in deficit (–)	–0.2	–3.3	–6.8	–10.1	–18.9	–29.9	–44.4	–59.3	–78.1	–94.8	–116.1	–461.9
(6) Interest rates only, sustained during 2010–2020:												
Receipts	6.8	20.1	28.4	32.6	36.1	37.7	40.2	43.2	45.2	47.1	48.7	385.9
Outlays	15.5	47.3	69.1	86.8	101.2	116.1	129.3	144.4	158.1	173.3	190.0	1,231.2
Increase in deficit (+)	8.7	27.3	40.7	54.2	65.2	78.4	89.1	101.3	112.9	126.2	141.3	845.3
(7) Inflation only, sustained during 2010–2020:												
Receipts	14.5	44.4	82.6	124.8	172.4	225.8	284.3	345.9	412.9	485.3	564.5	2,757.5
Outlays	5.7	14.2	36.0	62.3	91.1	121.6	156.4	193.0	231.9	277.1	323.2	1,512.6
Decrease in deficit (–)	–8.9	–30.2	–46.5	–62.5	–81.3	–104.2	–127.8	–152.9	–181.0	–208.2	–241.4	–1,244.9
Interest Cost of Higher Federal Borrowing												
(8) Outlay effect of $100 billion increase in borrowing in 2010	0.2	1.2	2.7	4.2	4.8	5.0	5.3	5.5	5.7	6.0	6.2	46.7

* $50 million or less.

[1] The unemployment rate is assumed to be 0.5 percentage point higher per 1.0 percent shortfall in the level of real GDP.

is confident that its current inflation assumptions are reasonable, if inflation projections change significantly, future budgets would be expected to adjust funding growth up or down accordingly.[1]

The effects of changes in economic assumptions in the opposite direction are approximately symmetric to those shown in the table. The impact of a one percentage point

[1] This statement does not apply to funding growth between 2010 and the 2011 budget year, since the appropriations process for 2011 must begin immediately and before inflation assumptions will be reassessed. It also does not apply to the outyear Budget Authority for overseas contingency operations, which is a placeholder and does not represent a policy determination.

Table 3–2. GDP FORECAST ERRORS, JANUARY 1982–PRESENT
(Percentage points)

2–Year Real GDP	Admin.	CBO	Blue Chip
Mean Error.	–0.2	–0.3	–0.5
Mean Absolute Error.	1.0	1.0	1.0
Root Mean Square Error.	1.3	1.3	1.2
6-Year Real GDP			
Mean Error.	–0.1	–0.4	–0.5
Mean Absolute Error.	0.7	0.6	0.7
Root Mean Square Error.	0.8	0.8	0.8

lower rate of inflation or higher real growth would have about the same magnitude as the effects shown in the table, but with the opposite sign.

GDP Forecast Errors

As can be seen in Table 3-1, one of the most important variables that affects the accuracy of the budget projections is the forecast of the growth rate of real GDP throughout the projection period. Table 3-2 shows errors in short- and long-term projections for past Administrations, and compares these errors to those of CBO and the Blue Chip Consensus of private forecasters.[2] Over both a two-year and six-year horizon, the average annual GDP growth rate was very slightly underestimated by all three forecasters in the annual forecasts made since 1982. The differences between the three forecasters were minor. The average absolute error in the growth rate was 1.0 percent per year for all forecasters for two-year projections, and was about one-third smaller for all three for the six-year projections. The greater accuracy in the six-year projections could reflect a tendency of real GDP to revert at least partly to trend, though the overall evidence on whether GDP is mean reverting is mixed. Another way to interpret the result is that it is hard to predict GDP around turning points in the business cycle, but somewhat easier to project the long-term growth rate based on assumptions about the labor force, productivity, and other factors that affect GDP.

Alternative Scenarios

The economic outlook is always uncertain, but it is especially uncertain at present. The rules-of-thumb described above can be used in combination to show the approximate effect on the budget of alternative economic scenarios. Modeling explicit alternative scenarios can also be useful in gauging some of the risks to the cur-

[2] Two-year errors are the average error in percentage points for year over year growth rates for the current year and budget year. Administration forecasts are from the budgets released starting in February 1982 (1983 Budget) and through February 2007 (2008 Budget). The six-year forecasts are constructed similarly, but the last forecast used is from February 2004 (2005 Budget). CBO forecasts are from 'The Budget and Economic Outlook' publications in January each year, and the Blue Chip forecasts are from their January projections.

Chart 3-1. Forecast Alternatives: Real GDP

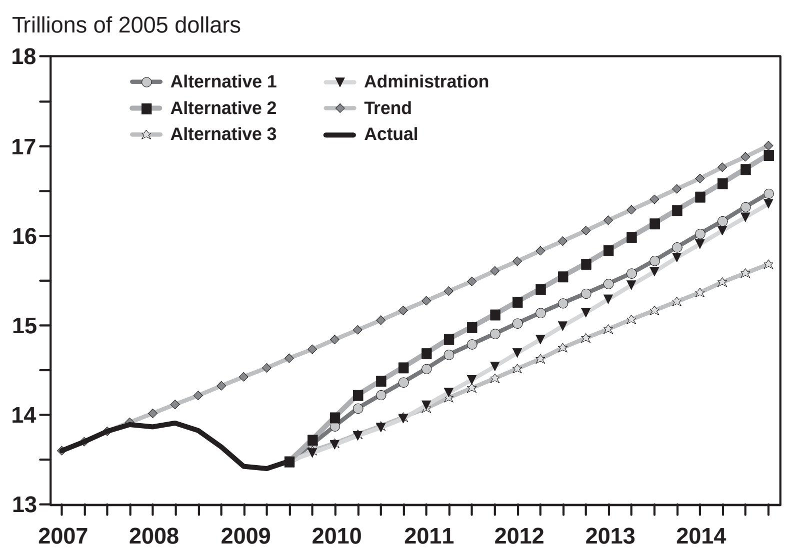


Table 3–3. BUDGET EFFECTS OF ALTERNATIVE SCENARIOS
(Fiscal years; in billions of dollars)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Alternative Budget Deficit Projections:											
Administration Economic Assumptions	1556	1267	828	727	706	752	778	778	785	908	1003
percent of GDP	10.6%	8.3%	5.1%	4.2%	3.9%	3.9%	3.9%	3.7%	3.6%	3.9%	4.2%
Alternative Scenario 1	1491	1159	727	650	652	708	732	734	739	860	951
percent of GDP	10.0%	7.4%	4.4%	3.7%	3.6%	3.7%	3.6%	3.5%	3.3%	3.7%	3.9%
Alternative Scenario 2	1474	1129	673	565	534	566	576	561	552	659	736
percent of GDP	9.8%	7.1%	4.0%	3.2%	2.8%	2.9%	2.8%	2.6%	2.4%	2.8%	3.0%
Alternative Scenario 3	1559	1288	887	840	884	975	1024	1040	1068	1213	1330
percent of GDP	10.7%	8.5%	5.6%	5.0%	5.0%	5.3%	5.3%	5.1%	5.1%	5.5%	5.8%

rent budget projections. For example, the severity of the recent recession makes the strength of the recovery over the next few years highly uncertain. That possibility is explored in the three alternative scenarios presented in this section.

In the first alternative, growth rebounds sooner than the Administration projects, in line with the average strength of most of the expansions following recoveries in previous recessions since World War II. Real growth beginning in the third quarter of 2009 is 5.9 percent over the next four quarters, followed by growth rates of 3.8 percent, 3.7 percent, 3.1 percent, and 3.8 percent, respectively. In this case, the level of GDP is substantially higher in the near term than in the Administration's projections, but the level of GDP approaches the Administration's projection in the out years. The Administration is projecting an average postwar recovery, but one that takes longer to gain traction because of the financial uncertainties in the current business climate.

Given the depth of the 2008-2009 recession, a faster than normal recovery might be expected. There is evidence that the strength of a recovery is linked to the depth of the preceding recession. In the second alternative, growth rebounds at the average rate of 4.5 percent over the next five years which corresponds to the average of the five strongest of the ten expansions since World War II. This is similar to the first alternative except some of the weaker expansions—which generally followed mild recessions—are excluded from the calculation. In this case, real GDP rebounds to nearly reach by 2015 the trend path of 3.0 percent that it had followed in the decade before the latest recession, recovering all lost ground.

The third alternative scenario assumes that real GDP growth in 2010 and 2011 is equal to the projection in the latest Blue Chip forecast (January), and that growth continues at a relatively subdued pace averaging 3.0 percent in 2012-14. In this case, the level of GDP remains lower than the Administration's forecast throughout the projection.

Table 3-3 shows the budget effects of these three alternative scenarios compared to the Administration's economic forecast. Under the first alternative, budget deficits are modestly lower in each year compared to the Administration's forecast, with the differences narrowing in the outyears of the forecast. In the second alternative, the deficit is much lower by 2014. In the third alternative, the deficit becomes progressively larger than the Administration's projection.

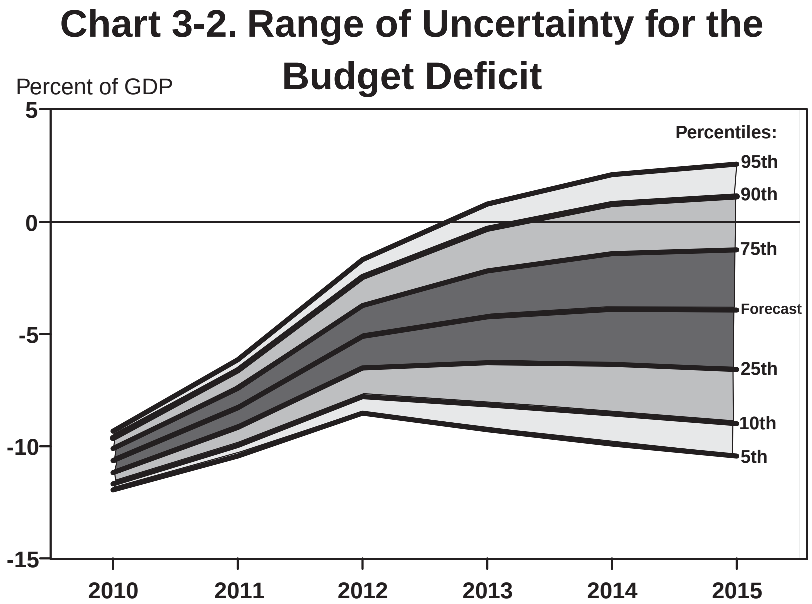
Many other scenarios are possible, of course, but the point is that the most important influences on the budget projections beyond the next year or two are the rate at which output and employment recover from the recession and the extent to which potential GDP returns to its prerecession trend.

Uncertainty and the Deficit Projections

The accuracy of budget projections depends not only on the accuracy of economic projections, but also on technical factors and the differences between proposed policy and enacted legislation. Chapter 29 provides detailed information on these factors for the budget year projections (Table 29-6), and also shows how the deficit projections compared to actual outcomes, on average, over a five-year window using historic data from 1982 to 2009 (Table 29-7). The error measures can be used to show a probabilistic range of uncertainty of what the range of deficit outcomes may be over the next five years relative to the Administration's deficit projection. Chart 3-2 shows this cone of uncertainty, which is constructed under the assumption that future forecast errors would be governed by the normal distribution with a mean of zero and standard error equal to the root mean squared error, as a percent of GDP, of past forecasts. The deficit is projected to be 3.9 percent of GDP in 2015, but has a 90 percent chance of being within a range of a surplus of 2.6 percent of GDP and a deficit of 10.4 percent of GDP.

Structural and Cyclical Deficits

The budget deficit is highly sensitive to the business cycle. When the economy is operating below its potential and the unemployment rate exceeds the level consistent with price stability, receipts are lower, outlays for pro-



grams such as unemployment compensation are higher, and the deficit is larger than it would be otherwise. These features serve as "automatic stabilizers" for the economy by restraining output when the economy threatens to overheat and cushioning economic downturns. They also make it hard to judge the overall stance of fiscal policy from looking at the unadjusted budget deficit.

An alternative measure of the budget deficit is called the structural deficit. This measure provides a more useful perspective on the stance of fiscal policy than does the unadjusted unified budget deficit. The portion of the deficit traceable to the automatic effects of the business cycle is called the cyclical component. The remaining portion of the deficit is called the structural deficit. The structural deficit is a better gauge of the underlying stance of fiscal policy than the unadjusted unified deficit because it removes most of the effects of the business cycle.

Estimates of the structural deficit, shown in Table 3-4, are based on the historical relationship between changes in the unemployment rate and real GDP growth, known as Okun's Law, as well as relationships of unemployment and real GDP growth with receipts and outlays. These estimated relationships take account of the major cyclical changes in the economy and their effects on the budget, but they do not reflect all the possible cyclical effects on the budget, because economists have not been able to identify the cyclical factor in some of these other effects. For example, the recent decline in the stock market will pull down capital gains-related receipts and increase the deficit. Some of this decline is cyclical in nature, but economists have not pinned down the cyclical component of the stock market with any exactitude, and for that reason, all of the stock market's contribution to receipts is counted in the structural deficit.

Another factor that can affect the deficit and is related to the business cycle is labor force participation. Since the official unemployment rate does not include workers who have left the labor force, the conventional measures of potential GDP, incomes, and Government receipts understate the extent to which potential work hours are under-utilized because of a decline in labor force participation. The key unresolved question here is to what extent changes in labor force participation are cyclical and to what extent they are structural. By convention, in estimating the structural budget deficit, all changes in labor force participation are treated as structural.

There are also lags in the collection of tax revenue that can delay the impact of cyclical effects beyond the year in which they occur. The result is that even after the unemployment rate has fallen, receipts may remain cyclically depressed for some time until these lagged effects have dissipated. The current recession has added substantially to the estimated cyclical component of the deficit, but for all the reasons stated above, the cyclical component is probably an understatement. As the economy recovers, the cyclical deficit is projected to decline and after unemployment reaches 5.2 percent, the level assumed to be consistent with stable inflation, the estimated cyclical component vanishes, leaving only the structural deficit, although some lagged cyclical effects would arguably still be present.

Despite these limitations, the distinction between cyclical and structural deficits is helpful in understanding the path of fiscal policy. The large increase in the deficit in 2009 and 2010 is due to a combination of all three components of the deficit. There is a large increase in the cyclical component because of the rise in unemployment. That is what would be expected considering the severity of the current recession. Finally, there is a large increase in the structural deficit because of the policy measures taken to combat the recession. This reflects the Government's decision to make an active use of fiscal policy to lessen the severity of the recession and to hasten economic recovery. In 2011–2017, the cyclical component declines sharply as the economy recovers. The structural deficit shrinks during 2011–2013 as the temporary spending and tax measures in the Recovery Act end.

Table 3–4. THE STRUCTURAL BALANCE
(Fiscal years; in billions of dollars)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Unadjusted surplus (–) or deficit	160.7	458.6	1412.7	1555.6	1266.7	828.5	727.3	705.8	751.9	777.7	778.0	785.1
Cyclical component	–54.5	6.5	337.8	467.7	452.6	380.3	287.0	187.8	102.0	44.6	10.0	0.0
Structural surplus (–) or deficit	216.7	433.3	815.6	1116.7	767.2	478.2	462.5	538.4	678.4	760.9	797.6	817.2
(Fiscal years; percent of GDP)												
Unadjusted surplus (–) or deficit	1.2%	3.2%	9.9%	10.5%	8.1%	5.3%	4.3%	3.9%	3.9%	3.9%	3.7%	3.6%
Cyclical component	–0.4%	0.0%	2.4%	3.2%	3.0%	2.3%	1.7%	1.0%	0.5%	0.2%	0.0%	0.0%
Structural surplus (–) or deficit	1.5%	3.1%	7.6%	7.3%	5.1%	3.0%	2.6%	2.9%	3.4%	3.6%	3.6%	3.6%

Note: The NAIRU is assumed to be 5.0% through calendar year 2007, 5.2% after 2008.

4. FINANCIAL STABILIZATION EFFORTS AND THEIR BUDGETARY EFFECTS

The U.S. Government has taken unprecedented action to stem the negative effects of the current financial crisis.[1] The Department of the Treasury, the Federal Reserve, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Securities and Exchange Commission, and the Commodity Futures Trading Commission have acted independently and in concert to scale up existing programs and make them more effective, and to launch new programs that are designed to:

- expand access to credit;
- strengthen financial institutions;
- restore confidence in the financial market; and
- stabilize the housing sector.

This chapter provides a summary of key government programs, followed by a report analyzing the cost and budgetary effects of the Treasury's Troubled Asset Relief Program (TARP), consistent with Sections 202 and 203 of the Emergency Economic Stabilization Act (EESA) of 2008 (P.L. 110–343) as amended. This report analyzes transactions as of December 31, 2009, and expected transactions as reflected in the Budget. The TARP costs discussed in the report and included in the Budget are the estimated present value of the TARP investments, netting and discounting the expected dividends, interest, and principal redemptions the Government receives against its investments; this credit reform treatment of TARP transactions is provided for in Section 123 of EESA.

The estimated impact of TARP on the deficit has been cut by more than 60 percent (or over $220 billion) from the Mid-Session Review (MSR) of the 2010 Budget, due to lower overall TARP investments and higher investment returns. The MSR estimated a $341 billion programmatic cost of purchases and guarantees of $777 billion in troubled assets. OMB's new report estimates TARP's deficit cost to be $117 billion—a reduction in cost of $224 billion from MSR (see Tables 4–1 and 4–7).

The Treasury has received higher-than-expected repayments and redemptions from TARP recipients, and now predicts that banks alone will return $185 billion in TARP investments over 2009 and 2010. As of December 31, 2009, the Treasury had received actual repayments of $165 billion, mostly from large banks that received capital infusions in the first weeks of the TARP program. Those redemptions are a sign of the greater stability in the financial sector, which led the Administration to reduce estimates of future TARP purchases by 30 percent compared to MSR, to $546 billion, and to remove the $750 billion placeholder for a Financial Stabilization Reserve as no longer warranted.

Federal Reserve Programs

The Federal Reserve responded to the crisis by extending its existing credit programs, creating new credit programs, directly purchasing assets for its System Open Market Account (SOMA) portfolio, and providing direct financial support to a large number of financial institutions. Beginning in early August 2007, the Federal Reserve began pumping liquidity into the system to offset the precipitous decline in interbank lending. However, interbank liquidity concerns continued to persist, which led to the creation of the Term Auction Facility (TAF) in December 2007. This facility allowed banks to access Federal Reserve funds through an auction process, wherein depository institutions bid for TAF funds at an interest rate that is determined by the auction. As of November 30, 2009, cumulative TAF borrowing exceeded $3.7 trillion. However, since October 2008 every TAF auction has been undersubscribed, meaning that propositions for the TAF loans have been below auction limits. In late September 2009, the Federal Reserve announced that the TAF would be scaled back in 2010 as a result of improved financial market conditions.

Throughout the economic crisis, the Federal Reserve created programs designed to improve credit market conditions. The Term Securities Lending Facility (TSLF), introduced in March 2008, has allowed institutions to pledge an array of collateral (all investment grade debt and securities) in return for risk-free Treasury securities. The Federal Reserve also created the Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility, the Primary Dealer Credit Facility, and the Commercial Paper Funding Facility. Each of these programs has increased liquidity for different participants in the money markets, which has had the effect of stabilizing broader financial markets. Similar to TAF, utilization of these programs has waned as market conditions have improved. In mid-December the Federal Reserve confirmed that these four programs will expire on February 1, 2010, consistent with the Federal Reserve's June 2009 announcement.

Addressing the frozen consumer and business credit markets, the Federal Reserve announced on November 25, 2008 that in conjunction with the Treasury Department it would lend up to $200 billion to holders of newly issued AAA-rated asset-backed securities through the Term Asset-Backed Securities Loan Facility (TALF). The program was expanded as part of the Administration's Financial Stability Plan and launched in March 2009. Qualifying assets include student loans, auto loans, credit

[1] Chapter 2 of this volume, Economic Assumptions, contains a discussion of the economic crisis and recent economic performance, among other topics.

cards, and Small Business Administration guaranteed loans. As of June 1, 2009, the Federal Reserve extended the list of qualifying assets to include commercial real estate mortgages. November 2009 marked the first deal involving new issuance of commercial mortgage-backed securities since June 2008, equal to $323 million of AAA-rated debt, of which TALF financing supported $72 million. As part of the program, the Treasury provides protection to the Federal Reserve by covering the first $20 billion in losses on all TALF loans.

To support mortgage lending and housing markets, the Federal Reserve began purchasing up to $175 billion of Government-Sponsored Enterprise (GSE) debt and up to $1.25 trillion of GSE mortgage-backed securities (MBS) beginning in December 2008. As of the end of December, 2009 the Federal Reserve has purchased or committed to purchase $160 billion in GSE debt and $1.1 trillion in GSE MBS. Purchasing GSE debt and MBS is intended to provide liquidity to the mortgage industry and facilitate the issuance of new mortgage loans to homebuyers at affordable interest rates. The Federal Reserve also purchased $300 billion in longer-term Treasury securities in 2009 to improve interest rate conditions in mortgage and other private credit markets.

Earnings resulting from the expansion of the Federal Reserve's balance sheet through the purchase of GSE debt, GSE mortgage-backed securities, and long-term Treasury securities are expected to increase the Federal Reserve's deposit of excess earnings with the Treasury. It is estimated that the Treasury will receive $77.0 billion from the Federal Reserve in 2010, and $79.3 billion in 2011, which represents an average 125 percent increase over 2009 deposits of $34.3 billion. Federal Reserve deposits of earnings with the Treasury will peak in 2011 and start to fall in the out-years as the Federal Reserve plans to wind down its portfolio.

Federal Deposit Insurance Corporation (FDIC) Programs

On October 14, 2008, using its existing authority, the FDIC created the Temporary Liquidity Guarantee Program (TLGP), aimed at restoring confidence in banks and preventing large scale deposit flight. The program has been designed to promote liquidity by allowing banks to rollover existing debt. For the first time ever, the FDIC guaranteed bank and bank holding company debt. Under the debt guarantee program (DGP), if there is default on the debt, the FDIC will make required principal and interest payments to unsecured senior debt holders. The FDIC charges additional premiums for any banks that voluntarily opt into this program. The guarantee was originally limited to unsecured debt issued on or before June 30, 2009, expiring June 30, 2012. On March 17, 2009, the FDIC extended the eligible period through October 31, 2009, to issue debt, and levied a surcharge on debt issued between April 1, 2009 and October 31, 2009, which will be transferred to Deposit Insurance Fund. On October 20, 2009, the FDIC adopted a final rule that reaffirmed the expiration of the debt guarantee program (DGP) on October 31, 2009. However, the rule also established a limited, six-month guarantee facility upon expiration. This emergency guarantee facility is available on a case-by-case basis to entities participating in the DGP, upon application to the FDIC and with the approval of the Chairman after consultation with the Board. The Budget shows the book value of the DGP investment portfolio was $7 billion as of September 30, 2009.

Another component of the TLGP, the Transaction Account Guarantee (TAG), allows the FDIC to cover without limit any losses that uninsured depositors incur within non-interest bearing deposits. The FDIC charges additional premiums for any banks that voluntarily opt into this program. This guarantee is designed to protect small business payrolls held at small and medium sized banks. On August 26, 2009, the FDIC extended this guarantee for six months, through June 30, 2010, and insured depository institutions that are participating in the TAG program may continue through the extension period. Those institutions will be assessed between 15 to 25 basis points depending upon the risk category assigned to the institution under the FDIC's risk-based premium system. The FDIC had collected $450 million in fees related to the TAG as of September 30, 2009.

In September 2009, the FDIC also piloted the Legacy Loan Program (LLP), which is part of the Public-Private Investment Program (PPIP) announced in March by the Secretary of the Treasury, the Federal Reserve, and the FDIC. The FDIC will provide oversight for the formation, funding, and operation of new public-private investment funds (PPIFs), which will purchase loans and other assets from depository institutions. The LLP will attract private capital through an FDIC debt guarantee. This program will ultimately help banks remove troubled loans and other assets from their balance sheets so that banks can raise new capital and be better positioned to emerge from the financial crisis.

The FDIC has further collaborated with the Treasury Department and the Federal Reserve to provide exceptional assistance to institutions such as Citigroup. Alongside the Treasury and the Federal Reserve, the FDIC guaranteed up to $10 billion of a $301 billion portfolio of residential and commercial mortgage-backed securities at Citigroup. The guarantee was later terminated, as part of a larger Citigroup initiative to repay Federal support.

In addition to the liquidity programs, the Emergency Economic Stabilization Act of 2008 temporarily increased the deposit and share insurance level from $100,000 per account to $250,000 through December 31, 2009. This increase applies to insured accounts of both the FDIC and the National Credit Union Administration (NCUA). On May 20, 2009, the President signed the Helping Families Save Their Homes Act, which extended the temporary increase of $250,000 through December 31, 2013. For a more detailed analysis of these programs, see the section titled, "Deposit Insurance" in Chapter 22, "Credit and Insurance", in this volume.

National Credit Union Administration (NCUA) Programs

NCUA took aggressive actions in response to dislocations in financial markets in order to maintain confidence, limit losses, and promote recovery in the credit union system. These actions included raising the deposit insurance coverage to $250,000 (details provided above), providing liquidity loans totaling $23 billion, and stabilizing two of the largest corporate credit unions through conservatorship. NCUA also initiated multiple programs amidst the economic crises to stabilize liquidity and ultimately ensure the continued safety and soundness of the credit union system, including the Temporary Corporate Credit Union Stabilization Fund, the Credit Union Homeowners Affordability Relief Program, and the System Investment Program.

On October 16, 2008, the NCUA announced the Temporary Corporate Credit Union Liquidity Guarantee Program. Under this program, the NCUA guaranteed certain unsecured debt of participating corporate credit unions issued from October 16, 2008 through June 30, 2010. The program ensured parity with depositories covered by a similar FDIC guarantee program, and maintained market-place confidence in corporate credit union unsecured debt offerings.

NCUA utilized the powers of its Central Liquidity Facility (CLF) to provide liquidity to the credit union system. The CLF granted liquidity advances of $14.4 billion, with $10 billion originating in March 2009 to the National Credit Union Share Insurance Fund in order to provide funding stabilization to the conservatorships of two corporate credit unions. The CLF also established the Credit Union Homeowners Affordability Relief Program (HARP) and the System Investment Program (SIP) to add liquidity to the credit union system; a total of $8.4 billion has been advanced with these two programs. As of September 30, 2009, $18.4 billion of advances remain outstanding.

Under the HARP, the CLF made one-year secured advances of credit to qualifying credit unions that in turn were required to invest in a special corporate credit union note used by the corporate credit union to pay down external secured borrowings. The qualifying credit union can earn an extra coupon payment on the HARP note for demonstrated mortgage relief to eligible members. To date, advances of approximately $164 million have been made, with complete repayment estimated by January 2011.

Under the SIP, the CLF made one-year secured credit advances to credit unions, who will in turn invest those funds in guaranteed corporate credit union notes, providing a stable and affordable source of liquidity for corporate credit unions. To date, advances of $8.2 billion have been made, and complete repayment is expected at the end of March 2010.

NCUA's systemic support via guarantees of unsecured debt and share deposits and liquidity advances has stabilized the corporate credit union system, which is vital for the day-to-day operations and function of the nearly 7,640 credit unions nationwide. In addition to stabilizing liquidity and confidence in the system, NCUA is promulgating a stronger regulatory and supervisory framework to govern credit unions, address identified weaknesses, and ensure such distress is not repeated in the future. NCUA is currently in the process of comprehensively revising Part 704 of its Rules and Regulations to address capital standards, investment authorities and limitations, and corporate governance.

Securities and Exchange Commission (SEC) and Commodity Futures Trading Commission (CFTC) Programs

As part of the Government's continuing response to the financial crisis, the SEC and CFTC worked throughout 2009 to issue regulations targeted at many of the root causes of the crisis, to adapt their organizations to more effectively monitor regulated industries and activities, and to implement enforcement strategies designed to both punish noncompliant actors and deter noncompliance system-wide. Following a review of its enforcement protocol, the SEC has committed to significant organizational reforms within the Division of Enforcement. The SEC will now better manage tips, referrals, and complaints by centralizing and organizing leads for use throughout the agency. Specialized units dedicated to high-risk and emerging fields like structured products and asset management businesses will enable SEC staff to develop the expertise necessary to keep pace with the innovation occurring in the marketplace, and to take swift and skilled action when necessary. Finally, the SEC has committed to streamlining its management structure to ensure that the agency is able to act on the improved enforcement recommendations provided by its staff. Beyond enforcement, the SEC has taken action to prevent future abuses of short-selling, particularly "naked" short selling (selling shares that are not owned or borrowed), by introducing rules covering short sale price tests, circuit breakers, and failures to deliver securities. Other major regulatory efforts in 2009 focused on limits on flash trading (trading on information received milliseconds before the public), dark pool disclosures (disclosure of anonymous trading in alternative markets), money market fund regulation, and credit rating agency reform.

In 2009, the SEC also focused significant attention on improving investor protection. This work has occurred on two fronts: increasing accountability of boards of directors of publicly-traded companies and introducing standards for investment advisors. The SEC established an Investor Advisory Committee to guide the agency's agenda on investor education, investor protection, shareholder voting, and corporate governance.

The CFTC has focused significant resources on monitoring the futures markets for potential manipulation throughout the financial crisis. In many cases, that monitoring has led to enforcement actions. In 2009, the CFTC filed 50 enforcement actions and opened 251 investigations, collecting more than $183 million in restitution and disgorgement penalties (i.e., the collection of ill-gotten gains), and $97 million in civil money penalties. The CFTC has also undertaken additional efforts to monitor futures commission merchants (FCMs) to ensure that the funds investors entrust to FCMs are appropriately safeguarded by the FCMs. In 2009, the CFTC's investor protection efforts included reviewing monthly financial reports from FCMs with an eye toward indicators of potential undercapitalization and systemic risk. As a result of the CFTC's market oversight and risk surveillance activities, in 2009 there were no losses of regulated consumer funds as a result of FCM instability or failure.

To better align their rulemakings and oversight, the SEC and CFTC have committed to harmonization efforts targeted at eliminating regulatory disparities between similar activities regulated by each agency. After holding joint meetings to discuss possible approaches to harmonization and to solicit public views on the strengths and weaknesses of the current system, in October 2009 the SEC and CFTC jointly issued a report recommending specific areas where aligning the agencies' regulatory approaches would yield benefits.

The President's Budget provides significant increases for the SEC and CFTC in 2011 above 2010. For SEC, $1,258 million is provided, an increase of $147 million or 13 percent over 2010, of which $24 million is contingent upon enactment of financial reform legislation. For CFTC, $261 million is provided, an increase of $93 million or 55 percent over 2010, of which $45 million is contingent upon enactment of financial reform legislation.

Housing Market Programs

To preserve the safety and soundness of the housing market, the Federal Housing Finance Authority (FHFA) placed the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) into conservatorship on September 6, 2008. On the following day, the U.S. Treasury launched three new programs to provide temporary financial support to the GSEs and to stabilize the housing market under the broad authority provided in the Housing and Economic Recovery Act (HERA) of 2008 (P.L. 110–289). First, the Treasury announced Senior Preferred Stock Purchase Agreements to ensure that the GSEs maintain a positive net position (i.e., assets are greater than or equal to liabilities). On December 24, 2009, the Treasury announced that the funding commitments in the purchase agreements would be modified to allow for additional funding in the event that cumulative losses at either enterprise exceed the existing caps of $200 billion before December 31, 2012. Second, the Treasury established a line of credit for Fannie Mae, Freddie Mac, and the Federal Home Loan Banks to ensure they have adequate funding on a short-term, as-needed basis. This line of credit was never used. Last, the Treasury initiated purchases of GSE guaranteed mortgage-backed securities (MBS) in the open market (separate from the Federal Reserve's MBS purchase program above), with the goal of increasing liquidity in the mortgage market. In December 2009, the Treasury initiated two additional purchase programs under HERA authority to support new and existing State and local Housing Financing Agencies (HFAs) revenue bonds. The GSE credit, MBS purchase, and HFA support programs all expired on December 31, 2009. A more detailed analysis of these programs is provided in Chapter 22, "Credit and Insurance."

In addition, significant assistance has been provided to the mortgage market through the Federal Housing Administration (see discussion in Chapter 22), and through the Department of the Treasury, as described below.

Treasury Programs

Temporary Guarantee Program for Money Market Mutual Funds. On September 18, 2009, the Treasury ended its Money Market Fund Guarantee Program, which guaranteed at its peak over $3 trillion of assets. The President approved Treasury's request in September 2008 to use the Exchange Stabilization Fund to guarantee money market mutual funds. The program guaranteed that individual investors receive a stable share price for each share held in a participating money market fund (typically $1 per share) in the event that the fund "breaks the buck," i.e., liquidates investor holdings at less than $1 per share. Participating funds had no covered losses while the program was in effect, so the program provided insurance to the markets at no ultimate cost to the public. The Treasury earned $1.2 billion in fees from participating funds.

Troubled Asset Relief Program (TARP). EESA authorized the Treasury to purchase or guarantee troubled assets and other financial instruments, provided that the total purchase price paid for assets held by the Secretary not exceed $700 billion at any one time.[2] The Treasury implemented the TARP under this authority to provide capital to and restore confidence in the strength of U.S. financial institutions, restart markets critical to financing American households and businesses, and address housing market problems and the foreclosure crisis.

On December 9, 2009, and as authorized by EESA, the Secretary of the Treasury certified to Congress that an extension of TARP purchase authority until October 3, 2010, was necessary "to assist American families and stabilize financial markets because it will, among other things, enable us to continue to implement programs that address housing markets and the needs of small businesses, and to maintain the capacity to respond to unforeseen threats." Under the terms of TARP, the Treasury can enter into new commitments to purchase troubled assets through October 3, though funding to liquidate them may occur thereafter.

The Secretary outlined the Government's four elements of its strategy to wind-down the TARP and related programs: first, the Treasury will wind down those programs that are no longer necessary, such as the Capital Purchase Program; funding for the CPP ended on December 31st. Second, (CPP)new planned programs in 2010 under the

[2] TARP authority is defined as the purchase price paid for assets held by the Secretary of the Treasury and amounts guaranteed outstanding at any one time. The Helping Family Save Their Homes Act of 2009 (P.L. 111–22) reduced the total purchase authority by $1.3 billion.

extension of the purchase authority will be limited to three areas: (1) continued foreclosure mitigation for responsible American homeowners and stabilization of the housing market; (2) initiatives to provide capital to small and community banks; and (3) potentially increased commitment to the Term Asset-Backed Securities Loan Facility (TALF) to improve securitization markets that facilitate consumer and small business loans, as well as commercial mortgage loans. Third, the Government will maintain the capacity to respond to unforeseen threats. The Government will not use remaining TARP funds unless necessary to respond to an immediate and substantial threat to the economy stemming from financial instability. Fourth, the Government will manage equity investments acquired through TARP while protecting taxpayer interests. It will continue to manage those investments in a commercial manner and seek to dispose of them as soon as practicable.

As a result of improved overall financial conditions and careful stewardship of the program, the 2011 Budget reflects an impact of TARP on the deficit that is approximately $224 billion less than previously estimated in the August Mid-Session Review of the 2010 Budget. Furthermore, the Budget estimates total purchases under TARP authority to be approximately $550 billion, significantly less than the full $700 billion in authority granted under EESA. A more detailed analysis of specific TARP programs is provided below.

Description of Assets Purchased Through the Troubled Asset Relief Program (TARP), by Program

Capital Purchase Program (CPP). Pursuant to EESA, the Treasury created the CPP in October 2008 to restore confidence throughout the financial system so that the Nation's banking institutions have a sufficient capital cushion against larger-than-expected future losses, should such losses occur due to a more severe economic environment, and to support lending to creditworthy borrowers. Under the CPP, the Treasury purchases senior preferred stock from qualifying U.S.-controlled banks, savings associations, and holding companies that meet established criteria and are recommended for this program by their regulator. For Subchapter S corporations and certain mutual institutions, the CPP program purchases subordinated debentures. Passage of the American Recovery and Reinvestment Act of 2009 amended the original terms of CPP preferred stock agreements, removing previous restrictions on participating institutions from redeeming preferred stock within the first three years. Further, in spring 2009, the CPP program included a conversion of $25 billion of Citigroup preferred stock to common stock. The 2011 Budget reflects $204.6 billion in purchases in 2009 and estimates of $3.4 billion in purchases completed in 2010, for a total of $208 billion.[3] All CPP recipients have completed funding by December 31, 2009. The Budget reflects that financial institutions redeemed $70.7 billion in principal repayments and $9.7 billion in dividends, interest, warrants and fees as of September 30, 2009. Furthermore, the Budget reflects that financial institutions will redeem an additional $59.7 billion in principal repayments and the Treasury expects to receive over $20.1 billion in dividends, interest, warrants and fees in 2010.

American International Group (AIG) Investments. As of September 30, 2009, the Treasury purchased $40 billion in preferred shares from AIG. It also created an equity capital facility, in which AIG may draw up to $29.8 billion as needed in exchange for additional preferred stock. As of September 30, 2009, AIG had drawn $3.2 billion from the facility. The Budget assumes a total of $69.8 billion in preferred stock will be purchased or exchanged from AIG in 2009 and 2010.

Targeted Investment Program (TIP). Investments made through the TIP seek to avoid significant market disruptions resulting from the deterioration of one financial institution that could threaten other financial institutions and impair broader financial markets, and thereby pose a threat to the overall economy. Under the TIP, the Treasury purchased $20 billion in preferred stock from Citigroup and $20 billion in preferred stock from Bank of America. The Treasury also received warrants from each company. Both preferred stock agreements pay a dividend of 8 percent per annum. The Budget reflects that both Citigroup and Bank of America fully redeemed the Government's TIP investments in 2010. Furthermore, the Budget reflects that Citigroup and Bank of America paid $1.8 billion in dividends in 2009 and an estimated $791 million in additional dividend payments in 2010.

Asset Guarantee Program (AGP). Also pursuant to EESA, the Treasury created AGP, to provide government assurances for assets held by financial institutions that are critical to the functioning of the nation's financial system, which faced a risk of losing the critical confidence that was needed for them to continue to lend to other banks. The set of insured assets was selected by the Treasury and its agents in consultation with the financial institutions receiving the guarantee. In exchange for each guarantee, the Treasury received a combination of preferred stock and warrants as compensation.

In January 2009, the Treasury, the Federal Reserve and the FDIC negotiated a potential loss sharing arrangement under the AGP on a $118 billion pool of financial instruments owned by Bank of America. The negotiations were never completed, and the parties did not enter into a final agreement. In May 2009, Bank of America announced its intention to terminate negotiations with respect to the loss-sharing arrangement, and in September 2009, the Treasury, the Federal Reserve, the FDIC, and Bank of America entered into a termination agreement pursuant to which 1) the parties terminated the related term sheet; and 2) Bank of America agreed to pay a termination fee of

[3] As of December 31, 2009, the funding deadline for CPP ended. Actual CPP disbursements were $205 billion. This will be reflected in the Mid-Session Review of the 2011 Budget.

$425 million to the government parties. Of this amount, $276 million was paid to the Treasury in 2009.

The Treasury, the Federal Reserve and the FDIC entered into a final agreement for a similar loss-sharing arrangement with Citigroup on January 15, 2009. Under the agreement, the Treasury guaranteed up to $5 billion of potential losses incurred on a $301 billion portfolio of loans, mortgage-backed securities, and other financial assets held by Citigroup. The Budget reflects termination of that agreement, effective December 23, 2009. The U.S. Government parties did not pay any losses under the agreement and will keep $5.2 billion of the $7 billion in trust preferred securities as well as warrants for common shares that were issued by Citigroup as consideration for the guarantee. With this termination, the AGP will result in net positive returns to the taxpayer.

Automotive Industry Financing Program (AIFP). In December 2008, the Treasury established the AIFP to prevent a disruption of the domestic automotive industry which posed a systemic risk to the nation's economy.

As of September 30, 2009, the Treasury extended structured and direct loans and equity investments to participating domestic automotive manufacturers, finance companies, and suppliers. The total includes debtor-in-possession financing to General Motors Company (GM) and Chrysler Holdings, as well as exit financing to Chrysler Holdings, that the Treasury supplied while these companies worked through their respective restructuring plans in bankruptcy proceedings. On December 30, 2009, GMAC received additional funding from the Treasury of $3.8 billion to complete GMAC's stress-test capital needs. This transaction increased the Treasury's ownership of GMAC from a 35 percent to a 56 percent equity stake in the company. The $3.8 billion in funding is $1.8 billion lower than originally estimated, due to better than expected outcomes in the GM and Chrysler bankruptcies and improved market conditions. The transaction also included contractual changes to earlier GMAC transactions. The Budget reflects a total of $85 billion in assistance through the AIFP.

Upon successful emergence from bankruptcy, the Treasury received a $7.1 billion debt security and held 9.9 percent of the equity in the newly formed Chrysler. The original loans to Chrysler remain outstanding, but have been reduced by $500 million of debt that was assumed by New Chrysler.

When the sale to New GM was completed on July 10, the Treasury converted most of its loans to 60.8 percent of the common equity in the New GM and $2.1 billion in preferred stock. The Treasury continues to hold loans in the amount of $6.7 billion. In November, GM agreed, subject to certain conditions, to begin $1 billion quarterly repayments on its loan, beginning with a repayment in December 2009. GM has stated publicly that it expects to repay the entire loan by June 2010, assuming no downturn in the economy or business.

Home Affordable Modification Program (HAMP). The HAMP is a $75 billion program, which includes up to $50 billion of TARP funds, intended to offer relief to up to three to four million at-risk homeowners struggling to make their mortgage payments, while preventing neighborhoods and communities from suffering the negative spillover effects of foreclosures. Under this program, the Treasury signs contracts with servicers to make incentive payments to the borrowers, servicers, investors, and lenders of first and second lien mortgages for successful modifications of the existing mortgages. In early October 2009, HAMP achieved its previously announced target of extending 850,000 trial modification offers and initiating 500,000 trial modifications – a month ahead of schedule. As of December 31, 2009, 102 mortgage servicers had signed up to participate in the HAMP, over one million trial modification offers had been extended to borrowers, and over 850,000 trial modifications were underway. Roughly 112,000 permanent modifications had been approved, including 66,000 that borrowers had accepted and 46,000 awaiting only the borrower's signature.

The Treasury also provides payments to protect against declining home prices, encouraging mortgage modifications in communities that have experienced continued price depreciation. When a mortgage modification is not possible, the Treasury offers incentive payments to encourage short sales (sales for less than the value of the mortgage) or deeds in lieu of foreclosures in order to provide a means for borrowers to avoid foreclosure.

As of November 30, 2009, more than $27 billion has been committed to implement the HAMP. The 2011 Budget reflects a total of $48.8 billion in TARP program activity expected through the HAMP.[4]

Consumer and Business Lending Initiative (CBLI). The CBLI is an effort to jumpstart the credit markets that support lending to families and small businesses, through the Term Asset-Backed Securities Loan Facility (TALF) and dedicated small-business programs. The CBLI broadens and expands the resources of the TALF, a joint initiative with the Federal Reserve that provides financing to private investors to help unfreeze markets for various types of credit, such as commercial real estate, auto, student, small business, and credit card loans. As of June 1, 2009, the Federal Reserve extended the TALF program to investors of commercial real estate mortgages in order to boost the commercial mortgage-backed securities market. As part of the program, the Treasury provides protection to the Federal Reserve by covering the first $20 billion in losses on all TALF loans. The Treasury has provided $0.1 billion of this amount to the TALF Special Purpose Vehicle (SPV) used to implement the coverage, which represents a notional amount to establish the SPV. The Treasury's total TALF purchases will depend on actual TALF loan defaults; $97 billion in total TALF loans are currently expected.

[4] Section 123 of the EESA provides the Administration the authority to record TARP equity transactions pursuant to the Federal Credit Reform Act (FCRA), with adjustments to the discount rate for market risks. The Home Affordable Modification Program involves the purchase of financial instruments which have no provision for repayment or other return on investment, and therefore these purchases are recorded on a cash basis.

The securitization market for asset-backed securities (ABS), which is an important source of credit for consumers and businesses, nearly came to a standstill at the height of the financial crisis. However, the market has rebounded since the first TALF subscription took place on March 19, 2009. There have been nine monthly ABS subscriptions as of November 30, 2009, and a total of $96 billion of TALF-eligible new ABS issuance has been brought to market. Of that amount, approximately 50 percent of total new issuance, or $48 billion, was financed using TALF loans; the rest required no TALF assistance.

In an effort to reduce unemployment and stimulate growth, additional TARP funding has been notionally allocated to initiatives to facilitate small business lending in 2010. The President announced that the Administration is designing initiatives to provide capital to small and community banks, which are important sources of credit for small businesses. On November 19, 2009, the Administration hosted a two-day Small Business Financing Forum with small business owners, lenders, and trade associations to discuss new ideas to increase lending to small businesses. Ideas generated from the forum will be incorporated into the Treasury's TARP small business lending initiatives.

Public Private Investment Program (PPIP). The Treasury, in conjunction with the Federal Deposit Insurance Corporation (FDIC) and the Federal Reserve, introduced the PPIP on March 23, 2009, to address the volatile market cycle affecting troubled legacy assets clogging the balance sheets of private-sector financial institutions. The PPIP is designed to improve the financial position of financial institutions by facilitating the removal of legacy assets from their balance sheets. Legacy assets include both real estate loans held on banks' balance sheets (legacy loans) as well as securities backed by residential and commercial real estate loans (legacy securities). The Treasury initially announced that it would provide up to $100 billion for the PPIP. Because of improvements in the market, this amount was reduced to $30 billion, which has been committed to the legacy securities program. The Budget reflects $6.7 billion in investments obligated in 2009, and $23.3 billion estimated in 2010.

Capital Assistance Program and Other Programs (CAP). The Treasury launched the CAP in March 2009 as the next phase of its effort to ensure that institutions have enough capital to lend, even under a more severe recession than is currently projected. The CAP was announced in conjunction with the commencement of a supervisory capital assessment process, commonly referred to as the "stress tests". The CAP was available to institutions that participated in the "stress tests" as well as others. Of the ten bank holding companies that were identified as needing to raise more capital, nine have met or exceeded the capital raising requirements through private efforts. The Treasury provided an additional $3.8 billion in capital to GMAC under the Auto Industry Financing Program (described above) to assist its fundraising efforts to meet the requirements of the stress test results. Due to the success of the stress tests, efforts to raise private capital, and CPP, as well as other Government efforts, the Treasury did not receive any applications for the CAP, which terminated on November 9, 2009.

Method for Estimating the Cost of TARP Transactions

Exercising its authority under EESA, the Treasury has purchased financial instruments with varying terms and conditions. Consistent with the provisions of Section 123 of EESA, the costs of equity purchases, loans, and guarantees, under the TARP are reflected on a net present value basis, as determined under the Federal Credit Reform Act of 1990 (2 USC 661 et seq.), with an adjustment to the discount rate for market risks. The budgetary cost of these transactions is reflected as the net present value of estimated cash flows to and from the Government, excluding administrative costs. Costs for the incentive payments under HAMP involve financial instruments without any provision for income or other returns, and are recorded on a cash basis.[5]

The costs of each transaction reflect the underlying structure of the instruments, consistent with the Federal Credit Reform Act (FCRA), and may include direct loans, structured loans, equity, loan guarantees, or direct incentive payments. For each of these instruments, analytical cash flow models generate expected cash flows to and from the Government over the life of a program or facility. Further, each cash flow model reflects the specific terms and conditions of the program, technical assumptions regarding the underlying assets, risk of default or other losses, and other factors as appropriate. Models are used to generate cash flows for original subsidy rate estimates for new TARP facilities. Cost estimate cash flows are also generated to calculate changes in cost due to changes in contract terms or other Government actions (modification cost estimates), as well as annual reestimates of subsidy cost that account for changes in economic or performance assumptions as well as actual cash flows to date. The risk adjustments to the discount rates for TARP equity, loan, and guarantee transactions were made using available data and methods to capture additional potential costs related to uncertainty around the expected cash flows to and from the public. The basic methods for each of these models are outlined below.

Direct Loans. Direct loan subsidy cost estimates are derived using analytical models that estimate the cash flows to and from the Government over the life of the loan. These cash flows include the scheduled principal, interest, and other payments to the Government, including estimated income from warrants or additional notes. These

[5] Section 123 of the EESA provides the Administration the authority to record TARP equity purchases pursuant to the FCRA, with required adjustments to the discount rate for market risks. The Home Affordable Modification Program involves the purchase of financial instruments which have no provision for repayment or other return on investment, and therefore these purchases are recorded on a cash basis. Administrative expenses are recorded for all of TARP under the Office of Financial Stability and the Special Inspector General for TARP on a cash basis, consistent with other Federal administrative costs.

models also include estimates of delinquencies, default and recoveries, based on loan-specific factors including the value of any collateral provided by the contract. The probability and timing of default and recoveries are estimated by using applicable historical data and econometric projections when available, or publicly available proxy data including aggregated credit rating agency historical performance data.

Structured Loans. Structured loans such as the TALF and loans to GM suppliers are modeled according to the program structure, where an intermediary special purpose vehicle (SPV) is established to purchase or commit to purchase assets from beneficiaries. In general, structured loans are a hybrid of guarantees and direct loans. The Treasury makes a direct loan to a SPV; the SPV in turn enters into a contract with a beneficiary that resembles a guaranteed loan. Estimated cash flow assumptions reflect the anticipated behavior of the beneficiaries and the cash flows to and from the SPV and the Treasury.

In the case of the TALF, the New York Federal Reserve created an SPV to purchase and manage assets received in connection with any TALF loans. The Federal Reserve acquires assets either when a TALF participant defaults on the Federal Reserve financing or chooses to turn over the securing assets in lieu of the scheduled repayment at the end of the term. The SPV has committed, for a fee, to purchase all assets securing a TALF loan that are received by the New York Federal Reserve at a price equal to the TALF loan amount at the time of acquisition, plus accrued but unpaid interest. The Treasury made an initial allotment to the SPV of $0.1 billion to fund the SPV, and the Treasury will purchase subordinated debt issued by the SPV to finance up to $20 billion of asset purchases. The Treasury receives fees and interest income on the entire outstanding TALF facility, and amounts collected in the SPV. The Treasury projects cash flows to and from the Government based on estimated SPV performance, the estimated mix of assets funded through the TALF, the terms of the contracts, and other factors.

Guarantees. Cost estimates for guarantees reflect the net present value of estimated claim payments by the Government, net of income from fees, recoveries on defaults, or other sources. Under EESA, guarantees provided through TARP must have at most a zero-cost basis (i.e., fees and other income will completely offset estimated claim payments) at the time of commitment. In TARP guarantee transactions to date, guarantee fees were paid in the form of preferred stock and termination fees. The value of preferred stock is modeled using the same methodology discussed for other equity purchase programs below. Claim payments were modeled consistent with the terms of the guarantee contract. For the Citigroup guarantee, Citigroup would have covered the first loss, and the Treasury would have borne the second loss. Projected claim payments on the guaranteed portfolio of assets reflected historical performance data on similar assets and estimates of future economic conditions such as unemployment rates, gross domestic product, and home price appreciation. However, the guarantee was terminated with no claim payments made by the Treasury. The Budget reflects actual collections, and estimated savings from preferred stock proceeds.

Equity Purchases. Preferred stock cash flow projections reflect the risk of losses associated with adverse events, like failure of the institution or increases in market interest rates. The model estimates how cash flows vary depending on: 1) current interest rates, which affect the institution's decision whether to repay the preferred stock; and 2) the strength of a financial institution's assets. The model also estimates the values and projects the cash flows of warrants using an option-pricing approach based on the current stock price and its volatility. Common equity is valued at market prices. For the purposes of this calculation, common equity is assumed to be sold to the public as soon as is practicable and advisable.

Incentive Payments. Foreclosure mitigation incentive payments (e.g., HAMP) occur when the Government makes payments to servicers, borrowers, investors, or lenders. Incentive payments are made for successful modifications of first and second liens, on-schedule borrower payments on those modified loans, protection against further declines in home prices, completing a short sale, or receiving a deed in lieu of foreclosure. The method for estimating these cash flows includes forecasting the total eligible loans, the timing of the loans becoming eligible and entering into the program, loan characteristics, the overall participation rate in the program, the re-default rate, and home price appreciation.

TARP Program Costs and Current Value of Assets

This section provides the special analysis described under Sections 202 and 203 of EESA, including estimates of the cost to taxpayers and the current value and budgetary effects of TARP transactions as reflected in the Budget.[6] The analysis includes explanations of the effects from subsidy cost reestimates and prior-year activity. It also includes what the budgetary effects would have been had all transactions been reflected on a cash basis. The information below reflects the estimates of actual and anticipated use of TARP authority as of December 31, 2009.

Through TARP, the Secretary of the Treasury has purchased equity under a number of programs, including the Capital Purchase Program, the AIG Investments Program, the Targeted Investment Program, the Public-Private Legacy Securities Investment Program (PPIP), and the Automotive Industry Financing Program (AIFP). The Secretary has also made direct loans through the AIFP, the TALF, and the PPIP. Below is a table (4–1) summarizing the current and anticipated activity under TARP, and the estimated lifetime budgetary costs, comparing these

[6] The analysis does not assume the effects of a recoupment proposal under Section 134 of the EESA.

Table 4–1. COSTS OF TROUBLED ASSET RELIEF PROGRAM ACTIONS (EXCLUDING DEBT SERVICE) [1]

(In billions of dollars)

TARP Actions	2010 MSR		2011 Budget		Change from 2010 MSR to 2011 Budget	
	TARP Obligations	Subsidy Cost	TARP Obligations	Subsidy Cost	TARP Obligations	Subsidy Cost
Equity purchases	383.7	158.1	344.1	55.9	–39.6	–102.2
Structured & direct loans and asset-backed security purchases	330.5	133.6	148.6	25.0	–181.9	–108.6
Guarantees of troubled asset purchases [2]	12.5	–0.8	5.0	–3.0	–7.5	–2.2
Home Affordable Modification Program (HAMP)	50.0	50.0	48.8	48.8	–1.2	–1.2
Total	**776.7**	**340.9**	**546.4**	**126.7**	**–230.3**	**–214.2**
Memorandum:						
Deficit impact before administrative costs and interest effects [3]		***340.9***		***116.8***		***–224.1***

[1] Total reflects estimated lifetime TARP obligations and costs through 2020.

[2] The 2010 MSR reflected total face value of guarantees of $419 billion. The 2011 Budget reflects the actual face value of $301 billion.

[3] The 2011 Budget total deficit impact includes downward interest on reestimates of $9.9 billion.

amounts to estimates published in the MSR.[7] The impact of TARP on the deficit is now projected to be $116.8 billion, down from $340.9 billion projected in the Mid-Session Review. The subsidy cost, which represents the lifetime net present value cost of TARP obligations from the date TARP obligations originate, is now estimated to be $126.7 billion. Estimated gross obligations as of the MSR totaled $776.7 billion, which assumed some additional obligations enabled by repayments, while adhering to the statutory cap of $700 billion in outstanding obligations at any one time.

Current Value of Assets. The value of future cash flows related to TARP transactions can be measured by the balances in the program's non-budgetary credit financing accounts, because equity purchases, direct loans, and loan guarantee transactions follow the FCRA budgetary accounting structure. A direct loan financing account, for example, receives the subsidy cost from the program account (reflecting the net present value cost of the loan), and borrows the difference between the face value of the loan and the subsidy cost from the Treasury to disburse a loan to a borrower. Future collections from the public – such as proceeds from stock sales, or payments of principal and interest – are financial assets. As inflows from the public are received, the value is realized. These amounts are used to repay borrowing, and reduce the debt balance in the financing account. Therefore, the net debt balance in the financing account as of the end of each fiscal year represents the present value of future anticipated cash flows to and from the public related to outstanding loans or guarantees. The larger the subsidy cost for a given loan disbursed or equity purchased, the lower the estimated value of the cash flows from the public and asset value to the Government.[8]

Table 4–2 shows the projected balances of TARP financing accounts as of the end of 2009, and for the end of each year through 2020.[9] Actual net balances in financing accounts at the end of 2009 totaled $129.9 billion. Estimates in 2010 and beyond reflect reestimated activity for TARP outstanding as of September 30, 2009, and all other anticipated transactions. TARP financing accounts are estimated to have balances of $189.7 billion as of the end of 2010,

[7] Anticipated future activity under TARP is assumed to be direct loan transactions, though future activity could take the form of equity purchases, direct loans, asset guarantees, or other financial instrument purchases.

[8] As an extreme example, a loan program with 100 percent subsidy cost would require budget authority for the full amount of the loan. The financing account would receive the entire amount of a loan disbursement from the budgetary program account, and would not have to borrow from the Treasury. In this case, the loan would be estimated to have a zero asset value.

[9] Reestimates for TARP are calculated using actual data through September 30, 2009, and updated projections of future activity. Thus, the full impacts of TARP reestimates are reflected in the 2010 financing account balances.

Table 4–2. TROUBLED ASSET RELIEF PROGRAM CURRENT VALUE AS REFLECTED IN THE BUDGET [1]

(In billions of dollars)

	Actual	Estimate										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Financing Account Balances:												
Troubled Asset Relief Program Equity Purchase Financing Account	105.4	106.0	90.8	90.8	88.9	84.1	79.6	74.8	65.5	54.9	29.0	13.1
Troubled Asset Relief Program Direct Loan Financing Account	23.9	81.4	87.6	90.8	88.5	83.1	72.5	38.1	25.6	10.3	8.4	0.2
Troubled Assets Insurance Financing Fund Guaranteed Loan Financing Account	0.6	2.3	2.1	2.1	1.8	1.7	1.6	1.5	1.4	1.4	1.3	1.3
Total Financing Account Balances	**129.9**	**189.7**	**180.5**	**183.7**	**179.2**	**168.9**	**153.6**	**114.4**	**92.6**	**66.5**	**38.7**	**14.6**

[1] Table does not include financial instrument purchases under the HAMP. These instruments have no future value, and are reflected on a cash basis.

Table 4–3. TROUBLED ASSET RELIEF PROGRAM FACE VALUE OF TARP OUTSTANDING[1]
(In billions of dollars)

	Actual 2009	Estimate 2010	Estimate 2011
Troubled Asset Relief Program Equity Purchases	229.6	171.0	161.1
Troubled Asset Relief Program Direct Loans	60.5	101.0	73.1
Troubled Assets Insurance Financing Fund Guaranteed Assets	251.4	....	....
Total Face Value of TARP Outstanding	**541.5**	**272.0**	**234.2**

[1] Table reflects face value of TARP outstanding direct loans, equity purchases, and assets supported by TARP guarantees as of September 30, 2009. Financial instrument purchases under the HAMP are not included. These instruments have no future value, and are reflected on a cash basis.

indicating that—as of the end of 2010 – the Government is expected to hold TARP-related assets with an expected present value of $189.7 billion in future cash flows, based on risk-adjusted discount rates. The increase in value is due in large part to the TARP downward reestimate. It reflects the fact that actual performance exceeded expectations, market conditions improved, and the market risk adjustment to the discount rate was removed for actual transactions through the end of 2009. The overall balance of the financing accounts is estimated to fall in 2011, and increase in 2012 with anticipated future disbursements of TARP assistance obligated before October 3, 2010. The aggregate financing account balance is then estimated to fall in the subsequent years, as the assets and loans acquired under the TARP program are repaid or sold.

TARP equity purchases are expected to reach a total value of $106.0 billion in 2010, declining thereafter as participants repurchase stock and assets are sold. The value of direct loans is expected to increase to $90.8 billion in 2012 as disbursements increase, predominantly due to the PPIP and TALF programs, then decline to $0.2 billion by 2020 as facilities are repaid and warrants and other assets are sold. The $2.3 billion value under the Asset Guarantee Program in 2010 reflects the preferred stock and warrants held by the Treasury as of the end of 2010 following termination of the guarantee on Citigroup assets. The value is expected to decline gradually, as preferred stock and warrants are sold.

Table 4–3 shows the estimated face value of outstanding TARP investments at the end of each year through 2011. The decrease from 2009 through 2011 is primarily due two factors: (1) actual and expected repayments, and (2) the termination of the Citibank guarantee. The termination of the Citibank guarantee reduced the face value of overall outstanding TARP investments and guarantees by $251.4 billion.

Estimate of the Deficit, Debt Held by the Public, and Gross Federal Debt, Based on the FCRA/EESA Methodology

The estimates of the deficit and debt in the Budget reflect the impact of TARP as estimated under FCRA and Section 123 of EESA. The deficit estimates include the budgetary costs for each program under TARP, administrative expenses, certain indirect interest effects of credit programs, and debt service costs on Treasury borrowing to finance the program. The TARP is expected to reduce the 2010 deficit by $95.5 billion, capturing direct program costs, downward reestimates of $114.5 billion (including interest on reestimates), administrative costs, Special Inspector General for TARP activities, and other effects.

The estimates of debt due to TARP include borrowing to finance both the deficit impact of TARP activity, and the requirements of non-budgetary financing accounts. These estimates are shown in Table 4–4. Debt due to TARP is $243.1 billion as of the end of 2010, and declines in later years as TARP loans are repaid and TARP equity purchases are sold or redeemed.

Debt held by the public net of financial assets reflects the cumulative amount of money the Federal Government has borrowed from the public and not repaid, minus the current value of financial assets such as loan assets, private-sector securities, or equities held by the Government. While debt held by the public is a key measure for examining the impact of TARP, it provides incomplete information on the program's effect on the Government's financial condition. The U.S. Government holds financial assets as a result of TARP assistance, which must be offset against debt held by the public and other financial liabilities to achieve a more complete understanding of the Government's financial condition.

The specific effects of TARP on these estimates are displayed in Table 4–4. Accounting for the financial assets acquired through TARP, the impact of the program on debt net of financial assets is $53.4 billion as of the end of 2010.

Under the Federal Credit Reform Act (FCRA), the financing account earns and pays interest at the same rate used to discount cash flows for the credit subsidy cost. Section 123 of EESA requires an adjustment to the discount rate for market risks. This results in subsidy costs for TARP equity purchases, direct loans, and guarantees that are higher than the net present value cost using Treasury discount rates under FCRA. Actual cash flows as of September 30, 2009 already reflect the effect of any market risks to that point, and therefore actual credit transactions with financing accounts reflect Treasury interest rates under FCRA, with no adjustment.[10] Future

[10] As TARP transactions wind down, the final lifetime cost estimates under the requirements of Section 123 of EESA will reflect no adjustment to the discount rate for market risks, as these risks have already been realized in the actual cash flows. Therefore, the final subsidy cost

Table 4–4. TROUBLED ASSET RELIEF PROGRAM EFFECTS ON THE DEFICIT AND DEBT AS REFLECTED IN THE BUDGET [1]

(In billions of dollars)

	Actual	Estimate										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Deficit Effect:												
Programmatic and administrative expenses:												
Programmatic expenses:												
Equity purchases	115.3	31.1	0.1	....	....	....	....	....	....	....	....	....
Direct loans and purchases of asset-backed securities	36.9	0.6	0.4	0.5	–*	0.1	*	*	....	....	....	....
Guarantees of troubled asset purchases	–1.0	–1.4	....	....	....	....	....	....	....	....	....	....
Home Affordable Modification Program	*	11.1	10.3	9.3	7.4	6.0	2.9	1.4	0.4	*	....	....
Reestimates of credit subsidy costs	....	–114.5	....	....	....	....	....	....	....	....	....	....
Subtotal, programmatic expenses	151.2	–73.1	10.7	9.8	7.3	6.1	2.9	1.4	0.4	*	....	....
Administrative expenses	0.1	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.1	0.1	*	*
Special Inspector General for TARP	*	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Subtotal, programmatic & administrative expenses	151.3	–72.6	11.1	10.2	7.6	6.4	3.2	1.6	0.6	0.1	0.1	0.1
Interest effects:												
Interest transactions with credit financing accounts [2]	–2.8	–23.8	–20.6	–20.7	–20.7	–20.1	–18.9	–16.4	–13.3	–9.8	–6.0	–2.4
Debt service [3]	0.5	0.9	3.6	6.6	9.2	9.2	8.3	6.8	5.2	3.9	2.5	1.3
Subtotal, interest effects	–2.3	–22.9	–17.0	–14.1	–11.6	–10.9	–10.5	–9.6	–8.1	–5.9	–3.5	–1.2
Total deficit impact	**149.0**	**–95.5**	**–5.9**	**–3.9**	**–3.9**	**–4.6**	**–7.3**	**–8.0**	**–7.5**	**–5.8**	**–3.4**	**–1.1**
Other TARP transactions affecting borrowing from the public — net disbursements of credit financing accounts:												
Troubled Asset Relief Program Equity Purchase Financing Account	105.4	0.6	–15.2	–*	–1.9	–4.9	–4.5	–4.8	–9.2	–10.7	–25.9	–15.8
Troubled Asset Relief Program Direct Loan Financing Account	23.9	57.5	6.2	3.2	–2.3	–5.4	–10.7	–34.4	–12.5	–15.3	–1.9	–8.2
Troubled Assets Insurance Financing Fund Guaranteed Loan Financing Account	0.6	1.7	–0.1	–*	–0.3	–0.1	–0.1	–0.1	–0.1	–0.1	–0.1	–*
Total, other transactions affecting borrowing from the public	**129.9**	**59.8**	**–9.2**	**3.2**	**–4.4**	**–10.3**	**–15.3**	**–39.3**	**–21.8**	**–26.0**	**–27.8**	**–24.1**
Change in debt held by the public	**278.9**	**–35.7**	**–15.1**	**–0.7**	**–8.4**	**–14.9**	**–22.6**	**–47.2**	**–29.3**	**–31.9**	**–31.2**	**–25.2**
Debt held by the public	**278.9**	**243.1**	**228.1**	**227.4**	**219.0**	**204.1**	**181.5**	**134.2**	**104.93**	**73.1**	**41.8**	**16.6**
As a percent of GDP	2.0%	1.7%	1.5%	1.4%	1.3%	1.1%	0.9%	0.7%	0.5%	0.3%	0.2%	0.1%
Debt held by the public net of financial assets:												
Debt held by the public	278.9	243.1	228.1	227.4	219.0	204.1	181.5	134.2	104.9	73.1	41.8	16.6
Less financial assets net of liabilities:												
Troubled Assets Relief Program Equity Purchase Financing Account	105.4	106.0	90.8	90.8	88.9	84.1	79.6	74.8	65.5	54.9	29.0	13.1
Troubled Asset Relief Program Direct Loan Financing Account	23.9	81.4	87.6	90.8	88.5	83.1	72.5	38.1	25.6	10.3	8.4	0.2
Troubled Assets Insurance Financing Fund Guaranteed Loan Financing Account	0.6	2.3	2.1	2.1	1.8	1.7	1.6	1.5	1.4	1.4	1.3	1.3
Total, financial assets net of liabilities	129.9	189.7	180.5	183.7	179.2	168.9	153.6	114.4	92.6	66.5	38.7	14.6
Debt held by the public net of financial assets	**149.0**	**53.4**	**47.6**	**43.7**	**39.8**	**35.2**	**27.9**	**19.9**	**12.4**	**6.5**	**3.2**	**2.1**
As a percent of GDP	1.0%	0.4%	0.3%	0.3%	0.2%	0.2%	0.1%	0.1%	0.1%	*	*	*

* $50 million or less (or 0.05 percent of GDP or less).

[1] Table reflects the deficit effect of budgetary costs, including interest effects.

[2] Projected Treasury interest transactions with credit financing accounts are based on the market-risk adjusted rates. Actual credit financing account interest transactions reflect the appropriate Treasury rates, per FCRA.

[3] Includes debt service effects of all TARP transactions affecting borrowing from the public.

cash flows reflect a risk-adjusted discount rate, consistent with the FCRA requirement that financing account interest be earned or paid at the same rate used to discount the cash flows. This aligns the financing account balances with the current subsidy cost reflected in the Budget. Over time, if actual transactions with the public are consistent with projections, the TARP subsidy costs will reflect downward reestimates to return the premium charged under the market risk-adjusted discount rate, while actual Treasury interest transactions with credit financing accounts would be lower than projections at the risk-adjusted rates.

for TARP transactions will equal the cost per FCRA, where the net present value reflects discounting with Treasury rates.

Estimate of the Current Value on a Cash Basis

The value of the assets acquired through TARP does not depend on whether the costs of acquiring or purchas-

Table 4–5. TROUBLED ASSET RELIEF PROGRAM EFFECTS ON THE DEFICIT AND DEBT CALCULATED ON A CASH BASIS[1]

(In billions of dollars)

	Actual	Estimate										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Deficit Effect:												
Programmatic and administrative expenses:												
Programmatic expenses:												
Equity purchases	217.6	–81.8	–26.9	–11.3	–13.2	–16.0	–15.2	–14.8	–18.3	–18.3	–31.0	–17.9
Direct loans and purchases of asset-backed securities	61.1	34.1	–2.0	–5.4	–11.5	–14.1	–18.7	–40.6	–16.5	–17.4	–2.6	–8.5
Guarantees of troubled asset purchases	–0.5	–0.5	–0.4	–0.2	–0.5	–0.3	–0.3	–0.2	–0.2	–0.2	–0.2	–0.2
Home Affordable Modification Program	*	11.1	10.3	9.3	7.4	6.0	2.9	1.4	0.4	*	....	....
Subtotal, programmatic expenses	278.3	–37.1	–19.0	–7.6	–17.8	–24.3	–31.3	–54.3	–34.6	–35.8	–33.8	–26.5
Administrative expenses	0.1	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.1	0.1	*	*
Special Inspector General for TARP	*	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Subtotal, programmatic & administrative expenses	278.4	–36.6	–18.7	–7.3	–17.5	–24.1	–31.0	–54.1	–34.5	–35.7	–33.7	–26.4
Debt service[2]	0.5	0.9	3.6	6.6	9.2	9.2	8.3	6.8	5.2	3.9	2.5	1.3
Total deficit impact	**278.9**	**–35.7**	**–15.1**	**–0.7**	**–8.4**	**–14.9**	**–22.6**	**–47.2**	**–29.3**	**–31.9**	**–31.2**	**–25.2**
Change in debt held by the public	**278.9**	**–35.7**	**–15.1**	**–0.7**	**–8.4**	**–14.9**	**–22.6**	**–47.2**	**–29.3**	**–31.9**	**–31.2**	**–25.2**
Debt held by the public	**278.9**	**243.1**	**228.1**	**227.4**	**219.0**	**204.1**	**181.5**	**134.2**	**104.9**	**73.0**	**41.8**	**16.6**
As a percent of GDP	2.0%	1.7%	1.5%	1.4%	1.3%	1.1%	0.9%	0.7%	0.5%	0.3%	0.2%	0.1%
Debt Held by the Public Net of Financial Assets:												
Debt held by the public	278.9	243.1	228.1	227.4	219.0	204.1	181.5	134.2	104.9	73.0	41.8	16.6
Less financial assets net of liabilities — credit financing account balances:												
Troubled Asset Relief Program Equity Purchase Financing Account	105.4	106.0	90.8	90.8	88.9	84.1	79.6	74.8	65.5	54.9	29.0	13.1
Troubled Asset Relief Program Direct Loan Financing Account	23.9	81.4	87.6	90.8	88.5	83.1	72.5	38.1	25.6	10.3	8.4	0.2
Troubled Assets Insurance Financing Fund Guaranteed Loan Financing Account	0.6	2.3	2.1	2.1	1.8	1.7	1.6	1.5	1.4	1.4	1.3	1.3
Total, financial assets net of liabilities	129.9	189.7	180.5	183.7	179.2	168.9	153.6	114.4	92.6	66.5	38.7	14.6
Debt held by the public net of financial assets	**149.0**	**53.4**	**47.6**	**43.7**	**39.8**	**35.2**	**27.9**	**19.9**	**12.4**	**6.5**	**3.2**	**2.1**
As a percent of GDP	1.0%	0.4%	0.3%	0.3%	0.2%	0.2%	0.1%	0.1%	0.1%	*	*	*

* $50 million or less (or 0.05 percent of GDP or less).

[1] Table reflects deficit effect of budgetary costs, substituting estimates calculated on a cash basis for estimates calculated under FCRA and Sec. 123 of EESA.

[2] Includes debt service effects of all TARP transactions affecting borrowing from the public.

ing the assets are recorded in the Budget on a cash basis, or a credit basis; their value would be the same either way. As noted above, the Budget records the cost of equity purchases, direct loans, and guarantees as the net present value cost to the Government, discounted at the rate required under the FCRA, and adjusted for market risks as required under Section 123 of EESA. Therefore, the net present value cost of the assets is reflected on the budgetary side, and the value of the assets is reflected in the financing accounts for equity purchases, direct loans and loan guarantees.[11] If these purchases were instead presented in the budget on a cash basis, the value of assets purchased would not be reflected in the budget. Rather, the budget would reflect outlays for each disbursement (whether a purchase, a loan disbursement, or a default claim payment), and offsetting collections as cash is received from the public, with no obvious indication of whether the outflows and inflows leave the Government in a better or worse financial position.

Revised Estimate of the Deficit, Debt Held by the Public, and Gross Federal Debt Based on the Cash-basis Valuation

Estimates of the deficit and debt with TARP transactions calculated on a cash basis are reflected in Table 4–5, for comparison to those estimates in Table 4–4 reported above, in which TARP transactions are calculated consistent with FCRA and Section 123 of EESA.

If TARP transactions were reported on a cash basis, the deficit would include the full amount of government disbursements for activities such as equity purchases and direct loans, offset by cash inflows from dividend payments, redemptions, and loan repayments occurring in each year. For loan guarantees, the deficit would show fees, claim payouts, or other cash transactions associated with the guarantee as they occurred. Differences between actual

[11] For the Home Affordable Modification Program, while Treasury does purchase financial instruments, these financial instruments do not result in the acquisition of an asset with potential for future returns.

and estimated performance, and updated estimates of future performance, would impact the deficit in the year that they occur, and there would be no credit reestimates.

Table 4–5 shows that if TARP transactions were reported on a cash basis, TARP would reduce the deficit in 2010 by an estimated $35.7 billion, so the 2010 deficit would be $59.8 billion higher than estimated in the Budget if TARP were reflected on a cash basis. The deficit would be higher because outlays would be reported for TARP disbursements that are now included in non-budgetary financing accounts for TARP, and the portion of TARP downward reestimates attributable to better-than-expected future inflows from the public would not be recognized up front, rather, as offsetting receipts when they occur. Under this alternative approach, the impact of TARP on the debt, and on debt held net of financial assets, is the same as under FCRA with adjustments to the discount rate for market risks.

Portion of the Deficit Attributable to Any Action Taken by the Secretary, and the Extent to Which the Deficit Impact is Due to a Reestimate

Table 4–4 above shows the portion of the deficit attributable to actions taken by the Treasury Secretary under the authorities of TARP. The largest effects are for reestimates of TARP activity outstanding as of September 30, 2009, and reductions in the total anticipated size of TARP from $776.7 billion in TARP obligations at MSR to $546.4 billion in the 2011 Budget. The specific effects are as follows:

- TARP reestimates and interest on reestimates will reduce the deficit by $114.5 billion in 2010, including $104.7 billion in reduced subsidy costs for TARP disbursements as of September 30, 2009, and $9.9 billion in interest on reestimates. Reestimate effects and changes to anticipated activity together are estimated to reduce total TARP program costs (excluding administrative expenses) by $214.2 billion from MSR.
- Program costs for purchases of troubled assets including costs associated with AIG disbursements, HAMP incentive payments, and modifications of existing TARP activity (excluding reestimates) are estimated to increase the deficit by $41.4 billion in 2010.
- TARP equity purchases in 2010 are expected to increase outlays by $31.1 billion due to AIG's expected use of the capital facility, and AIFP and PPIP purchases.
- New disbursements of direct loans under TARP, including the Term Asset-Backed Securities Loan Facility and future actions, are estimated to result in $1.7 billion in net outlays in 2010 through 2016, based on estimated loan disbursements.
- Loan guarantees under TARP are estimated to reduce outlays on net by $1.4 billion in 2010, reflecting the termination of the guarantee and retained preferred stock. No further loan guarantee commitments are anticipated under the Asset Guarantee Program.
- Outlays for the Home Affordable Modification Program are estimated at $11.1 billion in 2010. Outlays for this program are estimated to decline gradually through 2018.
- Administrative expenses for the TARP program are estimated at $0.4 billion in 2010, and expected to fall as the TARP program winds down through 2020.

Table 4–6. TROUBLED ASSET RELIEF PROGRAM REESTIMATES

(In billions of dollars)

	Original Subsidy Rate	Current Reestimated Rate	Current reestimate amount	Net lifetime reestimate amount, excluding interest	TARP Disbursements as of 9/30/2009
Equity Programs:					
Capital Purchase Program	26.99%	–0.62%	–61.3	–56.2	204.6
AIG Investments	82.78%	62.04%	–9.8	–8.0	43.2
Targeted Investment Program	48.85%	–9.74%	–23.6	–23.3	40.0
Automotive Industry Financing Program (Equity)	54.52%	27.58%	–3.6	–3.1	12.5
Subtotal equity program reestimates			–98.2	–90.6	300.3
Structured and Direct Loan Programs:					
Automotive Industry Financing Program (AIFP)	58.75%	35.82%	–15.5	–13.4	63.4
Term-Asset Backed Securities Loan Facility [2]	–104.23%	–295.89%	–0.2	–0.2	0.1
Subtotal program reestimates			–15.8	–13.6	63.5
Guarantee Programs:					
Asset Guarantee Program [1]	–0.25%	–0.85%	–0.6	–0.5	301.0
Total TARP Reestimates			**–114.5**	**–104.7**	**664.8**

[1] Disbursement amount reflects the face value of guarantees of assets supported by the guarantee. The TARP obligation for this program was $5 billion, the maximum contingent liability while the guarantee was in force.

[2] The Term-Asset Backed Securities Loan Facility 2009 subsidy rate reflects the anticipated collections for Treasury's $20 billion commitment, as a percent of estimated lifetime disbursements of roughly $0.3 billion.

- Costs for the Special Inspector General for TARP are estimated at $0.1 billion in 2010, and to remain relatively stable through 2020.
- Interest transactions with credit financing accounts include interest paid to Treasury on borrowing by the financing accounts, offset by interest paid by Treasury on the financing accounts' uninvested balances. Although the financing accounts are non-budgetary, Treasury payment and receipt of interest are budgetary transactions and therefore affect net outlays and the deficit. For TARP financing accounts, projected interest transactions are based on the market-risk adjusted rates used to discount the cash flows. The projected net financing account interest paid to Treasury at market risk adjusted rates is $23.8 billion in 2010 and declines over time as the financing accounts repay borrowing from Treasury through proceeds and repayments on TARP equity purchases and direct loans.[12]

The full impact of TARP on the deficit includes the cost of Treasury borrowing from the public—debt service—for the higher outlays listed above. Debt service reaches $9.2 billion in 2013 and 2014, and then falls to $1.3 billion in 2020.

[12] Actual TARP financing account interest for 2010 will reflect Treasury rates with no risk adjustment, as the effects of market risks would already be realized on actual cash flows.

Detailed Analysis of TARP Reestimates. The costs of outstanding TARP assistance are reestimated annually by updating cash flows for actual experience and new assumptions, and adjusting for any changes by either recording additional subsidy costs (an upward reestimate) or by reducing subsidy costs (a downward reestimate). The reestimated dollar amounts reflect TARP disbursements through September 30, 2009, while subsidy rates reflect anticipated future disbursements. As noted above, the total decrease in the deficit attributable to TARP reestimates in 2010 is $114.5 billion, reflecting $104.7 billion downward reestimate of the subsidy cost, plus $9.9 billion in interest on the reestimates. Detailed information on downward reestimates is reflected in Table 4–6.

The subsidy cost for outstanding TARP equity is estimated to be $98.2 billion lower than originally estimated. The majority of reduced subsidy costs reflects significant repayments of CPP and TIP by financial institutions in 2009 and early 2010, resulting in a positive return and a lower subsidy rate, where the original subsidy rate assumed there would be slower payments and higher risks. Reduced subsidy costs for AIG investments and AIFP Equity are due to improved market conditions and future

Table 4–7. DETAILED TARP PROGRAM LEVELS AND COSTS
(In billions of dollars)

Program	MSR		2011 President's Budget	
	Estimated TARP Cumulative Obligations	Subsidy Costs	Estimated TARP Cumulative Obligations	Subsidy Costs
Equity Purchases				
Capital Purchase Program	218.0	60.6	208.0	1.4
AIG Investments	69.8	57.8	69.8	49.9
Targeted Investment Program	40.0	19.5	40.0	–3.7
Automotive Industry Financing Program (AIFP)	5.0	3.2	16.3	6.3
Other Equity Programs	50.9	17.0	N/A	N/A
Public-Private Investment Program - Equity	N/A	N/A	10.0	2.0
Sub-Total Equity Purchases	383.7	158.1	344.1	55.9
Structured & direct loans and asset-backed security purchases				
Automotive Industry Financing Program (AIFP)	70.1	54.5	68.6	24.5
Term Asset-Backed Securities Loan Facility (TALF) [1]	20.0	–1.4	20.0	–0.5
Other Loans	240.4	80.5	N/A	N/A
Public-Private Investment Program - Debt	N/A	N/A	20.0	–1.7
Other Section 101	N/A	N/A	40.0	2.7
Sub-Total Structured & Direct Loans and ABS purchases	330.5	133.6	148.6	25.0
Guarantees of troubled asset purchases				
Asset Guarantee Program	12.5	–0.8	5.0	–3.0
Non-Add Asset Guarantee Program Face Value	419.0		301.0	
Sub-Total Asset Guarantee Program	12.5	–0.8	5.0	–3.0
Non-Credit Programs				
Home Affordable Modification Program (HAMP)	50.0	50.0	48.8	48.8
Totals	**776.7**	**340.9**	**546.4**	**126.7**
Memorandum:				
Deficit impact before administrative costs and interest effects [2]		***340.9***		***116.8***

[1] Formerly called the Consumer Business Lending Initiative (CBLI), which included the Small Business 7(a) program for the 2010 MSR.
[2] The 2011 Budget total deficit impact includes downward interest on reestimates of $9.9 billion.

performance expectations. The initial $20 billion TALF facility is estimated to generate a return of $0.5 billion to the Treasury, due to both lower anticipated loans from the Treasury to the SPV to purchase troubled assets, and improved performance and fees on the facility as a whole. Fees are collected on the total TALF program and not just Treasury purchases. The subsidy rate for TALF is based on disbursements, and the Treasury only expects to purchase a small amount of the total $20 billion commitment but collects fees on the full TALF facility. The reestimated rate declined dramatically, as TALF anticipates fewer default purchases, and income is anticipated to remain strong. The Asset Guarantee program downward reestimate reflects the termination of the guarantee of up to $5 billion in losses on Citigroup assets, which had an initial face value of $301 billion in total guaranteed assets. No losses were paid through the program, and the transactions resulted in fees in the form of preferred stock.

Differences Between Current and Previous OMB Estimates

Table 4–7 above shows a total TARP deficit impact of $116.8 billion as reflected in the Budget, a reduction of $224.1 billion from the MSR projection of $340.9 billion. The deficit impact differs from the subsidy cost of $126.7 billion because the deficit impact reflects a $9.9 billion downward interest adjustment, accounting for the time between when the subsidy cost was originally estimated and the time when the reestimate is booked. The subsidy cost of $126.7 billion reflects the estimated present value cost of the program from the date TARP obligations originate.

The significant reduction in total TARP cost is primarily being driven by two factors: 1) a reduction in TARP obligations resulting from fewer anticipated TARP purchases, and 2) lower subsidy costs on TARP obligations due to better than expected actual performance in some programs, and improved market conditions.

As part of the December 9, 2009, announcement to extend TARP to October 3, 2010, the Treasury Secretary indicated that in light of the financial market recovery he does not expect to deploy more than $560 billion in total TARP related activity. The Budget reflects $546.4 billion in total TARP obligations, a reduction of $230.3 billion from MSR ($776.7 billion). $181.9 billion of the reduction is reflected in the structured and direct loans and asset-backed security purchases portfolio, primarily from the "Other Loans" placeholder amounts assumed for MSR. Estimated obligations in the equity purchases portfolio also decreased by $39.6 billion from MSR projections.

The financial and credit markets have rebounded since the height of the economic crises, and as a result the Government's outlook of TARP cost has improved. The Budget includes reestimated subsidy rates for each program based on actual market data since TARP's inception. Higher than expected bank prepayments were incorporated into the subsidy reestimates. As of December 31, 2009, banks have repaid $162 billion in TARP funds provided to them, and the Treasury expects total bank repayments to exceed $185 billion by the end of 2010. As noted above, the cost of outstanding TARP programs disbursed as of September 30, 2009 is $104.7 billion lower than estimated in the MSR. Separately, the subsidy rate for several programs changed from a placeholder rate of 100 percent in the MSR to an actual rate used for program execution.

Differences Between OMB and CBO Estimates

Table 4–8 shows a comparison of the subsidy rates reflected in the Budget for TARP and the rates estimated by CBO in June 2009. [13]

[13] United States. Cong. Budget Office. *The Troubled Asset Relief Program: Report on Transactions through June 17, 2009*. Washington: CBO, 2009. http://www.cbo.gov/doc.cfm?index=10056

Table 4–8. COMPARISON OF OMB AND CBO TARP COSTS

	Risk-Adjusted Subsidy Rates		
	CBO Rate [1]	OMB Rate [2]	
		2010 MSR	2011 Budget
Capital Purchase Program	18%	28%	–1%
Targeted Investment Program	10%	49%	–10%
AIG Assistance	50%	83%	62%
Automotive Industry Financing Program	73%	77%	31%
Term Asset-Backed Securities Loan Facility [3]	10%	–7%	–1%
Asset Guarantee Program	64%	–0%	–1%
Other Programs (unidentified programs, PPIP, Small Business) [4]	N/A	33%	3%
Home Affordable Modification Program [5]	100%	100%	100%
Weighted average rate	**36%**	**44%**	**21%**

[1] Rates from the Congressional Budget Office as published in "The Troubled Asset Relief Program: Report on Transactions Through June 17, 2009", available here: http://www.cbo.gov/ftpdocs/100xx/doc10056/06–29-TARP.pdf

[2] OMB subsidy rates reflect weighted average subsidy rates for several categories. OMB subsidy rates for the 2011 Budget in this table reflect the impact of reestimates.

[3] The subsidy rate for the Term Asset-Backed Securities Loan Facility is expressed above as the percent of total expected obligations, for comparability. Please see Table 4–6 above for the subsidy rate.

[4] The rate for "Other Programs" reflects a weighted average subsidy rate for unidentified programs, PPIP (Debt and Equity Purchases) and Small Business programs. CBO did not estimate a subsidy rate for these programs in its June report.

[5] The HAMP transactions do not involve assets with value, and therefore are reflected on a cash basis. Cost is reflected above as a 100 percent subsidy rate.

The main differences between OMB and CBO estimates are due to the different times at which the estimates were made. The rates estimated by CBO were released on June 17, 2009; the rates estimated for the MSR were developed at various times through June 30, 2009; and the rates estimated for the Budget were developed at various times through December 31, 2009. As discussed above in the section on differences between current and previous OMB estimates, subsidy costs have been reduced as market conditions have continued to improve. For the CPP, for example, the lower subsidy rate estimated in the Budget reflects both lower-than-expected losses on these investments and faster repayments than initially predicted. Several TARP investments have now yielded or are estimated to yield a positive return.

CBO released an update to its Budget and Economic Outlook in August 2009[14] showing a total projected cost of $241 billion, based on an estimated lifetime TARP activity level of roughly $600 billion. OMB MSR estimates reflected total TARP activity level of $777 billion, and programmatic costs of $341 billion. The Budget reflects current estimates of roughly $550 billion in program level, and $127 billion in programmatic costs, including reestimates.

TARP Oversight and Accountability

Ensuring effective internal controls and monitoring of TARP programs and funds to protect taxpayer investments remains a top priority of TARP program staff and those offices charged with TARP oversight and accountability. The Treasury has implemented a comprehensive set of assessments geared toward identifying risks, evaluating their potential impact, and prioritizing resource assignments to manage risks based on a combined top-down and bottom-up assessment of risk. The Internal Control Department within the Office of Financial Stability (OFS) utilizes the assessments to ensure appropriate coverage of high-impact areas. A Senior Assessment Team and the Internal Control Program Office guide OFS efforts to meet all applicable requirements for a sound system of internal controls, and to review and respond to all recommendations made by the three TARP oversight bodies—the Special Inspector General for TARP (SIGTARP), the Government Accountability Office (GAO), and the Congressional Oversight Panel. The soundness of Treasury's TARP compliance monitoring, internal control, and risk management policies and processes are reflected in the clean opinion issued by GAO after its audit of TARP financial statements for 2009.

The Treasury has issued regulations governing executive compensation and conflicts of interest related to TARP program administration and participation. Compliance with these rules is monitored on an ongoing basis, and reviews of participant conduct and program administration are conducted as appropriate. In executing its responsibility for monitoring compliance with executive compensation requirements, the Treasury has also created an Office of the Special Master for TARP to review TARP participant compliance with applicable legal and regulatory authority, and to recommend action to the Secretary when compensation is found to be awarded in a manner or amount deemed contrary to the public interest.

Special Inspector General for TARP (SIGTARP). In 2009, SIGTARP issued four comprehensive reports explaining and evaluating each TARP program implemented and announced, and recommending changes to increase transparency and to decrease the potential for fraud, waste, and abuse. SIGTARP has worked extensively with the Treasury, OFS, and the Federal Reserve concerning TARP program design and has made 41 recommendations to improve internal controls and fraud prevention in TARP programs before they launch; 75 percent of those recommendations have been implemented. Evaluating programs in progress, SIGTARP has initiated 18 audits, and has issued reports on seven topics, including CPP participant selection and use of funds and executive compensation. In an effort to root out misuse of TARP funds and noncompliance with program terms, SIGTARP has received and analyzed over 9,500 hotline contacts, has organized a task force to identify vulnerabilities in the TALF and PPIP programs, and has opened over 75 civil and criminal investigations. SIGTARP will continue to work with the Administration, the Congressional Oversight Panel and GAO to oversee TARP program administration and participation until the last outstanding TARP investments have been completely resolved.

Financial Reform

In June 2009, the Administration submitted a comprehensive financial reform proposal to Congress designed to help prevent future financial crises by filling gaps in the U.S. regulatory regime and redistributing responsibilities among regulators in order to better focus on key issues that contributed to the present crisis.

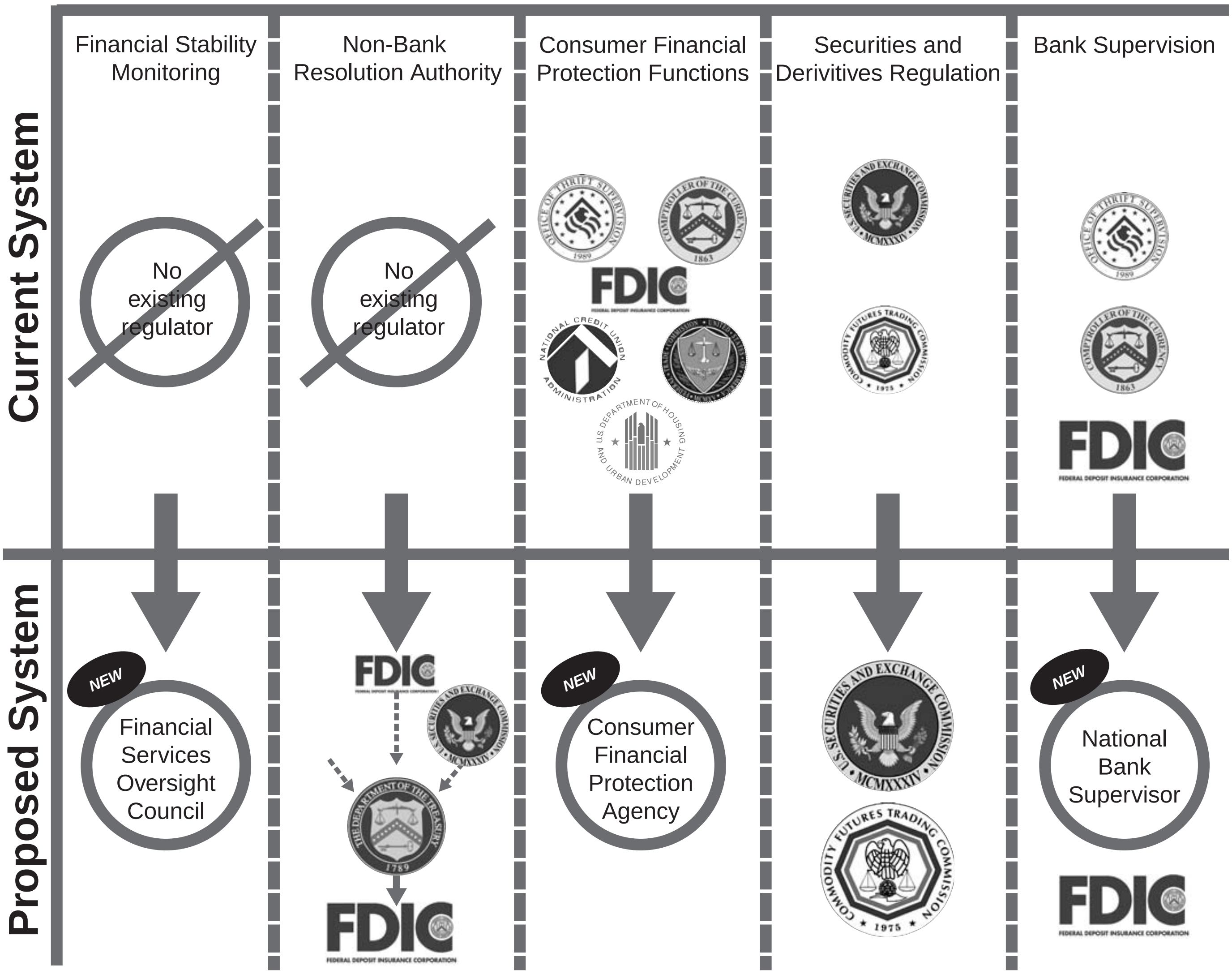
The Administration's proposal employs lessons learned from the present crisis to reform and repair financial regulation on a number of fronts:

First, the proposal prevents future bailout scenarios for "Too Big to Fail" firms by creating a new Financial Services Oversight Council to monitor for threats to financial stability and by authorizing the Federal Reserve to regulate large, interconnected firms if their failure during a downturn would severely impact the functioning of financial markets. In addition, the Government would have the ability to unwind such firms in an orderly manner when they fail to protect the financial system.

Second, the proposal closes the gaps in and strengthens regulation of consumer financial products in the bank and non-bank sectors by consolidating existing consumer protection authorities to better protect consumers from unscrupulous practices—authorities that are currently spread out over seven regulators. The proposal creates a single, new regulator, the Consumer Financial Protection Agency, whose sole mission is to look out for consum-

[14] United States. Cong. Budget Office. *The Budget and Economic Outlook: An Update*. Washington: CBO, 2009. http://cbo.gov/ftpdocs/105xx/doc10521/08-25-BudgetUpdate.pdf

Chart 4-1. Proposed Federal Financial Reforms



ers in the increasingly complex financial marketplace. Consolidation of authorities in an agency with mission focus on consumer protection will create clear accountability for providing and consistently enforcing clear rules of the road for firms offering consumer financial services.

Third, the proposal shines a light on dark pools of capital and derivatives markets, by expanding the authority of the Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC), respectively, to register and regulate hedge funds and to require central clearing for over-the-counter derivatives.

Fourth, the proposal creates a new Office of National Insurance within the Treasury Department to gather information, develop expertise, negotiate international agreements, and coordinate policy in the insurance sector. Better monitoring will help prevent the kind of intervention that AIG's failure required to preserve financial stability.

Fifth, to prevent depository institutions from selecting a corporate structure based on their preference for a particular regulator, the proposal consolidates the Office of the Comptroller of the Currency and the Office of Thrift Supervision into a single, unified National Bank Supervisor, applying the same standards of supervision to lending institutions that perform the same functions, regardless of how they choose to organize themselves.

Finally, in an effort to further strengthen and provide consistent regulation while promoting growth and innovation in the marketplace, the Administration's proposal includes numerous other reform measures. These measures include, but are not limited to, strengthening important payment, clearing, and settlement systems, enhancing credit rating agency regulation, and increasing investor protections.

The House of Representatives passed a comprehensive financial reform package in December 2009, and the Senate is expected to consider legislation in 2010. Because Congress has not yet completed its work on these historic and urgent reforms, this Budget reflects the Administration's proposal. Specifically, some of the functions performed by staff for the Financial Services Oversight Council and the Office of National Insurance are authorized under current authorities, and the costs are reflected directly in the Budget. In other areas where specific new resources are not needed, such as in the case of the Federal Reserve's actions on executive compensation, mortgage lending, and credit card regulation, administrative reform is underway but not specifically reflected in the Budget. The remaining reforms, which are subject to enactment of a financial reform bill, are currently included as a single amount in the *Appendix*, reflecting the net impact of proposed efficiency savings, transfers, and new spending. The amounts include a budgetary placeholder for new spending and receipts from the non-bank resolution authority. Specific programmatic impacts on SEC and CFTC are discussed in each regulator's *Appendix* narrative.

Chart 4-1 illustrates the Administration's proposed changes to the U.S. financial regulatory structure.

In the areas of financial stability oversight and the resolution of non-banks, the Administration has proposed new authorities that do not exist under the current regulatory structure. In consumer financial protection and bank supervision, portions of the current authorities of multiple regulators is consolidated into fewer or a single regulator, in order to better focus Federal oversight in those areas. For securities and derivatives regulation, existing authorities have been enhanced. The overall result is a comprehensive system that addresses identified gaps in the system of U.S. financial regulation.

International Financial Reform. The current financial crisis from which the Nation is emerging was an international event not limited to U.S. markets, corporations, and consumers. In addition to its demonstrated commitment to achieving meaningful financial reform at home, the Treasury Department continues to ensure coordination of financial reform principles across the globe. At the G–20 summit in October 2009, Secretary Geithner worked with other world leaders to establish a framework of core reform principles applicable to all member nations. The G–20 also produced a timeline for implementing the global reform agenda, which will be reviewed when the group reconvenes in spring 2010. The Treasury Department's coordination with its international counterparts will help ensure that standards are raised across the globe and not just in the United States, so that dangerous and irresponsible practices by foreign firms do not threaten domestic financial markets.

5. LONG TERM BUDGET OUTLOOK

The horizon for most numbers in this budget is 10 years. In particular, the account-level estimates in the 2011 Budget extend to 2020. This 10-year horizon reflects a balance between the importance of considering both the current and future implications of budget decisions made today and a practical limit on the construction of detailed budget projections for years in the future.

Nonetheless, many decisions made today will have important repercussions beyond the 10-year horizon, and it is important to anticipate what future budgetary requirements beyond the 10-year horizon might flow from current laws and policies despite the uncertainty surrounding the assumptions needed for such estimates. Long-run budget projections can be useful in drawing attention to potential problems. Imbalances that may be manageable in the 10-year time frame can become unmanageable if allowed to grow.

To this end, the budget projections in this chapter extend the policies proposed in the 2011 Budget for 75 years. Because of the uncertainties involved in making long-run projections, results are presented for a base case and for several alternative scenarios.

Although the Budget offers major initiatives in many areas, the Administration recognizes that not all of the policy initiatives needed to stabilize the country's long-run fiscal situation have been formulated. The projections in this chapter reflect the fact that until these reforms are enacted, simply extending current laws and policies leaves the budget in an unsustainable position. Reforms are needed to make sure that programs like Medicare Part A and Social Security, which are expected to be financed from dedicated revenue sources, remain self-sustaining, and that overall budgetary resources are large enough to support future spending. One of the reasons why the Administration made health care reform a first-year priority is that there is no way to achieve long-run fiscal sustainability without slowing the growth rate of health expenditures. The Administration intends to work with Congress to develop additional policies that will prevent the outcomes shown in many of the charts below from occurring.

The key drivers of the long-range deficit are the Government's major health and retirement programs: Medicare, Medicaid and Social Security.

- Medicare finances health insurance for most of the Nation's seniors and many individuals with disabilities. Medicare's growth has exceeded that of other Federal spending for decades tracking the rapid growth in overall health care costs.
- Medicaid provides medical assistance, including acute and long-term care, to low-income persons including families with dependent children as well as aged, blind or disabled individuals. It has grown more rapidly than the economy for several decades.
- Social Security provides retirement benefits, disability benefits, and survivors' insurance for the Nation's workers. Outlays for Social Security benefits will begin to exceed its dedicated revenue stream over the next quarter century putting pressure on the overall budget.

Long-range projections for Social Security and Medicare have been prepared for decades, and the actuaries at the Centers for Medicare and Medicaid Services plan to produce such projections for Medicaid in the near future. Budget projections for individual programs, however, even important ones such as Medicare and Social Security, cannot reveal the Government's overall budgetary position, which is why the projections in this chapter offer a useful complement to the long-run projections for the individual programs.

Future budget outcomes depend on a host of unknowns—changing economic conditions, unforeseen international developments, unexpected demographic shifts, the unpredictable forces of technological advance, and evolving political preferences to name a few. These uncertainties make even short-run budget forecasting quite difficult, and the uncertainties increase the further into the future projections are extended. While uncertainty makes forecast accuracy difficult to achieve, it does not detract from the importance of long-run budget projections, because future problems are often best addressed in the present. A full treatment of all the relevant risks is beyond the scope of this chapter, but the chapter does show how long-run budget projections respond to changes in some of key economic and demographic assumptions.

An Unsustainable Path

The deficit is projected to fall from its recent peak levels as the economy recovers from the recession and the worldwide financial crisis eases. By the end of the 10-year budget window, the deficit has returned to a lower level, and the debt held by the public is no longer rising rapidly relative to GDP. However, the fiscal position is not sustainable in the long run without further policy changes.

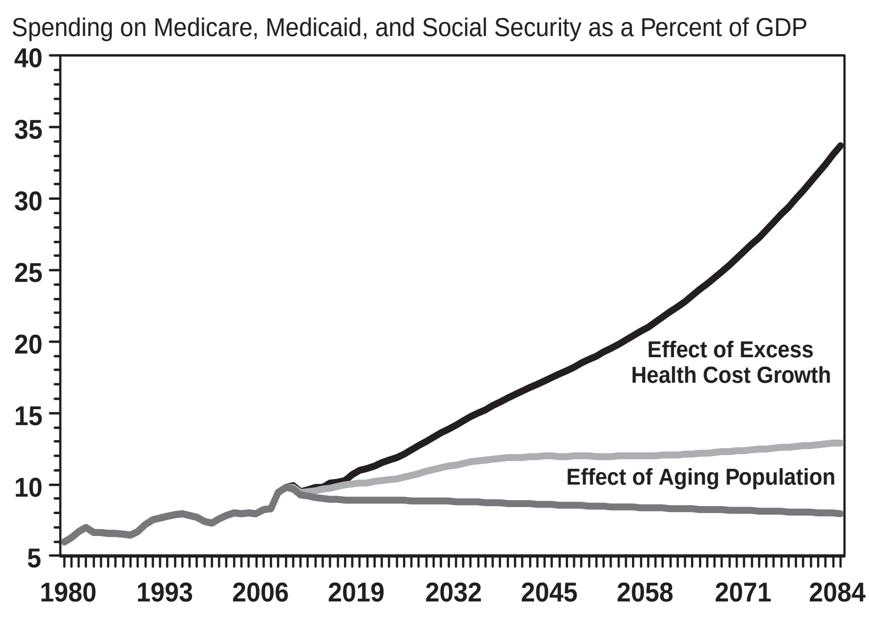
Beyond the 10-year budget window, increasing health costs and population aging will place the budget on an unsustainable course unless policy changes are made to address these challenges. Medicare and Medicaid have grown faster than the economy for decades, and if they continue to do so their growth will exert tremendous pressures on the budget. Additionally, the first members of the huge generation born after World War II, the so-called baby boomers, reached age 62 in 2008 and became eligible for Social Security retirement benefits. In 2011, they will turn 65 and become eligible for Medicare. In the years that follow, the elderly population will steadily increase, putting serious strains on the budget.

Sources of Increased Spending for Medicare, Medicaid, and Social Security.—The most important single factor driving the long-run budget outlook is the growth of health care expenditures. For decades, health care spending has outpaced the growth in total output (detailed national health expenditure data extend back to 1960). This excess cost growth must eventually be addressed if the budget is to reach a sustainable long-run position. The Administration's approach to health care reform has focused on bringing these costs under control. In the long-run projections in this chapter, different assumptions about the growth rate of health care costs are made. In the base case, a continuation of the historical trend would see the per beneficiary cost of health care spending for Medicare, Medicaid, and private health care rising 2 percent per year faster than GDP per capita.

The alternatives assume that the historical trend of rising costs is reduced. The health care legislation being considered in Congress is designed to be deficit neutral (or better) over the next 10 years based on hard, scoreable savings and to slow the growth rate of health care spending over the longer term. There are three broad reforms in the legislation under consideration in Congress that experts believe will produce significant savings relative to the historical trend: an excise tax on the highest-cost insurance plans will encourage substitution of more efficient plans with lower costs, while raising take-home pay; an independent payment advisory board will be empowered to suggest changes in Medicare and the health care system to improve the quality and value of its services; and an array of other delivery system reforms will gradually reduce costs. With 10-year deficit neutrality and the other three components in place, it is reasonable to expect a break in the trend of future health care costs, but the baseline does not include these savings because the final form of the legislation was not resolved in time for the Administration to produce detailed estimates of its long-run effects.

Of the many possible alternative projections, two are chosen here for examination. The first alternative is consistent with the projections made by the Medicare actuaries in the 2009 Trustees' Report, which assumes that health care costs will gradually stabilize as a share of GDP over the next 75 years. The actuaries base this conclusion on a stylized model that makes assumptions about (i) continuing improvements in medical technology, (ii) the extent to which new technology raises or lowers health care costs, and (iii) society's preferences for health care compared with other goods and services. It is more likely this stabilization will occur with the passage of health reform. In the actuaries' projections, health care costs grow rapidly over the next 25 years, as excess cost growth is assumed to be 1.4 percent per year in 2033. By 2083, it has slowed to less than 0.2 percent per year. The average excess cost growth over the entire 75-year projection period is 1 percent per year. The second alternative assumes more savings will be generated by health reform. More effective cost discipline over the long run could lower excess cost growth on average to 0.5 percent per year, a reduction of 1-1/2 percentage points compared with the historical trend. This still allows for some increase in medical costs relative to GDP, which seems likely given the value people place on good health and increased lifespans, but with such a large reduction in the trend, the problems connected with rising costs would become much more manageable.

Chart 5-1. Sources of Projected Growth in Medicare, Medicaid, and Social Security



Population aging also poses a serious long-run budgetary challenge. Because of lower expected fertility and improved longevity, the Social Security actuaries project that the ratio of workers to Social Security beneficiaries will fall from around 3.3 currently to a little over 2 by the time most of the baby boomers have retired. From that point forward, the ratio of workers to beneficiaries is expected to continue to decline slowly. With fewer workers to pay the taxes needed to support the retired population, budgetary pressures will steadily mount without reforms.

Chart 5-1 decomposes the projected growth in Medicare, Medicaid, and Social Security into the portion due to health costs per beneficiary growing faster than GDP per capita and the portion due to population aging. The projections are based on the Budget for the first 10 years and then the historical rate of excess health cost growth for years after 2020. For the next 20 years both increasing numbers of beneficiaries and rapid health cost growth contribute to the increase in the share of GDP devoted to these programs, but after 2030 health cost growth is the primary driver of spending growth.

Long-Run Budget Projections.—In 2009, the three major entitlement programs—Medicare, Medicaid, and Social Security—accounted for 41 percent of non-interest Federal spending, up from 30 percent in 1980. By 2030, when the surviving baby boomers will all be 65 or older, these three programs could account for 60 percent of non-interest Federal spending unless there is a break in the trend of health care costs or other major reforms to the programs. At the end of the projection period, in 2085, the figure could rise to nearly 80 percent of non-interest spending, again assuming current trends were to continue. In other words without reforms, most of the budget, aside from interest, would go to these three programs alone. That would severely reduce the flexibility of the budget, and the Government's ability to respond to new challenges.

The overall budget cannot sustain the projected increase in these major programs indefinitely. The budget projections shown in Table 5–1 illustrate that point. Without further adjustments to spending and revenue in the current decade and changes in entitlement programs in the longer term, the deficit will rise steadily relative to the overall economy during coming decades. These rising deficits would drive publicly held Federal debt as a ratio to GDP to levels well above its previous peak level reached at the end of World War II. Timely reforms, especially those that would lower the trend of health care costs, are needed to avoid such a development. The policies included in current health care legislation are important steps in this direction, though achieving fiscal sustainability will require both effective implementation of these policies and additional policy changes in the future. The Administration aims to work with Congress so that the ratio of debt-to-GDP stabilizes at an acceptable level once the economy has recovered.

Revenues.—Projected revenues in these long-run budget projections start with the estimated receipts under the Administration's proposals in the 2011 Budget. In the absence of further policy changes, the ratio of taxes to GDP is projected to remain roughly constant over most of the period from 2020 to 2085. The tax code is indexed for inflation, but not for increases in real income, so there is a tendency for individual income taxes to increase relative to incomes when real incomes are rising. With rising real incomes, a larger percentage of taxpayers will be in higher tax brackets and this will raise the ratio of taxes to GDP. Offsetting this trend is the decline in taxable wages as a share of overall compensation. Fringe benefits, especially private health insurance, have grown faster than overall compensation for decades, and, unless there are major cost saving reforms to private health insurance, that trend is projected to continue. The result is that the higher average marginal tax rates that result from rising real incomes apply to a declining share of total income.

The projections assume that the Alternative Minimum Tax (AMT) will be effectively indexed, so the AMT does not raise the ratio of receipts to GDP. Some Federal tax-

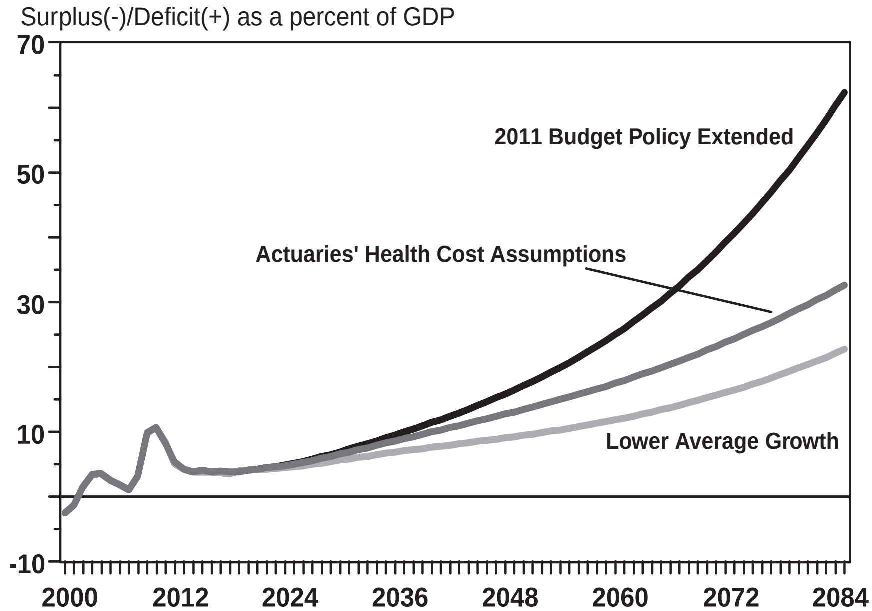
Table 5–1. LONG-RUN BUDGET PROJECTIONS

(Receipts, Outlays, Surplus or Deficit, and Debt as a Percent of GDP)

	1980	1990	2000	2010	2020	2030	2050	2060	2085
Receipts	19.0	18.0	20.6	14.8	19.6	19.8	20.0	19.9	18.7
Outlays:									
Discretionary	10.1	8.7	6.3	9.6	6.2	6.1	6.1	6.1	6.1
Mandatory:									
Social Security	4.3	4.3	4.1	4.9	5.0	5.6	5.4	5.3	5.1
Medicare	1.1	1.7	2.0	3.1	4.0	5.3	9.6	11.9	22.0
Medicaid	0.5	0.7	1.2	1.9	2.0	2.4	3.5	4.1	6.6
Other	3.7	3.2	2.4	4.7	3.1	2.8	2.6	2.6	3.1
Subtotal, mandatory	9.6	9.9	9.7	14.5	14.1	16.1	21.1	24.0	36.9
Net Interest	1.9	3.2	2.3	1.3	3.5	4.5	10.0	14.8	38.0
Total outlays	21.7	21.9	18.2	25.4	23.7	26.8	37.2	44.9	81.0
Surplus or Deficit (–)	–2.7	–3.9	2.4	–10.6	–4.2	–6.9	–17.1	–25.0	–62.3
Primary Surplus or Deficit (–)	–0.8	–0.6	4.7	–9.4	–0.7	–2.4	–7.2	–10.2	–24.3
Federal Debt Held by the Public	26.1	42.1	34.7	63.6	77.2	98.8	218.1	323.7	829.7

Note: The figures shown in this table for 2030 and beyond are the product of a long-range forecasting model maintained by the Office of Management and Budget. This model is separate from the models and capabilities that produce detailed programmatic estimates in the Budget. It was designed to produce long-range forecasts based on additional assumptions regarding growth of the economy, the long-range evolution of specific programs, and the demographic and economic forces affecting those programs. The model, its assumptions, and sensitivity testing of those assumptions are presented in this chapter.

Chart 5-2. Health Care Cost Alternatives



es tend to decline in real terms in the absence of policy changes. For example, many excise taxes are set in nominal terms, so collections decline as a share of GDP when there is inflation. But such taxes are a relatively small fraction of total revenue. Income taxes and payroll taxes account for most of Federal revenue.

Discretionary Outlays.— Because discretionary spending is determined annually through the legislative process, there is no simple natural assumption for projecting its future path. The budget provides a specific path for discretionary spending over the next 10 years. Beyond that time frame, there are several different plausible assumptions for the path of future discretionary spending. One possibility would be to assume that discretionary spending will be held constant in inflation adjusted terms. That would allow discretionary programs to increase with wage costs and other prices, but would not allow the programs to expand with population or real growth in the economy. Extending this assumption over many decades is not realistic. When the population and economy grow, as assumed in these projections, the demand for public services is likely to expand as well. The current base projection, therefore, assumes that discretionary spending keeps pace with the growth in GDP in the long run, so that spending increases in inflation-adjusted terms whenever there is real economic growth. This chapter also shows outcomes under alternative assumptions.

Table 5-1 shows how the budget would evolve without further changes in policy under the base assumptions described above. The key assumption is the continued excess health care cost growth of around 2 percent per year, which dramatically increases the share of the budget devoted to Medicare and Medicaid. Other parts of the budget show much less growth. Social Security benefits rise relative to the economy over the next 25 years, but beyond that point decline slightly as slower wage growth, the result of rapid health care cost growth, reduces future benefit payments. Other mandatory programs do not increase relative to the size of the economy, and discretionary programs are held to a constant share of GDP by assumption. On the revenue side, once tax revenues recover from the economic downturn, there is little change in revenues relative to GDP through 2060, as the forces pushing up taxes are roughly balanced by those limiting their growth. After 2060, the continuing rise in health costs lowers taxable incomes sufficiently to reduce total revenues relative to GDP. With total outlays increasing much more rapidly than taxes, the deficit rises, and publicly held debt greatly exceeds historical levels.

Alternative Policy, Economic, and Technical Assumptions

The quantitative results discussed above are sensitive to changes in underlying policy, economic, and technical assumptions. Some of the most important of these assumptions and their effects on the budget outlook are discussed below. Increasing deficits result for most plausible projections of the long run trends.

Health Spending.—The base projections for Medicare and Medicaid over the next 75 years assume an extension of historical trends in health care spending. On average, Medicare and Medicaid costs per beneficiary have risen about 2 percent faster than GDP per capita since the programs were established in the 1960s. Continuing this trend would push costs steadily higher and is one of the main reasons the long-run projections show an unsustainable fiscal path.

Chart 5-3. Alternative Discretionary Projections

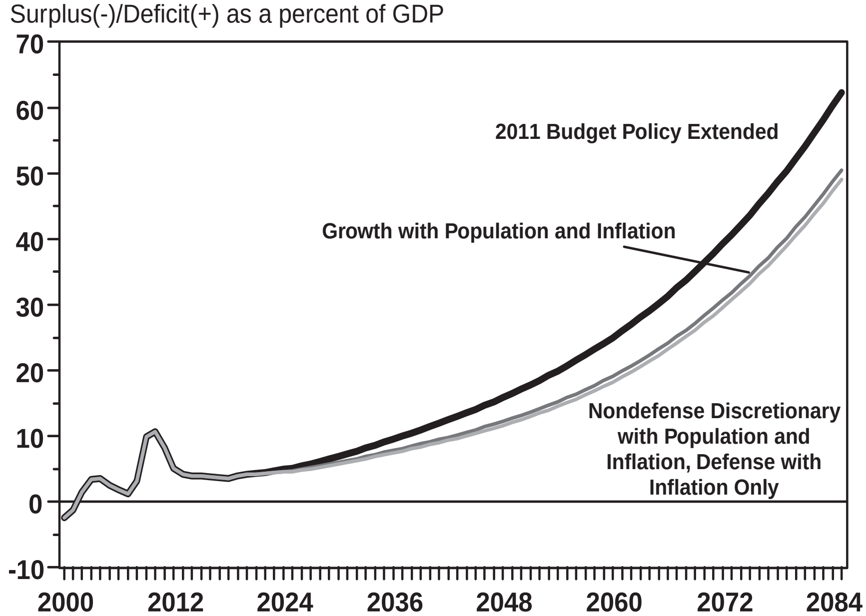


Chart 5-2 shows budget outcomes under the base assumptions and under two other scenarios. In the first, per capita health care costs grow at the rates assumed in the 2009 Medicare Trustees' Report. Specifically, this alternative assumes that the excess growth of health care costs above growth in GDP per capita growth averages about 1 percent per year for the next 75 years, falling from the historical value of over 2.0 percent to 1.4 percent in 2033 and to about 0.2 percent per year in 2083. In the second scenario, excess cost growth is reduced to 0.5 percent per year on average over the next 75 years.

Discretionary Spending.— The current base projection for discretionary spending assumes that after 2020, discretionary spending keeps pace with the growth in GDP (see Chart 5-3). An alternative assumption would be to allow discretionary spending to increase for inflation and population growth only. In this case, discretionary spending would remain constant in inflation adjusted per

Chart 5-4. Alternative Revenue Projections

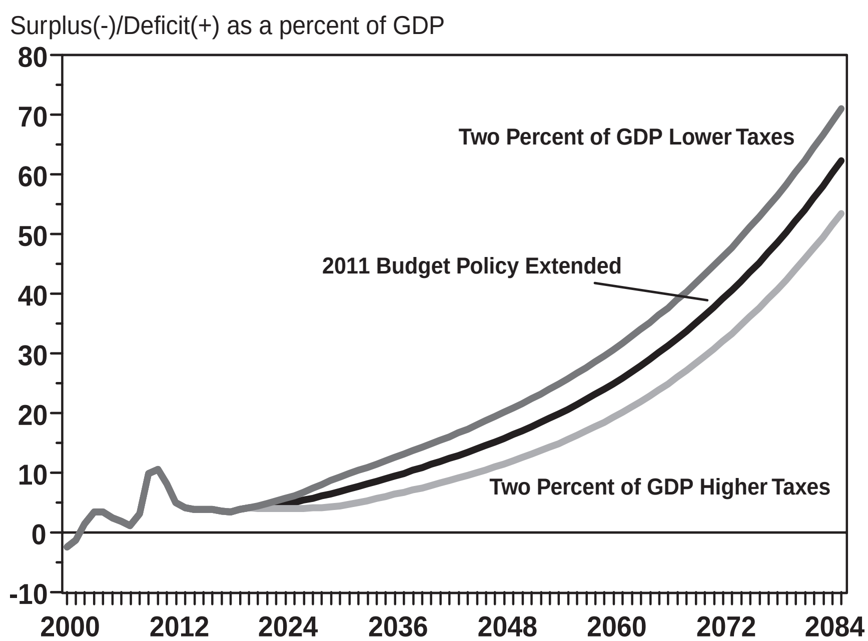
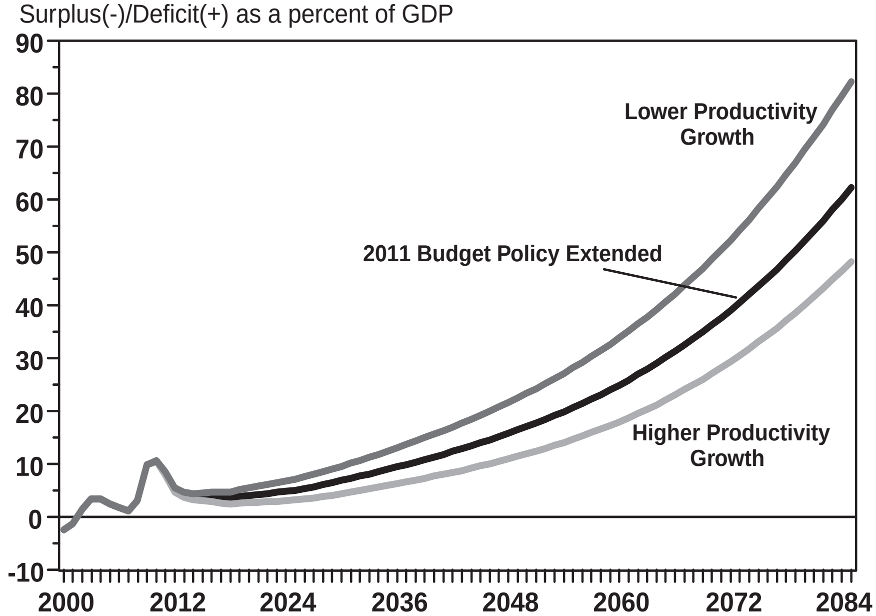


Chart 5-5. Alternative Productivity Assumptions

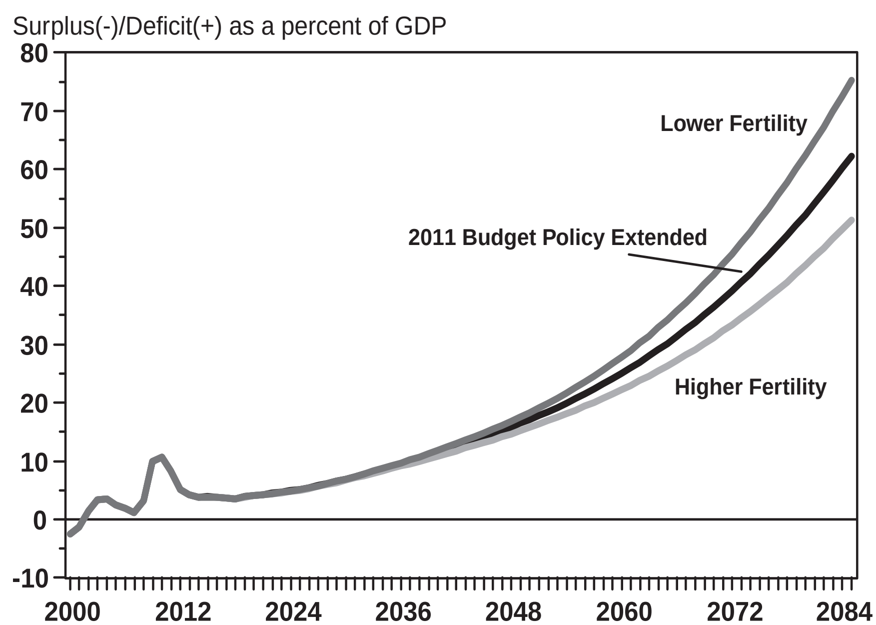


capita terms. Yet another possible assumption is to allow nondefense discretionary spending to grow with inflation plus population, but to increase defense spending only for inflation.

Alternative Revenue Projections.— In the base projection, tax receipts are roughly stable relative to GDP from 2020 through 2060, before declining thereafter. Chart 5-4 shows alternative receipts assumptions. Allowing receipts to rise over time by 2 percentage points of GDP more than in the base case would lower the long-run budget deficit, but not by enough to establish a sustainable path for future policy. Reducing taxes by 2 percentage points of GDP would bring the projected rise in the deficit and the publicly held debt forward in time.

Productivity.—The rate of future productivity growth has a major effect on the long-run budget outlook (see Chart 5-5). It is also highly uncertain. Over the next few decades, an increase in productivity growth

Chart 5-6. Alternative Fertility Assumptions



would reduce projected budget deficits. Higher productivity growth adds directly to the growth of the major tax bases, while it has a smaller immediate effect on outlay growth even assuming that discretionary spending rises with GDP. For much of the last century, output per hour in nonfarm business grew at an average rate of around 2-1/4 percent per year. Growth was not always steady. In the 25 years following 1948, productivity grew at an average rate of 2.7 percent per year, but this was followed by a period of much slower growth. From 1973 to 1995, output per hour in nonfarm business grew at an average annual rate of just 1.4 percent per year. In the latter half of the 1990s, however, the rate of productivity growth increased again and it has remained higher albeit with some fluctuations since then. Indeed, the average growth rate of productivity in nonfarm business has averaged 2.7 percent per year since the fourth quarter of 1995, the same as the average growth rate in the earlier postwar period.

The base projections assume that output per hour in nonfarm business will increase at an average annual rate of around 2.3 percent per year, close to its long-run average and slightly below its average growth since 1995. This implies that real GDP per hour worked will grow at an average annual rate of 2.0 percent per year. The difference is accounted for by the fact that the sectors of the economy that are counted in GDP outside of the nonfarm business sector tend to have lower productivity growth than nonfarm business does. The alternatives highlight the effect of raising and lowering the projected productivity growth rate by 1/2 percentage point.

Population.—The key assumptions for projecting long-run demographic developments are fertility, immigration, and mortality.

- The demographic projections assume that fertility will average about 2.0 total lifetime births per woman in the future, just slightly below the replacement rate needed to maintain a constant population in the absence of immigration—2.1 births per woman (see Chart 5-6). The alternatives are those in the latest Social Security trustees' report (1.7 and 2.3 births per woman).
- The rate of immigration is assumed to average around 1 million immigrants per year in these projections (see Chart 5-7). Higher immigration relieves some of the downward pressure on population growth from low fertility and allows total population to expand throughout the projection period, although at a much slower rate than has prevailed historically. The alternatives are taken from the Social Security Trustees' Report (1.3 million total immigrants per year in the high alternative and 0.8 million in the low alternative).
- Mortality is projected to decline as people live longer in the future (see Chart 5-8). These assumptions parallel those in the latest Social Security Trustees' Report. The average period life expectancy for women is projected to rise from 80.0 years in 2008 to 86.3 years in 2085, and the average period life expectancy for men is expected to increase from 75.4 years in 2007 to 83.1 years in 2085. A technical panel advising the Social Security trustees has reported that the improvement in longevity might be even greater than assumed here. The variations show the high and low alternatives from the latest Trustees' report (average female and male life expectancy reaching 82.7 and 79.1 in the low cost alternative and 89.9 and 87.2 in the high cost alternative).

Chart 5-7. Alternative Immigration Assumptions

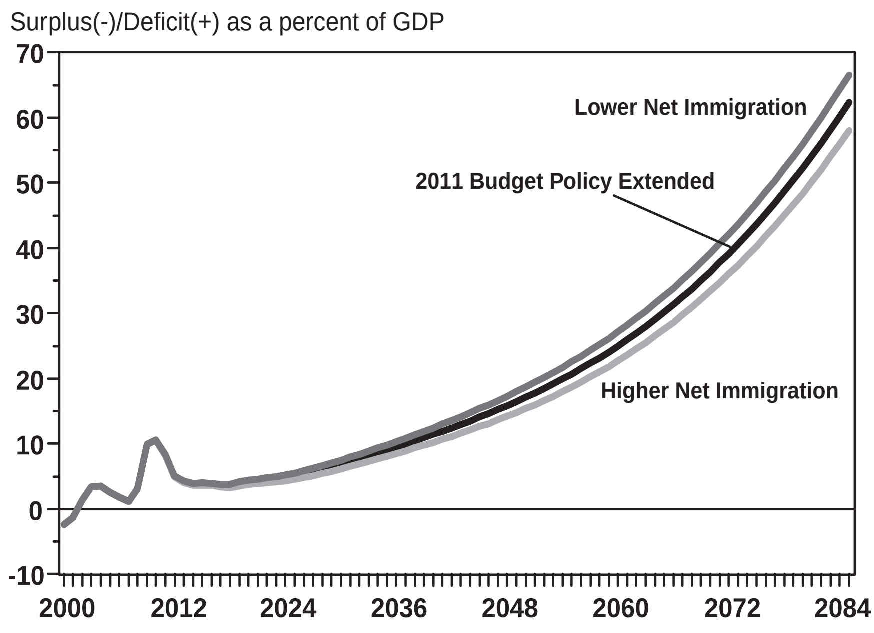
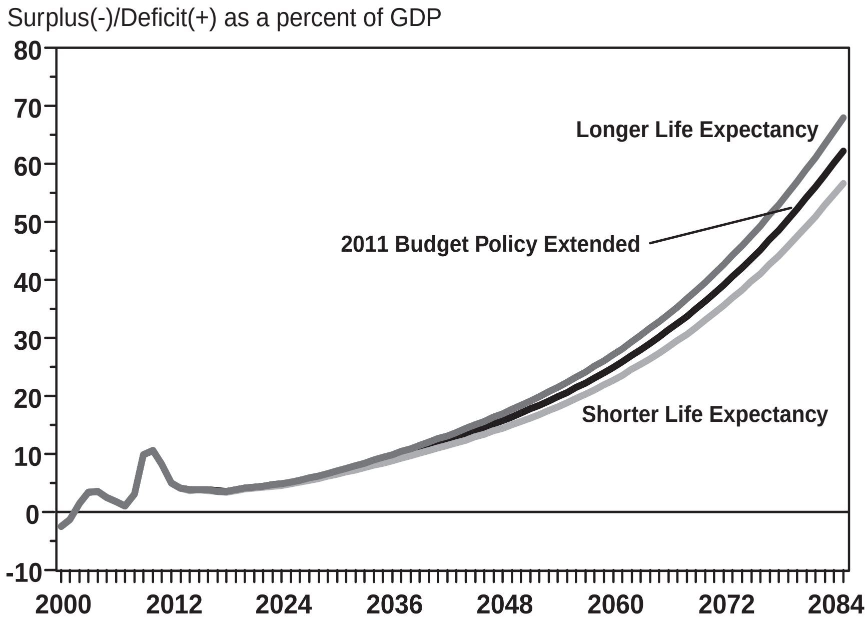


Chart 5-8. Alternative Mortality Assumptions



The long-run budget outlook is highly uncertain. With pessimistic assumptions, the fiscal picture deteriorates even sooner than in the base projection. More optimistic assumptions imply a longer period before the pressures of rising spending overwhelm the budget. But despite the uncertainty, these projections show under a wide range of forecasting assumptions that overall budgetary resources will not be sufficient to support all future projected commitments. These projections highlight the commitments for future policy action to address the main drivers of future budgetary costs, especially health costs.

The Fiscal Gap

The fiscal gap is one measure of the size of the adjustment needed to preserve fiscal sustainability in the long run.[1] It is defined as the increase in taxes or reduction in non-interest expenditures required to keep the long-run ratio of government debt to GDP at its current level if implemented immediately. The gap is usually measured as a percentage of GDP. The fiscal gap is calculated over a finite time period, and therefore it may understate the adjustment needed to achieve longer-run sustainability.

Table 5-2 shows fiscal gap calculations for the base case calculated over a 75-year horizon and for the various alternative scenarios described above. The fiscal gap in the base case is 8.0 percent of GDP, and it ranges in the alternative scenarios from 2.8 percent of GDP to 9.6 percent of GDP. In all cases, significant fiscal adjustments would be needed to achieve long-run sustainability.

[1] Alan J. Auerbach, "The U.S. Fiscal Problem: Where We Are, How We Got Here, and Where We're Going," *NBER: Macroeconomics Annual 1994*, pp 141 – 175.

Table 5–2. FISCAL GAP UNDER ALTERNATIVE BUDGET SCENARIOS
(Percent of GDP)

Baseline	8.0
Health:	
Excess cost growth averages 1 percent	4.5
Excess cost growth averages 1/2 percent	2.8
Discretionary Outlays:	
Grow with inflation plus population	6.2
Defense grows with inflation; nondefense grows with inflation plus population	5.9
Revenues:	
Revenues exceed baseline by 2 percent of GDP	6.4
Revenues fall short of baseline by 2 percent of GDP	9.6
Productivity:	
Productivity grows by 0.5 percent per year faster than the baseline	6.6
Productivity grows by 0.5 percent per year slower than the baseline	9.6
Population:	
Fertility:	
2.3 births per woman	7.1
1.7 births per woman	8.8
Immigration:	
1.3 million immigrants per year	7.5
0.7 million immigrants per year	8.4
Mortality:	
Female life expectancy 82.7 years; male life expectancy 79.1 years in 2085	7.2
Female life expectancy 89.9 years; male life expectancy 87.2 years in 2085	8.8

Table 5–3. INTERMEDIATE ACTUARIAL PROJECTIONS FOR OASDI AND HI

	2010	2020	2030	2050	2085
	(Percent of Payroll)				
Medicare Hospital Insurance (HI)					
Income Rate	3.2	3.3	3.4	3.4	3.5
Cost Rate	3.6	4.4	6.0	8.7	12.2
Annual Balance	–0.4	–1.1	–2.6	–5.3	–8.7
Projection Interval:			25 years	50 years	75 years
Actuarial Deficiency 2008 - 2083			–1.4	–2.8	–3.9
	(Percent of Payroll)				
Old Age Survivors and Disability Insurance (OASDI)					
Income Rate	12.9	13.0	13.2	13.3	13.4
Cost Rate	12.5	14.5	16.8	16.6	17.8
Annual Balance	0.4	–1.5	–3.6	–3.4	–4.4
Projection Interval:			25 years	50 years	75 years
Actuarial Balance			–0.2	–1.5	–2.0

Actuarial Projections for Social Security and Medicare

The Trustees for the Hospital Insurance and Social Security trust funds issue annual reports that include projections of income and outgo for these funds over a 75-year period. These projections are based on different methods and assumptions than the long-run budget projections presented above. Even with these differences, the message is similar: the growth in per capita health care costs and the retirement of the baby-boom generation will exhaust the trust funds unless further remedial action is taken.

The Trustees' reports feature the actuarial balance of the trust funds as a summary measure of their financial status. For each trust fund, the balance is calculated as the change in receipts or program benefits (expressed as a percentage of taxable payroll) that would be needed to preserve a small positive balance in the trust fund at the end of a specified time period. The estimates cover periods ranging in length from 10 to 75 years. These balance calculations show what it would take to achieve a positive trust fund balance at the end of a specified period of time, not what it would take to maintain a positive balance indefinitely. To maintain a positive balance forever requires a larger adjustment than is needed to maintain a positive balance over 75 years when the annual balance in the program is negative at the end of the 75-year projection period as it is expected to be for Social Security and Medicare without future programmatic reforms.

Table 5–3 shows the projected income rate, cost rate, and annual balance for the Medicare Part A and OASDI Trust Funds at selected dates under the Trustees' intermediate assumptions.

For the Medicare HI trust fund, costs as a percentage of Medicare covered payroll are projected to rise from 3.6 percent today to 6.0 percent of projected payroll in 2030 and 12.2 percent of payroll in 2085. Income excluding interest rises only slightly from 3.2 percent of payroll today to 3.5 percent of payroll in 2085. Thus the annual balance moves from a relatively small 0.4 percent of payroll deficit today to 2.6 percent deficit in 2030 and 8.7 percent in 2085. On a 75-year basis, the HI actuarial deficit is 3.9 percent of payroll, roughly twice that of Social Security.

As a result of reforms legislated in 1983, Social Security is currently running a small surplus with income exceeding costs. Over time, as the ratio of workers to retirees falls, costs are projected to rise from 12.5 percent of Social Security covered payroll today to 14.5 percent of payroll in 2020, 16.8 percent of payroll in 2030 and 17.8 percent of payroll in 2085. Revenues excluding interest are projected to rise only slightly from 12.9 percent of payroll today to 13.4 percent in 2085. Thus the annual balance is projected to switch from surplus to deficit, with the deficit rising to 1.5 percent of payroll in 2020, 3.6 percent of payroll in 2030, and 4.4 percent of payroll in 2085. On a 75-year basis, the actuarial deficit is projected to be 2.0 percent of payroll.

TECHNICAL NOTE: SOURCES OF DATA AND METHODS OF ESTIMATING

The long-range budget projections are based on demographic and economic assumptions. A simplified model of the Federal budget, developed at OMB, is used to compute the budgetary implications of these assumptions.

Demographic and Economic Assumptions.—For the years 2010–2020, the assumptions are drawn from the Administration's economic projections used for the 2011 Budget. These budget assumptions reflect the President's policy proposals. The economic assumptions are extended beyond this interval by holding inflation, interest rates, and the unemployment rate constant at the levels assumed in the final year of the budget forecast.

Population growth and labor force growth are extended using the intermediate assumptions from the 2009 Social Security Trustees' report. The projected rate of growth for real GDP is built up from the labor force assumptions and an assumed rate of productivity growth. Productivity growth, measured as real GDP per hour, is assumed to equal its average rate of growth over the next 10 years in the Budget's economic assumptions.

CPI inflation holds stable at 2.1 percent per year; the unemployment rate is constant at 5.2 percent; and the yield on 10-year Treasury notes is steady at 5.3 percent.

Real GDP per hour, grows at the same average rate as in the Administration's 10-year projections—2.0 percent per year.

Consistent with the demographic assumptions in the Trustees' reports, U.S. population growth slows from around 1 percent per year to about two-thirds that rate by 2030, and slower rates of growth beyond that point. By the end of the projection period it is as low as 0.4 percent per year.

Real GDP growth is less than its historical average of around 3.2 percent per year because the slowdown in population growth and the increase in the population over age 65 reduce labor supply growth. In these projections, average real GDP growth declines to around 2.5 percent per year.

The economic and demographic projections described above are set by assumption and do not automatically change in response to changes in the budget outlook. This is unrealistic, but it simplifies comparisons of alternative policies.

Budget Projections: For the period through 2020, receipts follow the 2011 Budget's policy projections. After 2020, income tax receipts are assumed to rise relative to wages and salaries as real income growth pushes more people into higher tax brackets. However, this tendency is largely offset by the projected rise in nontaxed fringe benefits, mainly because health insurance costs are rising faster than wages. Other taxes generally hold close to the averages reached by 2020 in the Budget projections. Discretionary spending follows the policies in the Budget over the next 10 years and grows at the rate of growth in nominal GDP afterwards. Other spending also aligns with the Budget through the budget horizon. Long-run Social Security spending is projected by the Social Security actuaries using this chapter's long-range assumptions. Medicare benefits are projected based on a projection of excess health care cost growth of 2 percent per year, the assumptions for the growth in the beneficiary population from the 2009 Medicare Trustees' report, and the general inflation assumptions described above. Medicaid outlays are based on the economic and demographic projections in the model. Other entitlement programs are projected based on rules of thumb linking program spending to elements of the economic and demographic projections such as the poverty rate.

6. FEDERAL BORROWING AND DEBT

Debt is the largest legally binding obligation of the Federal Government. At the end of 2009, the Government owed $7,545 billion of principal to the individuals and institutions who had loaned it the money to fund past deficits. During that year, the Government paid the public approximately $202 billion of interest on this debt. In addition to the Government's debt obligation, at the end of 2009, the Government held financial assets, net of other liabilities, of $898 billion. Therefore, the Government's debt net of financial assets was $6,647 billion, or 46.7 percent of GDP.

The deficit was $1,413 billion in 2009. This $1,413 billion deficit and other financing transactions totaling $329 billion required the Government to increase its borrowing from the public by $1,742 billion last year. Meanwhile, as-

Table 6–1. TRENDS IN FEDERAL DEBT HELD BY THE PUBLIC

(Dollar amounts in billions)

Fiscal Year	Debt held by the public:		Debt held by the public as a percent of:		Interest on the debt held by the public as a percent of:[3]	
	Current dollars	FY 2009 dollars[1]	GDP	Credit market debt[2]	Total outlays	GDP
1946	241.9	2,261.5	108.7	N/A	7.4	1.8
1950	219.0	1,666.3	80.2	53.3	11.4	1.8
1955	226.6	1,514.9	57.2	43.2	7.6	1.3
1960	236.8	1,405.6	45.6	33.7	8.5	1.5
1965	260.8	1,447.3	37.9	26.9	8.1	1.4
1970	283.2	1,306.9	28.0	20.8	7.9	1.5
1975	394.7	1,340.3	25.3	18.4	7.5	1.6
1980	711.9	1,671.9	26.1	18.5	10.6	2.3
1985	1,507.3	2,698.3	36.4	22.3	16.2	3.7
1990	2,411.6	3,697.3	42.1	22.6	16.2	3.5
1995	3,604.4	4,868.5	49.1	26.7	15.8	3.3
2000	3,409.8	4,240.1	34.7	19.1	13.0	2.4
2001	3,319.6	4,032.7	32.5	17.5	11.6	2.1
2002	3,540.4	4,231.3	33.6	17.5	8.9	1.7
2003	3,913.4	4,581.6	35.6	17.8	7.5	1.5
2004	4,295.5	4,903.1	36.8	18.0	7.3	1.4
2005	4,592.2	5,076.1	36.9	17.6	7.7	1.5
2006	4,829.0	5,161.2	36.5	16.9	8.9	1.8
2007	5,035.1	5,229.5	36.2	16.2	9.2	1.8
2008	5,803.1	5,890.4	40.2	17.6	8.7	1.8
2009	7,544.7	7,544.7	53.0	21.9	5.7	1.4
2010 estimate	9,297.7	9,215.1	63.6	N/A	6.3	1.6
2011 estimate	10,498.3	10,291.4	68.6	N/A	8.0	2.0
2012 estimate	11,472.1	11,073.1	70.8	N/A	10.9	2.5
2013 estimate	12,325.7	11,697.4	71.7	N/A	13.0	3.0
2014 estimate	13,139.3	12,260.2	72.2	N/A	14.2	3.2
2015 estimate	13,988.4	12,833.6	72.9	N/A	14.9	3.4

N/A = Not available.

[1] Debt in current dollars deflated by the GDP chain-type price index with fiscal year 2009 equal to 100.

[2] Total credit market debt owed by domestic nonfinancial sectors, modified in some years to be consistent with budget concepts for the measurement of Federal debt. Financial sectors are omitted to avoid double counting, since financial intermediaries borrow in the credit market primarily in order to finance lending in the credit market. Source: Federal Reserve Board flow of funds accounts. Projections are not available.

[3] Interest on debt held by the public is estimated as the interest on Treasury debt securities less the "interest received by trust funds" (subfunction 901 less subfunctions 902 and 903). The estimate of interest on debt held by the public does not include the comparatively small amount of interest paid on agency debt or the offsets for interest on Treasury debt received by other Government accounts (revolving funds and special funds).

sets net of liabilities rose by $382 billion in 2009. Debt held by the public net of financial assets increased from 36.6 percent of Gross Domestic Product (GDP) at the end of 2008 to 46.7 percent of GDP at the end of 2009. The deficit is estimated to increase to $1,556 billion in 2010, largely as a result of the Government's continued actions to restore economic growth, and then begin to fall. Declining deficits are estimated to significantly reduce growth in debt as a percentage of GDP; debt net of financial assets is projected to reach 61.6 percent of GDP at the end of 2011 and then to grow much more gradually in subsequent years.

Trends in Debt Since World War II

Table 6–1 depicts trends in Federal debt held by the public from World War II to the present and estimates from the present through 2015. (It is supplemented for earlier years by Tables 7.1–7.3 in *Historical Tables*, which is published as a separate volume of the Budget.) Federal debt peaked at 108.7 percent of GDP in 1946, just after the end of the war. From then until the 1970s, Federal debt as a percentage of GDP decreased almost every year because of relatively small deficits, an expanding economy, and inflation. With households borrowing large amounts to buy homes and consumer durables, and with businesses borrowing large amounts to buy plant and equipment, Federal debt also decreased almost every year as a percentage of total credit market debt outstanding. The cumulative effect was impressive. From 1950 to 1975, debt held by the public declined from 80.2 percent of GDP to 25.3 percent, and from 53.3 percent of credit market debt to 18.4 percent. Despite rising interest rates, interest outlays became a smaller share of the budget and were roughly stable as a percentage of GDP.

Federal debt relative to GDP is a function of the Nation's fiscal policy as well as overall economic conditions. During the 1970s, large budget deficits emerged as spending grew and as the economy was disrupted by oil shocks and rising inflation. The nominal amount of Federal debt more than doubled, and Federal debt relative to GDP and credit market debt stopped declining after the middle of the decade. The growth of Federal debt accelerated at the beginning of the 1980s, due in large part to a deep recession, and the ratio of Federal debt to GDP grew sharply. It continued to grow throughout the 1980s as large tax cuts, enacted in 1981, and substantial increases in defense spending were only partially offset by reductions in domestic spending. The resulting deficits increased the debt to almost 50 percent of GDP by 1993. The ratio of Federal debt to credit market debt also rose, though to a lesser extent. Interest outlays on debt held by the public, calculated as a percentage of either total Federal outlays or GDP, increased as well.

The growth of Federal debt held by the public was slowing by the mid-1990s, however, as a growing economy and two major budget agreements enacting spending cuts and revenue increases reduced deficits significantly. The debt declined markedly relative to both GDP and total credit market debt, from 1997 to 2001, as surpluses emerged. Debt fell from 49.3 percent of the GDP in 1993 to 32.5 percent in 2001. Interest as a share of outlays peaked at 16.5 percent in 1989 and then fell to 8.9 percent by 2002; interest as a percentage of GDP fell by a similar proportion.

The impressive progress in reducing the debt burden stopped and then reversed course beginning in 2002. A decline in the stock market, a recession, and the initially slow recovery from that recession all reduced tax receipts. The tax cuts of 2001 and 2003 had a similarly large and longer-lasting effect, as did the growing costs of the wars in Iraq and Afghanistan. Deficits ensued and debt began to rise, both in nominal terms and as a percentage of GDP. There was a small temporary improvement in 2006 and 2007 as economic growth led to a revival of receipt growth.

As a result of the most recent recession, which began in December 2007, and the massive financial and economic challenges it imposed on the Nation, the deficit began increasing rapidly in 2008. The deficit increased more substantially in 2009 as the Government continued to take aggressive steps to restore the health of the Nation's economy and financial markets. This Budget begins the difficult work of restoring fiscal discipline and returning the country to a more sustainable fiscal path. Deficits are projected to continue at an unusually high level in 2010 but then recede thereafter as the improving economy begins to translate into lower outlays and higher receipts. Debt net of financial assets as a percent of GDP is estimated to grow to 55.8 percent at the end of 2010 and 61.6 percent at the end of 2011 and then to grow much more slowly in subsequent years.

Debt Held by the Public and Gross Federal Debt

The Federal Government issues debt securities for two principal purposes. First, it borrows from the public to finance the Federal deficit.[1] Second, it issues debt to Federal Government accounts, primarily trust funds, which accumulate surpluses. By law, trust fund surpluses must generally be invested in Federal securities. The gross Federal debt is defined to consist of both the debt held by the public and the debt held by Government accounts. Nearly all the Federal debt has been issued by the Treasury and is sometimes called "public debt," but a small portion has been issued by other Government agencies and is called "agency debt."[2]

Borrowing from the public, whether by the Treasury or by some other Federal agency, is important because it represents the Federal demand on credit markets. Regardless of whether the proceeds are used for tangible or intangible investments or to finance current consumption, the Federal demand on credit markets has to be financed out of the

[1] For the purposes of the Budget, "debt held by the public" is defined as debt held by investors outside of the Federal Government, both domestic and foreign, including U.S. State and local governments and foreign governments. It also includes debt held by the Federal Reserve.

[2] The term "agency debt" is defined more narrowly in the budget than customarily in the securities market, where it includes not only the debt of the Federal agencies listed in Table 6–4, but also the debt of the Government-Sponsored Enterprises listed in Table 22–9 at the end of Chapter 22 of this volume and certain Government-guaranteed securities.

saving of households and businesses, the State and local sector, or the rest of the world. Federal borrowing thereby competes with the borrowing of other sectors of the economy for financial resources in the credit market. Borrowing from the public thus affects the size and composition of assets held by the private sector and the amount of saving imported from abroad. It also increases the amount of future resources required to pay interest to the public on Federal debt. Borrowing from the public is therefore an important concern of Federal fiscal policy.[3] Borrowing from the public, however, is an incomplete measure of the Federal impact on credit markets. Different types of Federal activities can affect the credit markets in different ways. For example, with the Federal Government's recent extraordinary efforts to stabilize credit markets, the Government has used the borrowed funds to acquire financial assets that would otherwise have required financing in the credit markets directly. (For more information on other ways in which Federal activities impact the credit market, see the discussion at the end of this chapter.)

Issuing debt securities to Government accounts performs an essential function in accounting for the operation of these funds. The balances of debt represent the cumulative surpluses of these funds due to the excess of their tax receipts, interest receipts, and other collections over their spending. The interest on the debt that is credited to these funds accounts for the fact that some earmarked taxes and user charges will be spent at a later time than when the funds receive the monies. The debt securities are assets of those funds but are a liability of the general fund to the fund that holds the securities, and are a mechanism for crediting interest to that fund on its recorded balances. These balances generally provide the fund with authority to draw upon the U.S. Treasury in later years to make future payments on its behalf to the public. Public policy may result in the Government's running surpluses and accumulating debt in trust funds and other Government accounts in anticipation of future spending.

However, issuing debt to Government accounts does not have any of the credit market effects of borrowing from the public. It is an internal transaction of the Government, made between two accounts that are both within the Government itself. Issuing debt to a Government account is not a current transaction of the Government with the public; it is not financed by private saving and does not compete with the private sector for available funds in the credit market. While such issuance provides the account with assets—a binding claim against the Treasury—those assets are fully offset by the increased liability of the Treasury to pay the claims, which will ultimately be covered by taxation or borrowing. Similarly, the current interest earned by the Government account on its Treasury securities does not need to be financed by other resources.

Furthermore, the debt held by Government accounts does not represent the estimated amount of the account's obligations or responsibilities to make future payments to the public. For example, if the account records the transactions of a social insurance program, the debt that it holds does not necessarily represent the actuarial present value of estimated future benefits (or future benefits less taxes) for the current participants in the program; nor does it necessarily represent the actuarial present value of estimated future benefits (or future benefits less taxes) for the current participants plus the estimated future participants over some stated time period. The future transactions of Federal social insurance and employee retirement programs, which own 93 percent of the debt held by Government accounts, are important in their own right and need to be analyzed separately. This can be done through information published in the actuarial and financial reports for these programs.[4]

This Budget uses a variety of information sources to analyze the condition of Social Security and Medicare, the Government's two largest social insurance programs. Chapter 5 of this volume, "Long-Term Budget Outlook," projects Social Security and Medicare outlays to the year 2085 relative to GDP. The excess of future Social Security and Medicare benefits relative to their dedicated income is very different in concept and much larger in size than the amount of Treasury securities that these programs hold.

For all these reasons, debt held by the public and debt net of financial assets are both better gauges of the effect of the budget on the credit markets than gross Federal debt.

Government Deficits or Surpluses and the Change in Debt

Table 6–2 summarizes Federal borrowing and debt from 2009 through 2020. In 2009 the Government borrowed $1,742 billion, increasing the debt held by the public from $5,803 billion at the end of 2008 to $7,545 billion at the end of 2009. The debt held by Government accounts increased $148 billion, and gross Federal debt increased by $1,890 billion to $11,876 billion.

Debt held by the public.—The Federal Government primarily finances deficits by borrowing from the public, and it primarily uses surpluses to repay debt held by the public.[5] Table 6–2 shows the relationship between the

[3] The Federal subsector of the national income and product accounts provides a measure of "net government saving" (based on current expenditures and current receipts) that can be used to analyze the effect of Federal fiscal policy on national saving within the framework of an integrated set of measures of aggregate U.S. economic activity. The Federal subsector and its differences from the budget are discussed in Chapter 28 of this volume, "National Income and Product Accounts."

[4] Extensive actuarial analyses of the Social Security and Medicare programs are published in the annual reports of the boards of trustees of these funds. The actuarial estimates for Social Security, Medicare, and the major Federal employee retirement programs are summarized in the *Financial Report of the United States Government*, prepared annually by the Treasury Department in coordination with the Office of Management and Budget.

[5] Treasury debt held by the public is measured as the sales price plus the amortized discount (or less the amortized premium). At the time of sale, the book value equals the sales price. Subsequently, it equals the sales price plus the amount of the discount that has been amortized up to that time. In equivalent terms, the book value of the debt equals the principal amount due at maturity (par or face value) less the unamortized discount. (For a security sold at a premium, the definition is symmetrical.) For inflation-indexed notes and bonds, the book value includes a periodic adjustment for inflation. Agency debt is generally recorded at par.

Table 6–2. FEDERAL GOVERNMENT FINANCING AND DEBT

(In billions of dollars)

	Actual 2009	Estimate 2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Financing:												
Unified budget deficit	1,412.7	1,555.6	1,266.7	828.5	727.3	705.8	751.9	777.7	778.0	785.1	908.4	1,002.9
Other transactions affecting borrowing from the public:												
Changes in financial assets and liabilities:[1]												
Change in Treasury operating cash balance[2]	–96.3	–5.3	–200.0	....	....	....	....	....	....	....	....	....
Net disbursements of credit financing accounts:												
Direct loan accounts	293.5	210.4	142.6	135.1	117.9	108.5	99.2	70.4	84.9	78.8	90.8	91.3
Guaranteed loan accounts	7.5	–6.8	8.1	11.8	11.8	6.0	4.2	3.2	1.2	–2.2	–4.0	–5.6
Troubled Asset Relief Program equity purchase accounts	105.4	0.6	–15.2	–*	–1.9	–4.9	–4.5	–4.8	–9.2	–10.7	–25.9	–15.8
Subtotal, net disbursements	406.4	204.1	135.5	147.0	127.9	109.6	98.9	68.9	76.8	65.9	60.9	69.8
Net purchases of non-Federal securities by the National Railroad Retirement Investment Trust	–2.9	–1.3	–1.0	–0.9	–1.0	–1.0	–1.0	–1.4	–1.1	–1.3	–1.3	–1.2
Net change in other financial assets and liabilities[3]	22.2	....	....	....	....	....	....	....	....	....	....	....
Subtotal, changes in financial assets and liabilities	329.4	197.6	–65.5	146.1	126.9	108.6	97.9	67.4	75.7	64.6	59.6	68.7
Seigniorage on coins	–0.4	–0.2	–0.5	–0.8	–0.7	–0.7	–0.7	–0.7	–0.7	–0.7	–0.7	–0.7
Total, other transactions affecting borrowing from the public	329.0	197.4	–66.0	145.3	126.2	107.9	97.2	66.7	75.0	63.9	59.0	68.0
Total, requirement to borrow from the public (equals change in debt held by the public)	1,741.7	1,752.9	1,200.7	973.8	853.5	813.7	849.0	844.5	853.0	849.0	967.4	1,070.9
Changes in Debt Subject to Statutory Limitation:												
Change in debt held by the public	1,741.7	1,752.9	1,200.7	973.8	853.5	813.7	849.0	844.5	853.0	849.0	967.4	1,070.9
Change in debt held by Government accounts	148.1	157.8	156.7	217.8	264.3	265.1	302.0	309.2	321.3	337.2	285.3	256.4
Less: change in debt not subject to limit and other adjustments	3.5	–1.7	–0.5	1.3	1.3	0.6	0.9	1.2	1.2	1.0	0.7	–0.5
Total, change in debt subject to statutory limitation	1,893.3	1,909.1	1,356.9	1,192.9	1,119.1	1,079.4	1,151.8	1,154.9	1,175.6	1,187.2	1,253.4	1,326.8
Debt Subject to Statutory Limitation, End of Year:												
Debt issued by Treasury	11,850.3	13,760.1	15,116.8	16,308.4	17,426.3	18,504.5	19,655.6	20,809.4	21,984.4	23,171.3	24,424.2	25,751.2
Less: Treasury debt not subject to limitation (–)[4]	–12.9	–13.6	–13.4	–12.1	–10.9	–9.7	–8.9	–7.9	–7.3	–7.0	–6.5	–6.8
Agency debt subject to limitation	*	*	*	*	*	*	*	*	*	*	*	*
Adjustment for discount and premium[5]	15.7	15.7	15.7	15.7	15.7	15.7	15.7	15.7	15.7	15.7	15.7	15.7
Total, debt subject to statutory limitation[6]	11,853.1	13,762.2	15,119.1	16,312.0	17,431.1	18,510.5	19,662.4	20,817.2	21,992.8	23,180.0	24,433.4	25,760.1
Debt Outstanding, End of Year:												
Gross Federal debt:[7]												
Debt issued by Treasury	11,850.3	13,760.1	15,116.8	16,308.4	17,426.3	18,504.5	19,655.6	20,809.4	21,984.4	23,171.3	24,424.2	25,751.2
Debt issued by other agencies	25.5	26.5	27.3	27.2	27.2	27.8	27.7	27.6	26.9	26.2	26.0	26.2
Total, gross Federal debt	11,875.9	13,786.6	15,144.0	16,335.7	17,453.5	18,532.3	19,683.3	20,836.9	22,011.3	23,197.5	24,450.1	25,777.4
Held by:												
Debt held by Government accounts	4,331.1	4,489.0	4,645.7	4,863.6	5,127.8	5,393.0	5,694.9	6,004.1	6,325.5	6,662.7	6,948.0	7,204.3
Debt held by the public[8]	7,544.7	9,297.7	10,498.3	11,472.1	12,325.7	13,139.3	13,988.4	14,832.8	15,685.8	16,534.8	17,502.2	18,573.1

*$50 million or less.

[1] A decrease in the Treasury operating cash balance (which is an asset) is a means of financing a deficit and therefore has a negative sign. An increase in checks outstanding (which is a liability) is also a means of financing a deficit and therefore also has a negative sign.

[2] Includes assumed Supplementary Financing Program balance of $200 billion on September 30, 2010, and zero on September 30, 2011, and beyond.

[3] Besides checks outstanding, includes accrued interest payable on Treasury debt, uninvested deposit fund balances, allocations of special drawing rights, and other liability accounts; and, as an offset, cash and monetary assets (other than the Treasury operating cash balance), other asset accounts, and profit on sale of gold.

[4] Consists primarily of debt issued by or held by the Federal Financing Bank.

[5] Consists mainly of unamortized discount (less premium) on public issues of Treasury notes and bonds (other than zero-coupon bonds) and unrealized discount on Government account series securities.

[6] The statutory debt limit is $12,394 billion, as enacted on December 28, 2009.

[7] Treasury securities held by the public and zero-coupon bonds held by Government accounts are almost all measured at sales price plus amortized discount or less amortized premium. Agency debt securities are almost all measured at face value. Treasury securities in the Government account series are otherwise measured at face value less unrealized discount (if any).

[8] At the end of 2009, the Federal Reserve Banks held $769.2 billion of Federal securities and the rest of the public held $6,775.5 billion. Debt held by the Federal Reserve Banks is not estimated for future years.

Federal deficit or surplus and the change in debt held by the public. The borrowing or debt repayment depends on the Federal Government's expenditure programs and tax laws, on the economic conditions that influence tax receipts and outlays, and on debt management policy. The sensitivity of the budget to economic conditions is analyzed in Chapter 3 of this volume, "Interactions Between the Economy and the Budget."

The total or unified budget surplus consists of two parts: the on-budget surplus or deficit; and the surplus of the off-budget Federal entities, which have been excluded from the budget by law. Under present law, the off-budget Federal entities are the Social Security trust funds (Old-Age and Survivors Insurance and Disability Insurance) and the Postal Service fund. [6] The on-budget and off-budget surpluses or deficits are added together to determine the Government's financing needs.

Over the long run, it is a good approximation to say that "the deficit is financed by borrowing from the public" or "the surplus is used to repay debt held by the public." However, the Government's need to borrow in any given year has always depended on several other factors besides the unified budget surplus or deficit, such as the change in the Treasury operating cash balance. These other factors—"other transactions affecting borrowing from the public"—can either increase or decrease the Government's need to borrow and can vary considerably in size from year to year. As a result of the Government's recent extraordinary efforts to stabilize the Nation's credit markets, these other factors have significantly increased borrowing from the public. The other transactions affecting borrowing from the public are presented in Table 6–2 (an increase in the need to borrow is represented by a positive sign, like the deficit).

In 2009 the deficit was $1,413 billion while these other factors—primarily the net disbursements of credit financing accounts—increased the need to borrow by $329 billion. As a result, the Government borrowed $1,742 billion from the public. The other factors are estimated to increase borrowing by $197 billion in 2010 and reduce borrowing by $66 billion in 2011. In 2012–2020, these other factors are expected to increase borrowing by annual amounts ranging from $59 billion to $145 billion.

Prior to 2008, the effect of these other transactions had been much smaller. In the 20 years between 1988 and 2007, the cumulative deficit was $2,956 billion, the increase in debt held by the public was $3,145 billion, and other factors added a total of $190 billion of borrowing, 6 percent of total borrowing over this period. By contrast, the other factors resulted in more than 40 percent of the total increase in borrowing from the public for 2008 and nearly 20 percent of the increase for 2009.

Three specific factors presented in Table 6–2 are especially important.

Change in Treasury operating cash balance.—The cash balance increased by a record $296 billion in 2008, primarily as a result of Treasury's creation of the Supplementary Financing Program (SFP). Under this temporary program, Treasury issues short-term debt and deposits the cash proceeds with the Federal Reserve for use by the Federal Reserve in its actions to stabilize the financial markets. In 2009, the cash balance decreased by $96 billion, due to a $135 billion reduction in the SFP balance offset by a $38 billion increase in the non-SFP cash balance. In the preceding 10 years, changes in the cash balance had been much smaller, ranging from a decrease of $26 billion in 2003 to an increase of $23 billion in 2007. The operating cash balance is projected to decrease by $5 billion in 2010, to $270 billion, including an assumed SFP balance of $200 billion and a non-SFP balance of $70 billion. In 2011, the operating cash balance is projected to decrease by $200 billion due to an assumed end-of-year SFP balance of zero. Changes in the operating cash balance, while occasionally large, are inherently limited over time. Decreases in cash—a means of financing the Government—are limited by the amount of past accumulations, which themselves required financing when they were built up. Increases are limited because it is generally more efficient to repay debt.

Net financing disbursements of the direct loan and guaranteed loan financing accounts.—Under the Federal Credit Reform Act of 1990 (FCRA), budget outlays for direct loans and loan guarantees consist of the estimated subsidy cost of the loans or guarantees at the time when the direct loans are disbursed or the guaranteed loans are made. The cash flows to and from the public resulting from these loans and guarantees—the disbursement and repayment of loans, the default payments on loan guarantees, the collections of interest and fees, and so forth—are not costs (or offsets to costs) to the Government except for their subsidy costs (the present value of the estimated net losses), which are already included in budget outlays. Therefore, they are non-budgetary in nature and are recorded as transactions of the non-budgetary financing account for each credit program. [7]

The financing accounts also include several types of intragovernmental transactions. In particular, they receive payment from the credit program accounts for the costs of new direct loans and loan guarantees; they also receive payment for any upward reestimate of the costs of direct loans and loan guarantees outstanding. These collections are offset against the gross disbursements of the financing accounts in determining the accounts' total net cash flows. The gross disbursements include outflows to the public—such as of loan funds or default payments—as well as the payment of any downward reestimate of costs to budgetary receipt accounts. The total net cash flows of the financing accounts, consisting of transactions with both the public and the budgetary accounts, are called "net financing disbursements." They occur in the same way as the "outlays" of a budgetary account, even though they do not represent budgetary costs, and therefore af-

[6] For further explanation of the off-budget Federal entities, see Chapter 12 of this volume, "Coverage of the Budget."

[7] The Federal Credit Reform Act of 1990 (sec. 505(b)) requires that the financing accounts be non-budgetary. As explained in Chapter 12 of this volume, "Coverage of the Budget," they are non-budgetary in concept because they do not measure cost. For additional discussion of credit programs, see Chapter 22 of this volume, "Credit and Insurance," and Chapter 11, "Budget Concepts."

fect the requirement for borrowing from the public in the same way as the deficit.

The intragovernmental transactions of the financing accounts do not affect Federal borrowing from the public. Although the deficit changes because of the budget's outlay to, or receipt from, a financing account, the net financing disbursement changes in an equal amount with the opposite sign, so the effects are cancelled out. On the other hand, financing account disbursements to the public increase the requirement for borrowing from the public in the same way as an increase in budget outlays that are disbursed to the public in cash. Likewise, financing account receipts from the public can be used to finance the payment of the Government's obligations, and therefore they reduce the requirement for Federal borrowing from the public in the same way as an increase in budget receipts.

In some years, large net upward or downward reestimates in the cost of outstanding direct and guaranteed loans may cause large swings in the net financing disbursements. In 2009, the downward reestimates in some accounts largely cancelled out the upward reestimates in other accounts, for a net upward reestimate of $0.4 billion. In 2010, due primarily to the Troubled Asset Relief Program (TARP), downward reestimates are significantly larger than upward reestimates, resulting in a net downward reestimate of $115 billion.

The impact of the net financing disbursements on borrowing grew significantly in 2009, largely as a result of Government actions to address the Nation's financial and economic challenges including through TARP, purchases of mortgage-backed securities issued or guaranteed by the Government-Sponsored Enterprises (GSEs), and the Temporary Student Loan Purchase Program. Net financing disbursements increased from $33 billion in 2008 to a record $406 billion in 2009. Borrowing due to financing accounts is estimated to fall by nearly half, to $204 billion in 2010, primarily due to large repayments of TARP assistance. After 2010, the credit financing accounts are expected to increase borrowing by amounts ranging from $61 billion to $147 billion over the next 10 years.

Net purchases of non-Federal securities by the National Railroad Retirement Investment Trust (NRRIT).—This trust fund was established by the Railroad Retirement and Survivors' Improvement Act of 2001. In 2003, most of the assets in the Railroad Retirement Board trust funds were transferred to the NRRIT trust fund, which invests its assets primarily in private stocks and bonds. The Act required special treatment of the purchase or sale of non-Federal assets by this trust fund, treating such purchases as a means of financing rather than an outlay. Therefore, the increased need to borrow from the public to finance the purchase of non-Federal assets is part of the "other transactions affecting borrowing from the public" rather than included as an increase in the deficit. While net purchases and redemptions affect borrowing from the public, unrealized gains and losses on NRRIT's portfolio are included in both the other factors and, with the opposite sign, in NRRIT's net outlays in the deficit, for no net impact on borrowing from the public. The increased borrowing associated with the initial transfer expanded publicly held debt by $20 billion in 2003. Net transactions in subsequent years have been much smaller. In 2009, net reductions, including losses, were $3 billion. Net reductions are expected to be roughly $1 billion annually for 2010 through 2020. [8]

Debt held by Government accounts.—The amount of Federal debt issued to Government accounts depends largely on the surpluses of the trust funds, both on-budget and off-budget, which owned 93 percent of the total Federal debt held by Government accounts at the end of 2009. In 2009, the total trust fund surplus was $127 billion, and trust funds invested $131 billion in Federal securities. Investment may differ somewhat from the surplus due to changes in the amount of cash assets not currently invested. The remainder of debt issued to Government accounts is owned by a number of special funds and revolving funds. The debt held in major accounts and the annual investments are shown in Table 6–5.

Debt Held by the Public Net of Financial Assets and Liabilities

While debt held by the public is a key measure for examining the role and impact of the Federal Government in the U.S. and international credit markets and for other purposes, it provides incomplete information on the Government's financial condition. The U.S. Government holds significant financial assets, which must be offset against debt held by the public and other financial liabilities to achieve a more complete understanding of the Government's financial condition. The acquisition of those financial assets represents a transaction with the credit markets, broadening those markets in a way that is analogous to the demand on credit markets that borrowing entails. For this reason, debt held by the public is also an incomplete measure of the impact of the Federal Government in the U.S. and international credit markets.

One transaction that can increase both borrowing and assets is an increase to the Treasury operating cash balance. For example, in 2008, under the Supplementary Financing Program (discussed above), the Government borrowed nearly $300 billion to increase the Treasury operating cash balance held with the Federal Reserve; the cash balance created by the program represents an asset that is available to the Federal Government. Looking at both sides of this transaction—the borrowing to obtain the cash and the asset of the cash holdings—provides much more complete information about the Government's financial condition than looking at only the borrowing from the public. Another example of a transaction that simultaneously increases borrowing from the public and Federal assets is Government borrowing to issue direct loans to the public. When the direct loan is made, the Government is also acquiring an asset in the form of future payments of principal and interest, net of the Government's expected losses on the loans. Similarly, when the National Railroad Retirement Investment Trust increases its holdings of non-Federal securities, the borrowing to purchase those securities is offset by the value of the asset holdings.

[8] The budget treatment of this fund is further discussed in Chapter 11 of this volume, "Budget Concepts."

The acquisition or disposition of Federal financial assets very largely explains the difference between the deficit for a particular year and that year's increase in debt held by the public. Debt net of financial assets is a measure that is conceptually closer to the measurement of Federal deficits or surpluses; cumulative deficits and surpluses over time more closely equal the debt net of financial assets than they do the debt held by the public.

The magnitude and the significance of the Government's financial assets has increased greatly since the later part of 2008, as a result of Government actions, such as implementation of TARP, to address the challenges facing the Nation's financial markets and economy.[9]

Table 6–3 presents debt held by the public net of the Government's financial assets and liabilities, or "net debt." Treasury debt is presented in the Budget at book value, with no adjustments for the change in economic value that results from fluctuations in interest rates. The balances of credit financing accounts are based on projections of future cash flows. For direct loan financing accounts, the balance generally represents the net present value of anticipated future inflows such as principal and interest payments from borrowers. For guaranteed loan financing accounts, the balance generally represents the net present value of anticipated future outflows, such as default claim payments net of recoveries. NRRIT's holdings of non-Federal securities are marked to market on a monthly basis. GSE preferred stock is measured at market value.

At the end of 2009, debt held by the public was $7,545 billion, or 53.0 percent of GDP. The Government held $898 billion in net financial assets, including a cash balance of $275 billion, net credit financing account balances of $560 billion,[10] and other assets and liabilities that aggregated to a net asset of $63 billion. Therefore, debt net of financial assets was $6,647 billion, or 46.7 percent of GDP. As shown in Table 6–3, the value of the Government's net financial assets is projected to increase to $1,133 billion in 2010, due largely to increases in the net balances of credit financing accounts. While debt held by the public is expected to increase from 53.0 percent to 63.6 percent during 2010, net debt is expected to increase from 46.7 percent to 55.8 percent.

Debt securities and other financial assets and liabilities do not encompass all the assets and liabilities of the Federal Government. For example, accounts payable occur in the normal course of buying goods and services; Social Security benefits are due and payable as of the end of the month but, according to statute, are paid during the next month; and Federal employee salaries are paid after they have been earned. Like debt securities sold in the credit market, these liabilities have their own distinctive effects on the economy. The Federal Government also has significant holdings of non-financial assets, such as land, mineral deposits, buildings, and equipment. A unique and important asset is the Government's sovereign power to tax. Federal assets and liabilities are analyzed within the broader conceptual framework of Federal resources and responsibilities in the "Budget and Financial Reporting" chapter of this volume. The different types of assets and

[9] For more information on the specific actions that the Government is taking, see Chapter 4 of this volume, "Financial Stabilization Efforts and Their Budgetary Effects."

[10] Consistent with the presentation in the *Monthly Treasury Statement of Receipts and Outlays of the United States Government* (*Monthly Treasury Statement*), Table 6-3 presents the net financial assets associated with direct and guaranteed loans in the financing accounts created under the Federal Credit Reform Act of 1990. Therefore, the figures differ by relatively small amounts from the figures in the "Budget and Financial Reporting" chapter of this volume, which reflect all loans made or guaranteed by the Federal Government, including loans originated prior to implementation of the FCRA.

Table 6–3. DEBT HELD BY THE PUBLIC NET OF FINANCIAL ASSETS AND LIABILITIES

(Dollar amounts in billions)

	Actual 2009	Estimate										
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt Held by the Public:												
Debt held by the public	7,544.7	9,297.7	10,498.3	11,472.1	12,325.7	13,139.3	13,988.4	14,832.8	15,685.8	16,534.8	17,502.2	18,573.1
As a percent of GDP	53.0%	63.6%	68.6%	70.8%	71.7%	72.2%	72.9%	73.6%	74.2%	74.9%	75.9%	77.2%
Financial Assets Net of Liabilities:												
Treasury operating cash balance	275.3	270.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0
Credit financing account balances:												
Direct loan accounts	489.3	699.6	842.2	977.4	1,095.3	1,203.8	1,303.0	1,373.4	1,458.3	1,537.1	1,628.0	1,719.2
Guaranteed loan accounts	–34.9	–41.8	–33.7	–21.9	–10.1	–4.1	0.1	3.4	4.5	2.3	–1.7	–7.3
TARP equity purchase accounts	105.4	106.0	90.8	90.8	88.9	84.1	79.6	74.8	65.5	54.9	29.0	13.1
Subtotal, credit financing account balances	559.8	763.9	899.3	1,046.3	1,174.2	1,283.8	1,382.7	1,451.5	1,528.4	1,594.3	1,655.2	1,725.0
Government-sponsored enterprise preferred stock	64.7	102.4	115.0	115.0	115.0	115.0	115.0	115.0	115.0	115.0	115.0	115.0
Non-Federal securities held by NRRIT	22.0	20.7	19.7	18.8	17.9	16.9	15.8	14.4	13.3	12.0	10.7	9.5
Other assets net of liabilities	–23.6	–23.6	–23.6	–23.6	–23.6	–23.6	–23.6	–23.6	–23.6	–23.6	–23.6	–23.6
Total, financial assets net of liabilities	898.1	1,133.4	1,080.4	1,226.5	1,353.5	1,462.1	1,559.9	1,627.4	1,703.1	1,767.6	1,827.3	1,895.9
Debt Held by the Public Net of Financial Assets and Liabilities:												
Debt held by the public net of financial assets	6,646.6	8,164.2	9,417.9	10,245.6	10,972.2	11,677.3	12,428.4	13,205.4	13,982.7	14,767.2	15,674.9	16,677.1
As a percent of GDP	46.7%	55.8%	61.6%	63.2%	63.9%	64.2%	64.8%	65.5%	66.2%	66.9%	68.0%	69.3%

liabilities are reported annually in the financial statements of Federal agencies and in the *Financial Report of the United States Government*, prepared by the Treasury Department in coordination with the Office of Management and Budget (OMB).

Treasury Debt

Nearly all Federal debt is issued by the Department of the Treasury. Treasury meets most of the Federal Government's financing needs by issuing marketable securities to the public. These financing needs include both the change in debt held by the public and the refinancing—or rollover—of any outstanding debt that matures during the year. Treasury marketable debt is sold at public auctions on a regular schedule and can be bought and sold on the secondary market. Treasury also sells to the public a relatively small amount of nonmarketable securities, such as savings bonds and State and Local Government Series securities (SLUGs).[11] Treasury nonmarketable debt cannot be bought or sold on the secondary market.

Treasury issues marketable securities in a wide range of maturities, and issues both nominal (non-inflation-indexed) and inflation-indexed securities. Treasury's marketable securities include:

Treasury Bills—Treasury bills have maturities of one year or less from their issue date. In addition to the regular auction calendar of bill issuance, Treasury issues cash management bills on an as-needed basis for various reasons such as to offset the seasonal patterns of the Government's receipts and outlays. In addition, under the temporary Supplementary Financing Program, discussed above, Treasury issues cash management bills and deposits the proceeds with the Federal Reserve, for the Federal Reserve to use in its efforts to address the financial and economic challenges facing the Nation.

Treasury Notes—Treasury notes have maturities of more than one year and up to 10 years.

Treasury Bonds—Treasury bonds have maturities of more than 10 years. The longest-maturity securities issued by Treasury are 30-year bonds.

Treasury Inflation-Protected Securities (TIPS)—Treasury inflation-protected – or inflation-indexed – securities are coupon issues for which the par value of the security rises with inflation. The principal value is adjusted every six months to reflect inflation as measured by changes in the CPI-U (with a two-month lag). Although the principal value may be adjusted downward if inflation is negative, the principal value will not be reduced below the original par value.

Historically, the average maturity of outstanding debt issued by Treasury has been around 60 months, or about five years. As a result of the large volume of bills issued during 2009 to finance the Government's activities to stabilize the financial markets, the average maturity fell to 53 months at the end of 2009. Treasury intends to gradually increase the average maturity of its debt, returning the portfolio closer to its historical average of about five years.

In addition to quarterly announcements about the overall auction calendar, Treasury publicly announces in advance the auction of each security. Individuals can participate directly in Treasury auctions or can purchase securities through brokers, dealers, and other financial institutions. Treasury accepts two types of auction bids—competitive and noncompetitive. In a competitive bid, the bidder specifies the yield. A significant portion of competitive bids are submitted by primary dealers, which are banks and securities brokerages that have been designated to trade in Treasury securities with the Federal Reserve System. In a noncompetitive bid, the bidder agrees to accept the yield determined by the auction. At the close of the auction, Treasury accepts all eligible noncompetitive bids and then accepts competitive bids in ascending order beginning with the lowest yield bid until the offering amount is reached. All winning bidders receive the highest accepted yield bid.

Treasury marketable securities are highly liquid and actively traded on the secondary market. The liquidity of Treasury securities is reflected in the ratio of bids received to bids accepted in Treasury auctions; the demand for the securities is substantially greater than the level of issuance. Because they are backed by the full faith and credit of the United States Government, Treasury marketable securities are considered to be "risk-free." Therefore, the Treasury yield curve is commonly used as a benchmark for a wide variety of purposes in the financial markets.

Whereas Treasury issuance of marketable debt is based on the Government's financing needs, Treasury's issuance of nonmarketable debt is based on the public's demand for the specific types of investments. Traditionally, outstanding balances of nonmarketable debt have increased from year to year, somewhat reducing the need for marketable borrowing. In 2008 and 2009, there was net disinvestment in nonmarketables, necessitating additional marketable borrowing to finance the redemption of nonmarketable debt.

Agency Debt

Some Federal agencies, shown in Table 6–4, sell or have sold debt securities to the public and, at times, to other Government accounts. At one time, several other agencies issued debt securities, but this activity has declined significantly over time. Currently, new debt is issued only by the Tennessee Valley Authority (TVA) and the Federal Housing Administration (FHA); the remaining agencies are repaying existing borrowing. At the end of 2009, total agency debt remained nearly unchanged at the end-of–2008 level of $25.5 billion. Agency debt is less than one-half of one percent of Federal debt held by the public. As a result of new borrowing by TVA, agency debt is estimated to increase by $1.0 billion in 2010 and by $0.8 billion in 2011.

The predominant agency borrower is the TVA, which had borrowed $25.2 billion from the public as of the end

[11] Under the State and Local Government Series program, the Treasury offers special low-yield securities to State and local governments and other entities for temporary investment of proceeds of tax-exempt bonds.

Table 6–4. AGENCY DEBT
(In millions of dollars)

	Borrowing or repayment (–) of debt			Debt end of 2011 estimate
	2009 actual	2010 estimate	2011 estimate	
Borrowing from the public:				
Housing and Urban Development:				
Federal Housing Administration	–37	*	....	33
Architect of the Capitol	–7	–5	–6	133
National Archives	–12	–13	–14	166
Tennessee Valley Authority:				
Bonds and notes	158	1,143	938	24,914
Lease/leaseback obligations	49	–48	–55	1,302
Prepayment obligations	–106	–105	–105	717
Total, borrowing from the public	**46**	**973**	**759**	**27,265**
Borrowing from other funds:				
Tennessee Valley Authority	–4	....	....	2
Total, borrowing from other funds	**–4**	**........**	**........**	**2**
Total, agency borrowing	**42**	**973**	**759**	**27,266**

* $500,000 or less.

of 2009, or 99 percent of the total debt of all agencies. TVA sells debt primarily to finance capital expenditures.

The TVA has traditionally financed its capital construction by selling bonds and notes to the public. Since 2000, it has also employed two types of alternative financing methods, lease/leaseback obligations and prepayment obligations. Under the lease/leaseback obligations method, TVA signs contracts to lease some facilities and equipment to private investors and simultaneously leases them back. It receives a lump sum for leasing out its assets, and then leases them back at fixed annual payments for a set number of years. TVA retains substantially all of the economic benefits and risks related to ownership of the assets. [12] Under the prepayment obligations method, TVA's power distributors may prepay a portion of the price of the power they plan to purchase in the future. In return, they obtain a discount on a specific quantity of the future power they buy from TVA. The quantity varies, depending on TVA's estimated cost of borrowing.

The Office of Management and Budget determined that each of these alternative financing methods is a means of financing the acquisition of assets owned and used by the Government, or of refinancing debt previously incurred to finance such assets. They are equivalent in concept to other forms of borrowing from the public, although under different terms and conditions. The budget therefore records the upfront cash proceeds from these methods as borrowing from the public, not offsetting collections. [13] The budget presentation is consistent with the reporting of these obligations as liabilities on TVA's balance sheet under generally accepted accounting principles. Table 6–4 presents these alternative financing methods separately from TVA bonds and notes to distinguish between the types of borrowing. At the end of 2009, obligations were $1.4 billion for lease/leasebacks and $0.9 billion for prepayments. Obligations for these two types of alternative financing are estimated to continue to decline as TVA fulfills the terms of the contracts.

Although the FHA generally makes direct disbursements to the public for default claims on FHA-insured mortgages, it may also pay claims by issuing debentures. Issuing debentures to pay the Government's bills is equivalent to selling securities to the public and then paying the bills by disbursing the cash borrowed, so the transaction is recorded as being simultaneously an outlay and borrowing. The debentures are therefore classified as agency debt.

A number of years ago, the Federal Government guaranteed the debt used to finance the construction of buildings for the National Archives and the Architect of the Capitol, and subsequently exercised full control over the design, construction, and operation of the buildings. These arrangements are equivalent to direct Federal construction financed by Federal borrowing. The construction expenditures and interest were therefore classified as Federal outlays, and the borrowing was classified as Federal agency borrowing from the public.

[12] This arrangement is at least as governmental as a "lease-purchase without substantial private risk." For further detail on the current budgetary treatment of lease-purchase without substantial private risk, see OMB Circular No. A–11, Appendix B.

[13] This budgetary treatment differs from the treatment in the *Monthly Treasury Statement* Table 6 Schedule C, and the *Combined Statement of Receipts, Outlays, and Balances of the United States Government* Schedule 3, both published by the Department of the Treasury. These two schedules, which present debt issued by agencies other than Treasury, exclude the TVA alternative financing arrangements. This difference in treatment is one factor causing minor differences between debt figures reported in the Budget and debt figures reported by Treasury. The other factor is adjustments for the timing of the reporting of Federal debt held by the National Railroad Retirement Investment Trust.

The amount of agency securities sold to the public has been reduced over time by borrowing from the Federal Financing Bank (FFB). The FFB is an entity within the Treasury Department, one of whose purposes is to substitute Treasury borrowing for agency borrowing from the public. It has the authority to purchase agency debt and finance these purchases by borrowing from the Treasury. Agency borrowing from the FFB is not included in gross Federal debt. It would be double counting to add together (a) the agency borrowing from the FFB and (b) the Treasury borrowing from the public that is needed to provide the FFB with the funds to lend to the agencies.

Debt Held by Government Accounts

Trust funds, and some special funds and public enterprise revolving funds, accumulate cash in excess of current needs in order to meet future obligations. These cash surpluses are generally invested in Treasury debt.

New investment by trust funds and other Government accounts fell from $267 billion in 2008 to $148 billion in 2009, its lowest level since the mid-1990s. The decline was due in large part to the effects of current economic and financial conditions on the collections and expenditures of Government accounts that invest in Treasury securities. Investment by Government accounts is estimated to be $158 billion in 2010 and $157 billion in 2011, as shown in Table 6–5. The holdings of Federal securities by Government accounts are estimated to grow to $4,646 billion by the end of 2011, or 31 percent of the gross Federal debt. The percentage is estimated to decline by very small amounts over the next 10 years.

The large investment by Government accounts is concentrated among a few funds: the Social Security Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) trust funds; the Medicare Hospital Insurance and Supplementary Medical Insurance trust funds; and four Federal employee retirement funds. These Federal employee retirement funds include the military retirement trust fund, the special fund for uniformed services Medicare-eligible retiree health care, the Civil Service Retirement and Disability Fund (CSRDF), and a separate special fund for Postal Service retiree health benefits. At the end of 2011, these Social Security, Medicare, and Federal employee retirement funds are estimated to own 94 percent of the total debt held by Government accounts. During 2009–2011, the Social Security OASI fund has a large surplus and is estimated to invest a total of $374 billion, 81 percent of total net investment by Government accounts. Over this period, the military retirement trust fund is projected to invest $145 billion, another 31 percent of the total. As a result of economic and programmatic factors, some Government accounts reduce their investments in Federal securities during 2009–2011. During

Table 6–5. DEBT HELD BY GOVERNMENT ACCOUNTS[1]
(In millions of dollars)

Description	Investment or Disinvestment (–)			Holdings end of 2011 estimate
	2009 actual	2010 estimate	2011 estimate	
Investment in Treasury debt:				
Legislative Branch: Payments to copyright owners	–11	–266	–8	906
Energy:				
Nuclear waste disposal fund[1]	1,662	–410	2,341	24,200
Uranium enrichment decontamination fund	51	109	308	5,178
Health and Human Services:				
Federal hospital insurance trust fund	–9,039	–29,044	–32,121	248,537
Federal supplementary medical insurance trust fund	2,674	–1,050	–5,273	55,441
Vaccine injury compensation fund	216	48	58	2,990
Child enrollment contingency fund	2,114	–128	–118	1,868
Homeland Security:				
Aquatic resources trust fund	36	67	20	2,070
Oil spill liability trust fund	271	355	319	2,070
Housing and Urban Development:				
Federal Housing Administration mutual mortgage fund	–8,420	–7,828	5,856	8,692
Guarantees of mortgage-backed securities	–13	–108	–48	9,101
Interior:				
Abandoned mine reclamation fund	102	98	194	2,824
Bureau of Land Management permanent operating funds	–281	–156	–171	1,334
Environmental improvement and restoration fund	47	3	15	1,185
Justice: Assets forfeiture fund	406	–14	....	2,000
Labor:				
Unemployment trust fund	–52,804	–9,628	–500	9,500
Pension Benefit Guaranty Corporation[1]	–132	1,455	–75	14,398
State: Foreign service retirement and disability trust fund	478	464	421	16,219

Table 6–5. DEBT HELD BY GOVERNMENT ACCOUNTS[1]—Continued

(In millions of dollars)

Description	Investment or Disinvestment (–) 2009 actual	2010 estimate	2011 estimate	Holdings end of 2011 estimate
Transportation:				
Airport and airway trust fund	156	1,420	8	9,257
Highway trust fund	–1,327	–11,484	....	....
Aviation insurance revolving fund	193	226	140	1,637
Treasury:				
Exchange stabilization fund	2,969	1,109	1,775	22,700
Federal Financing Bank	463	2,367	1,570	4,429
Comptroller of the Currency assessment fund	68	60	67	1,092
Veterans Affairs:				
National service life insurance trust fund	–538	–629	–658	7,448
Veterans special life insurance fund	2	–25	–35	1,941
Corps of Engineers: Harbor maintenance trust fund	470	373	373	5,713
Other Defense-Civil:				
Military retirement trust fund	24,859	71,964	47,734	360,505
Medicare-eligible retiree health care fund	14,096	13,118	15,304	155,243
Education benefits fund	184	150	19	2,067
Environmental Protection Agency:				
Leaking underground storage tank trust fund	165	181	211	3,722
Hazardous substance trust fund	428	400	213	3,925
International Assistance Programs:				
Overseas Private Investment Corporation	124	208	216	5,239
Office of Personnel Management:				
Civil service retirement and disability trust fund	25,393	31,741	29,077	815,062
Postal Service retiree health benefits fund	2,822	7,040	7,232	49,387
Employees life insurance fund	1,748	1,684	1,881	39,711
Employees health benefits fund	–196	–635	690	15,424
Social Security Administration:				
Federal old-age and survivors insurance trust fund[2]	145,665	105,443	122,513	2,524,272
Federal disability insurance trust fund[2]	–8,555	–21,327	–22,728	163,877
District of Columbia: Federal pension fund	–7	146	113	3,891
Farm Credit System Insurance Corporation:				
Farm Credit System Insurance fund	269	410	198	3,490
Federal Communications Commission:				
Universal service fund	266	–2	....	6,006
Federal Deposit Insurance Corporation:				
Federal deposit insurance fund	–13,860	1,886	–13,262	4,700
Senior unsecured debt guarantee fund	7,010	590	–7,440	160
FSLIC resolution fund	–6	18	8	3,339
National Credit Union Administration:				
Share insurance fund	409	728	169	8,551
Central liquidity facility	1,834	92	96	2,022
Postal Service funds[2]	2,643	–3,549	–700	....
Railroad Retirement Board trust funds	707	45	–55	2,526
Securities Investor Protection Corporation[3]	1,092	–33	266	1,325
United States Enrichment Corporation fund	27	62	70	1,701
Other Federal funds	337	–86	205	4,326
Other trust funds	350	158	254	3,829
Unrealized discount[1]	502	....	....	–1,328
Total, investment in Treasury debt[1]	148,116	157,818	156,742	4,645,702
Investment in agency debt:				
Railroad Retirement Board:				
National Railroad Retirement Investment Trust	–4	....	....	2
Total, investment in agency debt[1]	–4	....	....	2

Table 6–5. DEBT HELD BY GOVERNMENT ACCOUNTS[1]—Continued
(In millions of dollars)

Description	Investment or Disinvestment (–)			Holdings end of 2011 estimate
	2009 actual	2010 estimate	2011 estimate	
Total, investment in Federal debt[1]	148,112	157,818	156,742	4,645,704
MEMORANDUM				
Investment by Federal funds (on-budget)	13,560	20,634	14,954	349,832
Investment by Federal funds (off-budget)	2,643	–3,549	–700	....
Investment by trust funds (on-budget)	–5,704	56,616	42,703	1,609,051
Investment by trust funds (off-budget)	137,110	84,116	99,785	2,688,149
Unrealized discount[1]	502	....	....	–1,328

[1] Debt held by Government accounts is measured at face value except for the Treasury zero-coupon bonds held by the Nuclear Waste Disposal Fund and the Pension Benefit Guaranty Corporation (PBGC), which are recorded at market or redemption price; and the unrealized discount on Government account series, which is not distributed by account. Changes are not estimated in the unrealized discount. If recorded at face value, at the end of 2009 the debt figures would be $22.4 billion higher for the Nuclear Waste Disposal Fund and $1.8 billion higher for PBGC than recorded in this table.

[2] Off-budget Federal entity.

[3] The Securities Investor Protection Corporation (SIPC) was not previously included in the Federal budget. The investment represents the reclassification of SIPC's entire end-of–2009 holdings from debt held by the public to debt held by Government accounts. In 2009, SIPC disinvested $511 million of its holdings of Federal securities.

these years, the Medicare Hospital Insurance trust fund disinvests $70 billion, or 15 percent of the total net investment, and the Unemployment Trust Fund disinvests $63 billion, or 14 percent of the total.

Technical note on measurement.—The Treasury securities held by Government accounts consist almost entirely of the Government account series. Most were issued at par value (face value), and the securities issued at a discount or premium were traditionally recorded at par in the OMB and Treasury reports on Federal debt. However, there are two kinds of exceptions.

First, Treasury issues zero-coupon bonds to a very few Government accounts. Because the purchase price is a small fraction of par value and the amounts are large, the holdings are recorded in Table 6–5 at par value less unamortized discount. The only two Government accounts that held zero-coupon bonds during the period of this table are the Nuclear Waste Disposal Fund in the Department of Energy and the Pension Benefit Guaranty Corporation (PBGC). The total unamortized discount on zero-coupon bonds was $24.1 billion at the end of 2009.

Second, Treasury subtracts the unrealized discount on other Government account series securities in calculating "net Federal securities held as investments of Government accounts." Unlike the discount recorded for zero-coupon bonds and debt held by the public, the unrealized discount is the discount at the time of issue and is not amortized over the term of the security. In Table 6–5 it is shown as a separate item at the end of the table and not distributed by account. The amount was $1.3 billion at the end of 2009.

Limitations on Federal Debt

Definition of debt subject to limit.—Statutory limitations have usually been placed on Federal debt. Until World War I, the Congress ordinarily authorized a specific amount of debt for each separate issue. Beginning with the Second Liberty Bond Act of 1917, however, the nature of the limitation was modified in several steps until it developed into a ceiling on the total amount of most Federal debt outstanding. This last type of limitation has been in effect since 1941. The limit currently applies to most debt issued by the Treasury since September 1917, whether held by the public or by Government accounts; and other debt issued by Federal agencies that, according to explicit statute, is guaranteed as to principal and interest by the United States Government.

The third part of Table 6–2 compares total Treasury debt with the amount of Federal debt that is subject to the limit. Nearly all Treasury debt is subject to the debt limit.

A large portion of the Treasury debt not subject to the general statutory limit was issued by the Federal Financing Bank. The FFB is authorized to have outstanding up to $15 billion of publicly issued debt. It issued $14 billion of securities to the Civil Service Retirement and Disability Fund on November 15, 2004, in exchange for an equal amount of regular Treasury securities. The FFB securities have the same interest rates and maturities as the regular Treasury securities for which they were exchanged. The securities mature on dates from June 30, 2009, through June 30, 2019. At the end of 2009, $12 billion of these securities remained outstanding.

The Housing and Economic Recovery Act of 2008 created a new type of debt not subject to limit. This debt, termed "Hope Bonds," is issued by Treasury to the Federal Financing Bank for the HOPE for homeowners program. Treasury issued $30 million in Hope Bonds in 2008 and $463 million in 2009. Outstanding Hope Bonds are projected to be $2.9 billion at the end of 2010 and $4.4 billion at the end of 2011, and then to increase by smaller amounts in subsequent years.

The other Treasury debt not subject to the general limit consists almost entirely of silver certificates and other currencies no longer being issued. It was $489 million at the end of 2009 and is projected to gradually decline over time.

The sole agency debt currently subject to the general limit, $14 million at the end of 2009, is certain debentures issued by the Federal Housing Administration. [14]

Some of the other agency debt, however, is subject to its own statutory limit. For example, the Tennessee Valley Authority is limited to $30 billion of bonds and notes outstanding.

The comparison between Treasury debt and debt subject to limit also includes an adjustment for measurement differences in the treatment of discounts and premiums. As explained earlier in this chapter, debt securities may be sold at a discount or premium, and the measurement of debt may take this into account rather than recording the face value of the securities. However, the measurement differs between gross Federal debt (and its components) and the statutory definition of debt subject to limit. An adjustment is needed to derive debt subject to limit (as defined by law) from Treasury debt. The amount is relatively small: $15.7 billion at the end of 2009 compared with the total unamortized discount (less premium) of $59.5 billion on all Treasury securities.

Changes in the debt limit.—The statutory debt limit has been changed many times. Since 1960, Congress has passed 77 separate acts to raise the limit, extend the duration of a temporary increase, or revise the definition. [15]

The most recent debt limit increase, which raised the debt limit by $290 billion to $12,394 billion, was enacted on December 28, 2009. The legislation was enacted shortly before the anticipated reaching of the previous limit of $12,104 billion.

Between July 2008 and February 2009, the debt limit was increased three times, in each case before the Government approached the limit. In these three instances, the increase was included in a larger piece of legislation aimed at stabilizing the financial markets and restoring economic growth. The increases provided room under the statutory debt ceiling for the activities authorized by each piece of legislation. On July 30, 2008, the debt limit was increased by $800 billion, to $10,615 billion, as part of the Housing and Economic Recovery Act of 2008. On October 3, 2008, the Emergency Economic Stabilization Act of 2008 increased the debt limit by $700 billion, to $11,315 billion. On February 17, 2009, the American Recovery and Reinvestment Act of 2009 increased the statutory limit by $789 billion, to $12,104 billion. At the dates of enactment, the debt subject to limit was at least a few hundred billion dollars below the previous ceiling.

The debt reached or neared the ceiling prior to each of the five increases enacted between 2002 and 2007. The debt limit was increased to $6,400 billion on June 28, 2002, to $7,384 billion on May 27, 2003, to $8,184 billion on November 19, 2004, to $8,965 billion on March 20, 2006, and to $9,815 billion on September 29, 2007.

At many times in the past several decades, including 2002, 2003, 2004, and 2006, the Government has reached the statutory debt limit before an increase has been enacted. When this has occurred, it has been necessary for the Treasury Department to take administrative actions to meet the Government's obligation to pay its bills and invest its trust funds while remaining below the statutory limit. One such measure is the partial or full disinvestment of the Government Securities Investment Fund (G-fund). This fund is one component of the Thrift Savings Plan (TSP), a defined contribution pension plan for Federal employees. The Secretary has statutory authority to suspend investment of the G-fund in Treasury securities as needed to prevent the debt from exceeding the debt limit. Treasury determines each day the amount of investments that would allow the fund to be invested as fully as possible without exceeding the debt limit. The Treasury Secretary is also authorized to declare a debt issuance suspension period, which allows him or her to redeem a limited amount of securities held by the Civil Service Retirement and Disability Fund and stop investing its receipts. The law requires that when any such actions are taken with the TSP G-fund or the CSRDF, the Secretary is required to make the fund whole after the debt limit has been raised by restoring the forgone interest and investing the fund fully. Another measure for staying below the debt limit is disinvestment of the Exchange Stabilization Fund. As the debt nears the limit, Treasury has also suspended acceptance of subscriptions to the State and Local Government Series to reduce unanticipated fluctuations in the level of the debt.

In addition to these steps, Treasury has previously replaced regular Treasury securities with borrowing by the FFB, which, as explained above, is not subject to the debt limit. This measure was most recently taken in November 2004, and the outstanding FFB securities began to mature in June 2009.

In contrast to recent debt limit increases, which have been in amounts sufficient to last for less than two years, the debt limit was increased three times during the 1990s by amounts large enough to last for two years or more. All three of these increases were enacted as part of a deficit reduction package or a plan to balance the budget and were intended to last a relatively long time: the Omnibus Budget Reconciliation Act of 1990; the Omnibus Budget Reconciliation Act of 1993; and the Balanced Budget Act of 1997. The 1997 increase lasted until 2002.

Methods of changing the debt limit.—The statutory limit is usually changed by normal legislative procedures. Under the rules adopted by the House of Representatives, it can also be changed as a consequence of the annual Congressional budget resolution, which is not itself a law. The budget resolution includes a provision specifying the appropriate level of the debt subject to limit at the end of each fiscal year. The rule provides that, when the budget resolution is adopted by both Houses of the Congress, the vote in the House of Representatives is deemed to have been a vote in favor of a Joint Resolution setting the statutory limit at the level specified in the budget resolution. The Joint Resolution is transmitted to the Senate for further action, where it may be amended to change the debt limit provision or in any other way. If it passes both

[14] At the end of 2009, there were also $18 million of FHA debentures not subject to limit.

[15] The Acts and the statutory limits since 1940 are listed in *Historical Tables, Budget of the United States Government, Fiscal Year 2011*, Table 7.3.

Houses of the Congress, it is sent to the President for signature. The House of Representatives first adopted this rule for 1980, although it was not included in the rules for several years before 2003. The rule was last used for the 2007 debt limit increase.

Federal funds financing and the change in debt subject to limit.—The change in debt held by the public, as shown in Table 6–2, and the change in debt net of financial assets are determined primarily by the total Government deficit or surplus. The debt subject to limit, however, includes not only debt held by the public but also debt held by Government accounts. The change in debt subject to limit is therefore determined both by the factors that determine the total Government deficit or surplus and by the factors that determine the change in debt held by Government accounts. The effect of debt held by Government accounts on the total debt subject to limit can be seen in the second part of Table 6–2. The change in debt held by Government accounts results in 21 percent of the estimated total increase in debt subject to limit from 2010 through 2020.

The budget is composed of two groups of funds, Federal funds and trust funds. The Federal funds, in the main, are derived from tax receipts and borrowing and are used for the general purposes of the Government. The trust funds, on the other hand, are financed by taxes or other receipts dedicated by law for specified purposes, such as for paying Social Security benefits or making grants to State governments for highway construction.[16]

A Federal funds deficit must generally be financed by borrowing, which can be done either by selling securities to the public or by issuing securities to Government accounts that are not within the Federal funds group. Federal funds borrowing consists almost entirely of Treasury securities that are subject to the statutory debt limit. Very little debt subject to statutory limit has been issued for reasons except to finance the Federal funds deficit. The change in debt subject to limit is therefore determined primarily by the Federal funds deficit, which is equal to the difference between the total Government deficit or surplus and the trust fund surplus. Trust fund surpluses are almost entirely invested in securities subject to the debt limit, and trust funds hold most of the debt held by Government accounts. The trust fund surplus reduces the total budget deficit or increases the total budget surplus, decreasing the need to borrow from the public or increasing the ability to repay borrowing from the public. When the trust fund surplus is invested in Federal securities, the debt held by Government accounts increases, offsetting the decrease in debt held by the public by an equal amount. Thus, there is no net effect on gross Federal debt.

Table 6–6 derives the change in debt subject to limit. In 2009 the Federal funds deficit was $1,540 billion, and

[16] For further discussion of the trust funds and Federal funds groups, see Chapter 27 of this volume, "Trust Funds and Federal Funds."

Table 6–6. FEDERAL FUNDS FINANCING AND CHANGE IN DEBT SUBJECT TO STATUTORY LIMIT

(In billions of dollars)

Description	Actual 2009	Estimate										
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Change in Gross Federal Debt:												
Federal funds deficit (+)	1,540.0	1,613.9	1,372.4	1,010.9	942.2	915.4	993.7	1,023.5	1,032.9	1,051.9	1,139.5	1,202.2
Other transactions affecting borrowing from the public—Federal funds[1]	331.8	198.6	–65.0	146.2	127.2	108.9	98.2	68.1	76.1	65.3	60.3	69.2
Increase (+) or decrease (–) in Federal debt held by Federal funds	16.2	17.1	14.3	35.4	49.4	55.5	60.1	63.5	66.4	70.4	54.2	57.1
Adjustments for trust fund surplus/deficit not invested/disinvested in Federal securities[2]	1.2	81.2	35.8	–0.9	–1.0	–1.0	–1.0	–1.4	–1.1	–1.3	–1.3	–1.2
Change in unrealized discount on Federal debt held by Government accounts	0.5	....	....	....	....	....	....	....	....	....	....	....
Total financing requirements	1,889.8	1,910.8	1,357.4	1,191.6	1,117.8	1,078.8	1,151.0	1,153.7	1,174.3	1,186.2	1,252.7	1,327.3
Change in Debt Subject to Limit:												
Change in gross Federal debt	1,889.8	1,910.8	1,357.4	1,191.6	1,117.8	1,078.8	1,151.0	1,153.7	1,174.3	1,186.2	1,252.7	1,327.3
Less: increase (+) or decrease (–) in Federal debt not subject to limit	–1.5	1.7	0.5	–1.3	–1.3	–0.6	–0.9	–1.2	–1.2	–1.0	–0.7	0.5
Less: change in adjustment for discount and premium[3]	–2.0	....	....	....	....	....	....	....	....	....	....	....
Total, change in debt subject to limit	1,893.3	1,909.1	1,356.9	1,192.9	1,119.1	1,079.4	1,151.8	1,154.9	1,175.6	1,187.2	1,253.4	1,326.8
ADDENDUM												
Debt subject to statutory limit[4]	11,853.1	13,762.2	15,119.1	16,312.0	17,431.1	18,510.5	19,662.4	20,817.2	21,992.8	23,180.0	24,433.4	25,760.1

[1] Includes Federal fund transactions that correspond to those presented in Table 6–2, but that are for Federal funds alone with respect to the public and trust funds.

[2] Includes trust fund holdings in other cash assets and changes in the investments of the National Railroad Retirement Investment Trust in non-Federal securities.

[3] Consists of unamortized discount (less premium) on public issues of Treasury notes and bonds (other than zero-coupon bonds).

[4] The statutory debt limit is $12,394 billion.

other factors increased financing requirements by $332 billion. The net financing disbursements of credit financing accounts increased financing requirements by $406 billion, partly offset by a decrease in the Treasury operating cash balance, which reduced financing requirements by $96 billion. Other factors increased financing requirements by $22 billion. In addition, special funds and revolving funds, which are part of the Federal funds group, invested a net of $16 billion in Treasury securities. An adjustment is also made for the difference between the trust fund surplus or deficit and the trust funds' investment or disinvestment in Federal securities (including the changes in the National Railroad Retirement Investment Trust's investments in non-Federal securities). As a net result of all these factors, $1,890 billion in financing was required, increasing gross Federal debt by that amount. Since Federal debt not subject to limit decreased by $1.5 billion and the adjustment for discount and premium changed by $2.0 billion, the debt subject to limit increased by $1,893 billion, while debt held by the public increased by $1,742 billion.

The debt subject to limit is estimated to increase to $13,762 billion by the end of 2010, above the current limit of $12,394 billion. The estimated increases in the debt subject to limit are caused by the continued Federal funds deficit, supplemented by the other factors shown in Table 6–6. While debt held by the public increases by $6,444 billion from the end of 2009 through 2015, debt subject to limit increases by $7,809 billion.

Debt Held by Foreign Residents

During most of American history, the Federal debt was held almost entirely by individuals and institutions within the United States. In the late 1960s, foreign holdings were just over $10 billion, less than 5 percent of the total Federal debt held by the public. Foreign holdings began to grow significantly starting in 1970. This increase has been almost entirely due to decisions by foreign central banks, corporations, and individuals, rather than the direct marketing of these securities to foreign residents.

Foreign holdings of Federal debt are presented in Table 6–7. At the end of 2009, foreign holdings of Treasury debt were $3,497 billion, which was 46 percent of the total debt held by the public.[17] Foreign central banks owned 76 percent of the Federal debt held by foreign residents; private

[17] The debt calculated by the Bureau of Economic Analysis, Department of Commerce, is different, though similar in size, because of a different method of valuing securities.

Table 6–7. FOREIGN HOLDINGS OF FEDERAL DEBT
(Dollar amounts in billions)

Fiscal Year	Debt held by the public			Change in debt held by the public	
	Total	Foreign [1]	Percentage foreign	Total [2]	Foreign [1]
1965	260.8	12.3	4.7	3.9	0.3
1970	283.2	14.0	5.0	5.1	3.8
1975	394.7	66.0	16.7	51.0	9.2
1980	711.9	121.7	17.1	71.6	1.4
1985	1,507.3	222.9	14.8	200.3	47.3
1990	2,411.6	463.8	19.2	220.8	72.0
1995	3,604.4	820.4	22.8	171.3	138.4
2000	3,409.8	1,057.9	31.0	–222.6	–223.5
2001	3,319.6	1,005.5	30.3	–90.2	–52.3
2002	3,540.4	1,200.8	33.9	220.8	195.3
2003	3,913.4	1,454.2	37.2	373.0	253.4
2004	4,295.5	1,798.7	41.9	382.1	344.5
2005	4,592.2	1,930.6	42.0	296.7	131.9
2006	4,829.0	2,027.3	42.0	236.8	96.7
2007	5,035.1	2,237.2	44.4	206.2	209.9
2008	5,803.1	2,799.5	48.2	767.9	562.3
2009	7,544.7	3,497.0	46.4	1,741.7	697.5

[1] Estimated by Treasury Department. These estimates exclude agency debt, the holdings of which are believed to be small. The data on foreign holdings are recorded by methods that are not fully comparable with the data on debt held by the public. Projections of foreign holdings are not available. The estimates include the effects of benchmark revisions in 1984, 1989, 1994, and 2000, and annual June benchmark revisions for 2002–2009.

[2] Change in debt held by the public is defined as equal to the change in debt held by the public from the beginning of the year to the end of the year.

investors owned nearly all the rest. This 76 percent represents a significant increase from the 67 percent held by foreign central banks at the end of 2008. All the Federal debt held by foreign residents is denominated in dollars.

Although the amount of Federal debt held by foreign residents has grown greatly over this period, the proportion that foreign residents own, after increasing abruptly in the very early 1970s, remained about 15–20 percent until the mid-1990s. During 1995–97, however, growth in foreign holdings accelerated, reaching 33 percent by the end of 1997. Federal debt held by foreign residents resumed growth in the current decade, increasing from 34 percent at the end of 2002 to 42 percent at the end of 2004 and to 48 percent at the end of 2008. In 2009, foreign holdings fell to 46 percent. The increase in foreign holdings was about 40 percent of total Federal borrowing from the public in 2009 and 52 percent over the last five years. At the end of 2009, the nations holding the largest shares of U.S. Federal debt were China, which held 23 percent of all foreign holdings, Japan, which held 21 percent, and the United Kingdom, which held 7 percent.

Foreign holdings of Federal debt are around 20 percent of the foreign-owned assets in the United States, depending on the method of measuring total assets. The foreign purchases of Federal debt securities do not measure the full impact of the capital inflow from abroad on the market for Federal debt securities. The capital inflow supplies additional funds to the credit market generally, and thus affects the market for Federal debt. For example, the capital inflow includes deposits in U.S. financial intermediaries that themselves buy Federal debt.

Federal, Federally Guaranteed, and Other Federally Assisted Borrowing

The Government's effects on the credit markets arise not only from its own borrowing but also from the direct loans that it makes to the public and the provision of assistance to certain borrowing by the public. The Government guarantees various types of borrowing by individuals, businesses, and other non-Federal entities, thereby providing assistance to private credit markets. The Government is also assisting borrowing by States through the Build America Bonds program, which subsidizes the interest that States pay on such borrowing. In addition, the Government has established private corporations—Government-Sponsored Enterprises—to provide financial intermediation for specified public purposes; it exempts the interest on most State and local government debt from income tax; it permits mortgage interest to be deducted in calculating taxable income; and it insures the deposits of banks and thrift institutions, which themselves make loans.

Federal credit programs and other forms of assistance, including the substantial Government efforts to support the credit markets during the recent financial turmoil, are discussed in Chapter 22 of this volume, "Credit and Insurance." Detailed data are presented in tables at the end of that chapter.

PERFORMANCE AND MANAGEMENT

7. DELIVERING HIGH-PERFORMANCE GOVERNMENT

For too long, Washington has not responsibly managed the tax dollars entrusted it by the American people. Decision-makers opened their doors and ears to those able to afford lobbyists while it became harder and harder for everyone else to learn what Government was doing, what it was accomplishing, and for whom. Programs and practices were allowed to persist out of inertia and not because they were delivering the results expected of them, while others that seemed to work were rarely assessed to confirm their impact and find ways to enhance their value. Over the last two decades, as the private sector was utilizing new management techniques and information technologies to boost productivity, cut costs, and deliver previously unheard of levels of customer service, the public sector lagged conspicuously behind.

The American people deserve better. They deserve a Federal Government that respects their tax dollars, and uses them effectively and efficiently. They deserve a Federal Government that is transparent, fair, and responsive. And they deserve a Government that is constantly looking to streamline what works and to eliminate what does not. The Administration is committed to revolutionizing how the Federal Government runs on behalf of the American people. The President appointed the Nation's first Chief Performance Officer, and the Administration has taken steps to bring more transparency to, for instance, how Federal information technology (IT) dollars are spent to improve customer service for those using citizenship services. At the same time, the Administration has combed the Budget to find programs that are duplicative, outdated, or just not working.

To improve the performance of the Federal Government in the coming fiscal year and in years to come, the Administration will pursue three mutually reinforcing performance management strategies:

1. **Use Performance Information to Lead, Learn, and Improve Outcomes**. Agency leaders set a few high-priority goals and use constructive data-based reviews to keep their organizations on track to deliver on these objectives.

2. **Communicate Performance Coherently and Concisely for Better Results and Transparency.** The Federal Government will candidly communicate to the public the priorities, problems, and progress of Government programs, explaining the reasons behind past trends, the impact of past actions, and future plans. In addition, agencies will strengthen their capacity to learn from experience and experiments.

3. **Strengthen Problem-Solving Networks.** The Federal Government will tap into and encourage practitioner communities, inside and outside Government, to work together to improve outcomes and performance management practices.

Use Performance Information to Lead, Learn, and Improve Outcomes

Government operates more effectively when it focuses on outcomes, when leaders set clear and measurable goals, and when agencies use measurement to reinforce priorities, motivate action, and illuminate a path to improvement. This outcome-focused performance management approach has proved a powerful way to achieve large performance gains in other countries, several States, an increasing number of local governments, and a growing number of Federal programs. For instance, the State of Washington pushed down the re-victimization rate of children harmed in their homes from 13.3 percent to 6.5 percent over the last seven years by monitoring how changes in agency action affected children previously harmed and by adjusting policies accordingly to make improvements for the children.

New York City and, subsequently, the City of Los Angeles saw crime rates plummet after each adopted CompStat meetings. These are frequently scheduled, goal-focused, data-driven meetings at which precinct captains are expected to discuss statistics about outcomes (e.g., crime), cost drivers (e.g., overtime), unwanted side effects (e.g., police abuse complaints), patterns of problems in the precinct, probable causes, apparent effects of prior actions, and future actions planned. Similarly, the U.S. Coast Guard's Marine and Marine Environmental Protection programs work to reduce maritime deaths and injuries, large oil spills, and chemical discharge incidents by regularly analyzing their data to identify contributory causes and by testing different prevention options to identify and then implement those that work best.

Outcome-focused performance management can transform the way government works, but its success is by no means assured. The ultimate test of an effective performance management system is whether it is used, not the number of goals and measures produced. Federal performance management efforts have not fared well on this test. The Government Performance and Results Act of 1993 (GPRA) and the Performance Assessment Rating Tool (PART) reviews increased the production of measurements in many agencies, resulting in the availability of better measures than previously existed; however, these initial successes have not lead to increased use. With a few exceptions, Congress does not use the performance goals and measures agencies produce to conduct oversight, agencies do not use them to evaluate effectiveness or drive improvements, and they have not provided meaningful information for the public.

Studies of past Federal performance management efforts have identified several problematic practices. For example, senior leaders at Federal agencies have historically focused far more attention on new policy development than on managing to improve outcomes. Mechanisms used to motivate change created serious unwanted side effects or linked to the wrong objectives. Central office reviews mandated measurements inappropriate to the situation, and performance reports seldom answered the questions of key audiences. Moreover, the annual reporting requirement of GPRA and the five-year program PART review cycle did not provide agencies the fast feedback needed to assess if delivery efforts were on track or to diagnose why they were or were not. Neither GPRA nor PART precluded more frequent measurement to inform agency action, but only a few agencies opted to supplement their annual measurement cycle with the kinds of data and analysis that fueled the private sector performance revolution.

The Administration is initiating several new performance management actions and is tasking a new generation of performance leaders to implement successful performance management practices.

To encourage senior leaders to deliver results against the most important priorities, the Administration launched the High-Priority Performance Goal initiative in June 2009, asking agency heads to identify and commit to a limited number of priority goals, generally three to eight, with high value to the public. The goals must have ambitious, but realistic, targets to achieve within 18 to 24 months without need for new resources or legislation, and well-defined, outcomes-based measures of progress. These goals are included in this Budget. Some notable examples are:

- Assist 3 million homeowners who are at risk of losing their homes due to foreclosure (Secretaries Donovan and Geithner);

- Reduce the population of homeless veterans to 59,000 in June, 2012 (Secretaries Donovan and Shinseki); and

- Double renewable energy generating capacity (excluding conventional hydropower) by 2012 (Secretary Chu).

In the coming year, the Administration will ask agency leaders to carry out a similar priority-setting exercise with top managers of their bureaus to set bureau-level goals and align those goals, as appropriate, with agency-wide priority goals. These efforts are not distinct from the goal-setting and measurement expectations set forth in the GPRA, but rather reflect an intention to translate GPRA from a reporting exercise to a performance-improving practice across the Federal Government. By making agencies' top leaders responsible for specific goals that they themselves have named as most important, the Administration is dramatically improving accountability and the chances that Government will deliver results on what matters most.

Agency leaders will put in place rigorous, constructive quarterly feedback and review sessions to help agencies reach their targets, building on lessons from successful public sector performance management models in other governments and in some Federal agencies. In addition, the Office of Management and Budget (OMB) will initiate quarterly performance updates to help senior Federal Government leaders stay focused on driving to results.

OMB will support the agencies with tools and assistance to help them succeed. In addition, OMB will help coordinate inter-agency efforts in select situations where collaboration is critical to success.

Communicate Performance Coherently and Concisely for Better Results and Transparency

Transparent, coherent performance information contributes to more effective, efficient, fair, and responsive government. Transparency not only promotes public understanding about the actions that government is working to accomplish, but also supports learning across government agencies, stimulates idea flow, enlists assistance, and motivates performance gain. In addition, transparency can strengthen public confidence in government, especially when government does more than simply herald its successes but also provides candid assessments of problems encountered, their likely causes, and actions being taken to address problems.

The Administration is initiating several new performance communication actions. First, the Administration will identify and eliminate performance measurements and documents that are not useful. Second, what remains will be used. Goals contained in plans and budgets will communicate concisely and coherently what government is trying to accomplish. Agency, cross-agency, and program measures, including those developed under GPRA and PART that proved useful to agencies, the public, and OMB, will candidly convey how well the Government is accomplishing the goals. Combined performance plans and reports will explain why goals were chosen, the size and characteristics of problems Government is tackling, factors affecting outcomes that Government hopes to influence, lessons learned from experience, and future actions planned.

Going forward, agencies will take greater ownership in communicating performance plans and results to key audiences to inform their decisions. Making performance data useful to all audiences—congressional, public, and agency leaders—improves both program performance and reporting accuracy.

To that end, the Administration will redesign public access to Federal performance information.

The Administration will create a Federal performance portal that provides a clear, concise picture of Federal goals and measures by theme, by agency, by program, and by program type. It will be designed to increase transparency and coherence for the public, motivate improvement, support collaboration, and enhance the ability of the Federal Government and its service delivery partners to learn from others' experiences and from research experiments. The performance portal will also provide easy links to mission-support management dashboards, such as the IT dashboard (*http://it.usaspending.gov/*) launched in the summer of 2009, and similar dashboards planned for other common Government functions including procurement, improper payments, and hiring.

While performance information is critical to improving Government effectiveness and efficiency, it can answer only so many questions. More sophisticated evaluation methods are required to answer fundamental questions about the social, economic, or environmental impact of programs and practices, isolating the effect of Government action from other possible influencing factors. OMB recently launched an Evaluation Initiative to promote rigorous impact evaluations, build agency evaluation capacity, and improve transparency of evaluation findings. These evaluations are a powerful complement to agency performance improvement efforts and often benefit from the availability of performance data. OMB will make information about all Federal evaluations focused on the impacts of programs and program practices available online through the performance portal. The Evaluation Initiative is explained in more detail in Chapter 8, "Program Evaluation," in this volume.

Strengthen Problem-Solving Networks

The third strategy the Administration will pursue to improve performance management involves the extensive use of existing and new practitioner networks. Federal agencies do not work in isolation to improve outcomes. Every Federal agency and employee depends on and is supported by others—other Federal offices, other levels of government, for-profit and not-for-profit organizations, and individuals with expertise or a passion about specific problems. New information technologies are transforming our ability to tap vast reservoirs of capacity beyond the office. At the same time, low-technology networks such as professional associations and communities of practice are also able to solve problems, spur innovation, and diffuse knowledge. The Administration will create cross-agency teams to tackle shared problems and reach out to existing networks, both inside and outside Government, to find and develop smarter performance management methods and to assist others in their application. It will tap their intelligence, ingenuity, and commitment, as well as their dissemination and delivery capacity.

The Performance Improvement Council (PIC), made up of Performance Improvement Officers from every Federal agency, will function as the hub of the performance management network. OMB will work with the PIC to create and advance a new set of Federal performance management principles, refine a Government-wide performance management implementation plan, and identify and tackle specific problems as they arise. The PIC will also serve as a home for Federal communities of practice, some new and some old. Some communities of practice will be organized by problems, some by program type such as regulatory programs, and some by methods such as quality management. These communities will develop tools and provide expert advice and assistance to their Federal colleagues. In addition, the PIC will address the governance challenge of advancing progress on high-priority problems that require action by multiple agencies. The Administration will also turn to existing external networks—including State and local government associations, schools of public policy and management, think tanks, and professional associations—to enlist their assistance on specific problems and in spreading effective performance management practices.

AGENCY HIGH PRIORITY PERFORMANCE GOALS

The following pages include challenging, near-term performance improvements agencies will strive to deliver for the American people using existing legislative authority and budgetary resources. The high priority performance goals listed here are therefore a subset of the fuller suite of goals reflected in agencies' performance plans, which also include long-term strategic goals, a fuller set of agency-wide and program goals, and goals dependent on new legislation and additional funding. In addition, agencies identified performance measures under the American Recovery and Reinvestment Act, including estimates of jobs created and retained. These are shown on the Recovery Act website (*http://www.recovery.gov*). Also, given the nature of their work, national security agencies were given greater discretion in choosing which outcome-focused goals to include among the high priority performance goals publicly listed.

Department of Agriculture

Mission: The Department of Agriculture (USDA) provides leadership on food, agriculture, natural resources, rural development and related issues based on sound public policy, the best available science, and efficient management.

High Priority Performance Goals

As part of developing the 2011 Budget and performance plan, the Department has identified the following limited number of high priority performance goals that will be a particular focus over the next two years. These goals are a subset of those used to regularly monitor and report performance. To view a full set of performance information please visit *www.usda.gov*.

- USDA will assist rural communities to increase prosperity so they are self sustaining, re-populating and economically thriving.
  - By 2011, increase the prosperity of rural communities by concentrating and strategically investing in 8-10 regions, resulting in the creation of strong local and regional economies, with a partic-

ular emphasis on food systems, renewable energy, broadband-based economies, and rural recreation.

- USDA will ensure our national forests and private working lands enhance our water resources and are conserved, restored, and made more resilient to climate change.
  - By the end of 2011, accelerate the protection of clean, abundant water resources by implementing high impact targeted (HIT) practices on three million acres of national forest and private working lands in priority landscapes.
- USDA will help America promote agricultural production and biotechnology exports as America works to increase food security.
  - By the end of 2011, increase the number of provinces in Afghanistan in which women and children are food secure from 10 to 14, ensuring food security for 41 percent of the country in support of the President's Afghanistan and Pakistan strategy.
  - Maintain at zero the number of incidents in which regulated genetically engineered products are comingled with non-regulated products in commercial channels, thereby protecting global markets for organic and biotech products.
  - By the end of 2011, reduce non-tariff trade barriers for five major markets and increase agriculture exports by $2 billion.
- USDA will ensure that all of America's children have access to safe, nutritious and balanced meals.
  - By the end of 2011, reduce the number of households with children who experience very low food security by 100,000.
  - By 2011, propose national standards that will result in improved quality of food sold in schools throughout the school day.
  - By the end of 2011, increase the availability of healthy foods by strategically investing in six food deserts by providing incentives for food entrepreneurs to establish or expand markets and grocery stores, including farmers markets, that make healthy foods available to low-income Americans.
  - By 2011, USDA will reduce the number of *Salmonella* illnesses by 50,000 and reduce illness costs by about $900 million as a result of FSIS regulated establishments reducing the presence of *Salmonella*.

Department of Commerce

Mission: The Department of Commerce creates the conditions for economic growth and opportunity by promoting innovation, entrepreneurship, competitiveness, and stewardship.

High Priority Performance Goals

The Commerce Department develops a 5-year strategic plan, as well as an annual performance plan and annual report on our progress. As part of developing the 2011 Budget and performance plan, the Department has also identified a limited number of high priority performance goals that will be a particular focus over the next two years. These goals are a subset of those used to regularly monitor and report performance. To view the full set of performance information please visit: *http://www.osec.doc.gov/bmi/budget/budgetsub_perf_strategicplans.htm.*

- 2010 Decennial Census: Effectively execute the 2010 Census, and provide the States with accurate and timely redistricting data.
  - Timely completion of milestones to conduct the Census and provide redistricting data as mandated by law.
  - Achieve an accuracy level of an overall net coverage error at the national level of less than one-half of one percent.
- Intellectual Property Protection: Reduce patent pendency for first action and for final actions from the end of 2009 levels of 25.8 and 34.6 months respectively by the end of 2011, as well as the patent backlog.
- Coastal and Ocean Resource Management: Ensure environmentally and economically resilient oceans, coasts, and Great Lakes communities, with healthy and productive ecosystems.
  - Ensure that all 46 Federal fishery management plans have required catch limits to end overfishing in place by the end of 2011.
  - Reduce the number of stocks subject to overfishing to zero by the end of 2011.
  - Improve the Fish Stock Sustainability Index (FSSI) to 586 by the end of 2011. The FSSI is a measure of stock assessments and overfishing. The target represents a four-percent increase above the FSSI score at the end of 2009. (Because the FSSI does not score a stock as "not subject to overfishing" until such status has been confirmed through subsequent survey and analysis, the improvements sought in overfishing will not be fully reflected in the 2011 FSSI level.)
- Broadband Access: Efficiently and effectively implement the Broadband Technology Opportunities Program, to expand service to communities in a cost-effective manner that maximizes impacts on economic growth, education, health care, and public safety.
- Export Opportunities: Increase the annual number of Small and Medium-size Enterprises (SMEs) the Commercial Service successfully assists in exporting to a 2nd or additional country by 40 percent from 2009 to 2011.

- Sustainable Manufacturing and Building Practices: Raise the number of firms adopting sustainable manufacturing processes through the Manufacturing Extension Partnership by 250 by the end of 2011. Raise the percentage of construction projects involving buildings or structures funded by Economic Development Assistance Programs that are certified by the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) or a comparable third-party certification program to 12 percent.

Department of Defense

Mission: The mission of the Department of Defense (DOD) is to provide the military forces needed to deter war and to protect the security of the United States. Since the creation of America's first army in 1775, the Department and its predecessor organizations have evolved into a global presence of three million individuals, stationed in more than 140 countries and dedicated to defending the United States by deterring and defeating aggression and coercion in critical regions. The Department embraces the core values of leadership, professionalism, and technical knowledge. Its employees are dedicated to duty, integrity, ethics, honor, courage, and loyalty.

High Priority Performance Goals

As part of developing the 2011 Budget and performance plan, the Department has identified a limited number of high priority goals that will be a particular focus over the next two years. These goals are a subset of those used to regularly monitor and report performance. To view the full set of performance information please visit: *http://www.defenselink.mil/comptroller/*.

- Increase Energy Efficiencies.
  - By 2011, DOD will reduce average building energy consumption by 18 percent from the 2003 baseline of 116,134 BTUs per gross square foot.
  - By 2011, DOD will produce or procure renewable energy equal to 14.3 percent of its annual electric energy usage.
- Reform the DOD Personnel Security Clearance Process.
  - Beginning in 2010, DOD will adjudicate the fastest 90 percent of initial top secret and secret personnel security clearance cases within 20 days.
  - By 2011, 90 percent of all DOD national security investigations will be received via electronic delivery.
- Create the Next Generation of Electronic Record System—Virtual Lifetime Electronic Record (VLER) by 2012. This interagency initiative will create a more effective means for electronically sharing health and benefits data of servicemembers and veterans.
  - By 2011, DOD will implement Virtual Lifetime Electronic Record (VLER) production capability in at least three sites.
- Streamline the hiring process.
  - By 2011, DOD will improve its external civilian hiring end-to-end timeline to 112 days.
- Implement DOD-wide in-sourcing initiative.
  - By 2011, DOD will decrease reliance on contract services by increasing the in-house civilian or military workforce by 19,844 authorizations for personnel.
- Spend American Reinvestment and Recovery Act (ARRA) funds quickly and effectively.
  - By 2010, DOD will have obligated at least 95 percent of DOD Facilities, Sustainment, Restoration, and Modernization budget authority, funded by ARRA.
  - By 2010, DOD will have obligated at least 95 percent of DOD Research, Development, Test, and Evaluation budget authority, funded by ARRA.
  - By 2011, DOD will have obligated at least 95 percent of DOD Military Construction budget authority, funded by ARRA.
  - By 2011, DOD will have obligated at least 69 percent of DOD Homeowners Assistance Fund budget authority, funded by ARRA.
- Provide effective business operations and ensure logistics support to Overseas Contingency Operations.
  - Beginning in 2010, DOD will maintain a 98 percent fill rate for the Joint Contracting Command (JCC) supporting contingency operations.
  - By 2011, DOD will maintain an assignment rate of 85 percent of required Contracting Officer Representatives (CORs) supporting Iraqi contingency operations.
  - By 2011, DOD will maintain an assignment rate of 85 percent of required Contracting Officer Representatives (CORs) supporting Afghan contingency operations.
  - By 2011, DOD will reduce the percent of in-theater Army central disbursements, using cash, to two percent.
  - By 2011, DOD will increase the percent of contract actions, tied to entitlements and disbursements in the systems of record, to 95 percent.
- Increase the audit readiness of individual DOD components.
  - By 2011, 80 percent of DOD Statement of Budgetary Resources Appropriations Received (line 3A) will be reviewed, verified for accuracy, and "validated" or approved as audit-ready.
  - By 2011, 14 percent of DOD Statement of Budgetary Resources will be validated as audit-ready.
  - By 2011, 30 percent of DOD Funds Balance with the Treasury will be validated as audit-ready.

   - By 2011, 45 percent of DOD mission-critical assets (Real Property, Military Equipment, General Equipment, Operating Materials and Supplies, and Inventory balances) will be validated as audit-ready for existence and completeness.
- Reform the DOD Acquisition Process.
   - By 2011, DOD will reduce average cycle time for Major Defense Acquisition Programs (MDAPs) starting in 2002 and later to 72 months.
   - Beginning in 2010, DOD will ensure the number of breaches—significant cost overruns—for Major Defense Acquisition Programs (MDAPs) is equal to or less than the previous fiscal year.
   - Beginning in 2010, DOD will increase, by one percent annually, the amount of contract obligations that are competitively awarded.
   - By 2011, DOD will decrease reliance on contract services in acquisition functions by increasing the in-house civilian and/or military workforce by 4,765 authorizations for personnel.
   - By 2011, DOD will increase the total number of DOD civilian and military personnel performing acquisition functions by 10,025 total personnel (end-strength).
   - For 2010 and 2011, DOD will increase the percent of positions filled with personnel meeting Level II certification requirements from the previous fiscal year.
   - For 2010 and 2011, DOD will increase the percent of positions filled with personnel meeting Level III certification requirements from the previous fiscal year.
- Enhance the security cooperation workforce.
   - By 2011, DOD will increase the percent of incumbents that have been trained in security assistance in positions that require security assistance training to 95 percent or greater.

Department of Education

Mission: The U.S. Department of Education seeks to promote student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access.

President Obama's vision is that by 2020, America will again have the best-educated, most competitive workforce in the world with the highest proportion of college graduates of any country. To do this, the United States must also close the achievement gap, so that all youth—regardless of their backgrounds—graduate from high school ready to succeed in college and careers.

High Priority Performance Goals

As part of developing the 2011 Budget and performance plan, the Department of Education has identified a limited number of high-priority performance goals that will be a particular focus over the next two years. These goals, which will help measure the success of the Department's cradle-to-career education strategy, reflect the importance of teaching and learning at all levels of the education system. These goals are consistent with the Department's 5-year strategic plan that is under development and will be used to regularly monitor and report progress. To view the full set of performance information, please visit *www.ed.gov*.

Educational Outcomes

- Early Learning: All States collecting school readiness data and improving their overall and disaggregated school readiness outcomes.

- K-12: All States improving overall and disaggregated high-school graduation rates.

- College: Nation improving overall and disaggregated college completion rate.

Key Initiatives

- Evidence Based Policy: Implementation of a comprehensive approach to using evidence to inform the Department's policies and major initiatives, including:
   - Increase by 2/3 the number of Department discretionary programs that use evaluation, performance measures and other program data for continuous improvement.
   - Implement rigorous evaluations for all of the Department's highest priority programs and initiatives.
   - Ensure all newly authorized Department discretionary programs include a rigorous evaluation component.
- Struggling Schools Reform: Identify as nationwide models 500 of the persistently lowest achieving schools initiating high-quality intensive reform efforts (e.g., turnarounds, restarts, transformations, or closures).

- Effective Teaching: Improve the quality of teaching and learning by:
   - increasing by 200,000 the number of teachers for low income and minority students who are being recruited or retained to teach in hard-to-staff subjects and schools in systems with rigorous processes for determining teacher effectiveness;
   - ensuring that all States have in place comprehensive teacher evaluation systems, based on multiple measures of effectiveness including student achievement, that are used for professional development, retention, tenure, and compensation decisions.
- Data Driven Decisions: All States implementing comprehensive statewide longitudinal data systems that link student achievement and teacher data and

link K-12 with higher education data and, to the extent possible, with pre-K and workforce data.

- College and Career Ready Standards: All States collaborating to develop and adopt internationally benchmarked college- and career-ready standards.

- Simplified Student Aid: All participating higher education institutions and loan servicers operationally ready to originate and service Federal Direct Student Loans through an efficient and effective student aid delivery system with simplified applications and minimal disruption to students.

Department of Energy

Mission: Discovering the Solutions to Power and Secure America's Future.

High Priority Performance Goals

As part of developing the 2011 Budget and performance plan, DOE has identified seven high priority performance goals that will be a particular focus over the next two years. These goals are a subset of those used to regularly monitor and report performance. To view performance information please visit: *www.energy.gov/about/budget.htm*.

- Double renewable energy generating capacity (excluding conventional hydropower) by 2012.

- Assist in the development and deployment of advanced battery manufacturing capacity to support 500,000 plug-in hybrid electric vehicles a year by 2015.

- DOE and HUD will work together to enable the cost-effective energy retrofits of a total of 1.1 million housing units through 2011. Of this number, DOE programs will contribute to retrofits of an estimated one million housing units.

- Commit (conditionally) to loan guarantees for two nuclear power facilities to add new low-carbon emission capacity of at least 3,800 megawatts during 2010.

- Make significant progress towards securing the most vulnerable nuclear materials worldwide within four years.
  - By the end of 2011, remove or dispose of a cumulative total of 3,297 kilograms of vulnerable nuclear material (highly enriched uranium and plutonium).
  - By the end of 2011, complete material protection, control and accounting upgrades on a cumulative total of 218 buildings.

- Maintain the U.S. nuclear weapons stockpile and dismantle excess nuclear weapons to meet national nuclear security requirements as assigned by the President through the Nuclear Posture Review.
  - Annual percentage of warheads in the Stockpile that is safe, secure, reliable, and available to the President for deployment (long term assurance).
  - Cumulative percentage of progress in completing Nuclear Weapons Council (NWC)-approved Life Extension Program (LEP) activities.
  - Cumulative percent reduction in projected W76 warhead production costs per warhead from established validated baseline, as computed and reported annually by the W76 LEP Cost Control Board.

- Reduce Cold War legacy environmental footprint by 40 percent, from 900 square miles to 540 square miles, by 2011.

Department of Health and Human Services

Mission: The Department of Health and Human Services' (HHS's) mission is to enhance the health and well-being of Americans by providing for effective health and human services and by fostering sound, sustained advances in the sciences underlying medicine, public health, and social services.

High Priority Performance Goals

As part of developing the 2011 Budget and performance plan, the Department has identified a limited number of high priority performance goals that will be a particular focus over the next two years. These goals are a subset of those used to regularly monitor and report performance. To view the full set of performance information please visit *www.hhs.gov/asrt/ob/docbudget/index.html***.**

- Access to Early Care and Education Programs for Low-Income Children: By the end of 2010, increase the number of low-income children receiving Federal support for access to high quality early care and education settings including an additional 64,000 children in Head Start and Early Head Start and an average of 10,000 additional children per month through the Child Care and Development Fund (CCDF) over the number of children who were enrolled in 2008.

- Quality in Early Care and Education Programs for Low-Income Children: Take actions in 2010 and 2011 to strengthen the quality of early childhood programs by advancing recompetition, implementing improved performance standards and improving training and technical assistance systems in Head Start; promoting community efforts to integrate early childhood services; and by expanding the number of States with Quality Ratings Improvement Systems that meet high quality benchmarks for Child Care and other early childhood programs developed by HHS in coordination with the Department of Education.

- Medicaid and Children's Health Insurance Program: Broaden availability and accessibility of health insurance coverage through implementation of the Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA) legislation, by increasing CHIP enrollment by over 7 percent above the 2008 baseline by the end of 2011 (from 7,368,479 children to 7,884,273 children).

- Food Safety: By the end of 2011, decrease by 10 percent from the 2005-2007 average baseline, all of the following: the rate of sporadic *Salmonella Enteritidis* (SE) illnesses in the population; the number of SE outbreaks; and, the number of SE cases associated with outbreaks.[1]

- Tobacco - Supportive Policy and Environments: By the end of 2011, increase to 75 percent[2] the percentage of communities funded under the Communities Putting Prevention to Work (CPPW) program that have enacted new smoke-free policies and improved the comprehensiveness of existing policies.

- Primary Care: By the end of 2011, increase access to primary health care by increasing the Field Strength of the National Health Service Corps (NHSC) to 8,561[3] primary care providers. This is in contrast to the 2008 field strength of 3,601.

- Emergency Preparedness - Incident Command Structure: By 2011, increase the percentage of State public health agencies that can convene within 60 minutes of notification a team of trained staff that can make decisions about appropriate response and interaction with partners to 96 percent. (CDC, 2007 Baseline: 84 percent).

- Health Information Technology (HIT): By the end of 2011, establish the infrastructure necessary to encourage the adoption and meaningful use of Health Information Technology by:
  - Establishing a network of 70 Regional Extension Centers by the end of 2010.
  - Registering 30,000 providers to receive services from Regional Extension Centers by end of 2010.
  - Registering 100,000 providers to receive services from Regional Extension Centers by end of 2011.
  - Achieving 20 percent adoption of EHRs among providers working with Regional Extension Centers by end of 2011.
- Biomedical Research: By 2011, reduce the fully-loaded cost of sequencing a human genome to $25,000.

[1] Targets will be reevaluated after actual data is provided for 2009.

[2] This target may be adjusted once the actual CCPPW-funded communities have been selected in February 2010.

[3] The target of 8,561 assumes the 2010 Appropriation figure of $100.797 million for the National Health Service Corps Recruitment line and the 2011 President's Budget Request of $122.588 million. If the Congress were to provide less funding in 2011, the target would need to be adjusted accordingly.

Department of Homeland Security

Mission: The Department of Homeland Security (DHS) has identified six goals that are based on operational missions defined by the Secretary's Priorities. In addition, the Department has provided two additional goals focused on the Secretary's Priority of Maturing and Strengthening the Homeland Security Enterprise. When DHS speaks of the "Homeland Security Enterprise", we define it as the collective efforts of Federal, State, local, tribal, territorial non-governmental and private-sector partners—as well as individuals, families and communities—to maintain critical homeland security capabilities.

The five operational missions defined by the Secretary are:

1. Countering terrorism and enhance security
2. Securing and managing our borders
3. Administering and enforcing our immigration laws
4. Safeguarding and security cyberspace
5. Ensuring resilience from disasters

DHS currently has a 5-year strategic plan, a 5-year programming plan (Future Year Homeland Security Plan), as well as an annual performance plan and an annual performance report on Department progress. The Department will develop a new strategic plan based on these new priorities established by the Secretary.

High Priority Performance Goals

As part of developing the 2011 Budget and performance plan, DHS identified this set of high priority performance goals that will be a particular focus over the next two years. These goals have been organized around the priority areas identified above. These goals are a subset of those used to regularly monitor and report performance. To view the full set of performance information please visit: *http://www.dhs.gov/xabout/budget/gc_1214235565991.shtm\.*

Countering terrorism and enhancing security

- Improve security screening of transportation passengers, baggage, and employees while expediting the movement of the traveling public (aviation security).
  - Passenger and Baggage Security Screening Results (classified measures).
  - Wait times for aviation passengers (Target: Less than 20 minutes by 2012).
- Improve security screening of transportation passengers, baggage, and employees while expediting the movement of the traveling public (surface transportation security).
  - Percent of mass transit and passenger rail agencies that have effectively implemented industry agreed upon Security and Emergency Manage-

ment Action items to improve security (Target: 75 percent by 2012).

Securing and managing our borders

- Prevent terrorist movement at land ports of entry through enhanced screening while expediting the flow of legitimate travel.
  - Achieve 97 percent compliance with Western Hemisphere Travel Initiative.
  - Complete deployment of WHTI facilitative technology to low volume land ports of entry.
  - Improve the land border Law Enforcement Query Rate to 95 percent.
  - Increase the RFID document utilization rate to 25 percent.

Administering and enforcing our immigration laws

- Improve the efficiency of the process to detain and remove illegal immigrants from the United States.
  - Increase the number of dangerous criminal aliens removed by four percent per year.
  - Decrease the number of days spent in custody by criminal aliens before they are removed from the United States from 43 to 41 days in 2010.
- Improve the delivery of immigration services
  - Percent of USCIS workload adjudicated electronically. (Target: 40 percent by Q4 2011).
  - Percent of Solution Architect deliverables delivered on time. (Target: 100 percent).
  - Project milestones completed within 10 percent of cost, schedule, and performance goals.

Ensuring resilience from disasters

- Strengthen disaster preparedness and response by improving FEMA's operational capabilities and strengthening State, local and private citizen preparedness.
  - Increase the capacity to provide temporary housing to disaster survivors by 200 percent.
  - Improve to 90 percent the percentage of shipments arriving with the requested materials at the requested location by the validated/agreed upon delivery date.
  - Improve to 95 percent the percentage of respondents reporting they are better prepared to deal with disasters and emergencies as a result of training.

Maturing and Strengthening the Homeland Security Enterprise

- Mature and unify the Homeland Security Enterprise through effective information sharing.
  - Increase the percentage of information sharing agreements that allow for the sharing of information across all components of DHS by 85 percent.
- Improve Acquisition Execution Across the DHS Acquisition Portfolio, by ensuring Key Acquisition Expertise resides in Major Program Office and Acquisition Oversight Staffs throughout the Department.
  - Increase from 45 percent to 60 percent the major acquisition projects that do not exceed 10 percent of cost / schedule / performance objectives.

Department of Housing and Urban Development

Mission: The mission of the Department of Housing and Urban Development (HUD) is to invest in quality, affordable homes and build strong, safe, healthy communities for all.

High Priority Performance Goals

HUD develops a 5-year strategic plan, as well as an annual performance plan and annual report on our progress. As part of developing the 2011 Budget and performance plan, HUD has also identified a limited number of high priority performance goals that will be a particular focus over the next two years. These goals are a subset of those used to regularly monitor and report performance. To view the full set of performance information please visit: *http://www.hud.gov/offices/cfo/reports/cforept.cfm*.

- Foreclosure Prevention
  - Assist three million homeowners who are at risk of losing their homes due to foreclosure.
    - 200,000 homeowners will be assisted through FHA programs.
    - 400,000 homeowners will be assisted through third-party lender loss mitigation initiatives mandated by FHA but not receiving FHA subsidy.
    - 2.4 million homeowners will be assisted through joint HUD-Treasury programs.
  - For all FHA borrowers that become 30 days late, achieve a Consolidated Claim Workout (CCW) Ratio[4] of 75 percent, representing a 10 percentage point improvement over current levels, and for those receiving a CCW achieve a six month re-default rate[5] of 20 percent or less, representing a five percentage point reduction from current levels.
- Rental Assistance: By the end of 2011, HUD programs will meet more of the growing need for affordable rental homes by serving 5.46 million families, 207,000 more than in 2009.

[4] CCWs combine FHA partial claims, loan modifications and new HAMP modifications that represent affordable solutions, but exclude less affordable forbearance programs.

[5] Since most re-defaults tend to occur in the first six months after the workout, the six month period was selected to allow measurement of goal performance within a given year.

- Veteran's Homelessness: HUD and the Department of Veterans Affairs (VA) will jointly reduce homelessness among veterans.
  - Together, the two agencies will reduce the number of homeless veterans to 59,000 in June, 2012. Without intervention, there would be an estimated 194,000 homeless veterans by June, 2012.
  - Toward this joint goal, HUD is committed to assisting 16,000 homeless veterans each fiscal year to move out of homelessness into permanent housing (6,000 through Continuum of Care programs, and 10,000 in partnership with VA through the HUD-VASH program).
- DOE and HUD will work together to enable the cost-effective energy retrofits of a total of 1.1 million housing units through 2011.
  - Of this number, HUD will complete cost-effective energy retrofits of an estimated 126,000 HUD-assisted and public housing units.
  - Apart from our joint energy retrofit goal with DOE, HUD will complete green and healthy retrofits of 33,000 housing units.

Department of the Interior

Mission: The U.S. Department of the Interior protects and manages the Nation's natural resources and cultural heritage; provides scientific and other information about those resources; and honors its trust responsibilities or special commitments to American Indians, Alaska Natives, and affiliated Island Communities.

High Priority Performance Goals

As part of developing the 2011 Budget and performance plan, the Department has identified a limited number of high priority performance goals that will be a particular focus over the next two years. These goals are a subset of those used to regularly monitor and report performance. To view the full set of performance information please visit *www.doi.gov/ppp/perfreport.html*.

- Renewable Energy Development: Increase approved capacity for production of renewable (solar, wind, and geothermal) energy resources on Department of the Interior managed lands, while ensuring full environmental review, by at least 9,000 megawatts through 2011.

- Water Conservation: Enable capability to increase available water supply for agricultural, municipal, industrial, and environmental uses in the western United States up to 375,000 acre-feet (estimated amount) by the end of 2011 through the bureau's conservation-related programs, such as water reuse and recycling (Title XVI) and Challenge Grants.

- Safe Indian Communities: Achieve significant reduction in criminal offenses of at least five percent within 24 months on targeted tribal reservations by implementing a comprehensive strategy involving community policing, tactical deployment, and critical interagency and intergovernmental partnerships.

- Climate Change: By 2012, the Department will identify the areas and species' ranges in the U.S. that are most vulnerable to climate change, and begin implementing comprehensive climate change adaptation strategies in these areas.

- Youth Stewardship: By the end of 2011, increase by 50 percent (from 2009 levels) the employment of youth between the ages of 15-25 in the conservation mission of the Department.

Department of Justice

Mission: To enforce the law and defend the interests of the United States according to the law, to ensure public safety against threats foreign and domestic, to provide federal leadership in preventing and controlling crime, to seek just punishment for those guilty of unlawful behavior, and to ensure fair and impartial administration of justice for all Americans.

High Priority Performance Goals

The Department of Justice develops a 5-year strategic plan, as well as an annual performance and accountability report on our progress. As part of developing the 2011 Budget and performance plan, the Department of Justice has identified a limited number of high priority performance goals that will be a particular focus over the next two years. These goals are a subset of those used to regularly monitor and report performance. To view the full set of performance information please visit: *http://www.justice.gov/02organizations/bpp.htm*.

- National Security: Increase the percentage of total counterterrorism investigations targeting Top Priority threats by five percent by the end of 2011.

- White Collar Crime: Increase white collar caseload by five percent concerning mortgage fraud, health care fraud, and official corruption by 2012, with 90 percent of cases favorably resolved.

- Violent Crime: Increase agents and prosecutors by three percent, in order to reduce incidents of violent crime in high crime areas by 2012.

- Immigration: Increase Immigration Judges by 19 percent by the end of 2011 in order to expeditiously remove/release detained aliens by completing 85 percent of immigration court detained cases within 60 days.

- Public Safety: Support 8,900 additional police officers by 2012 via COPS Hiring Programs to promote community policing strategies that are evidence based.

- Civil Rights: Increase the number of persons favorably impacted by resolution of civil rights enforcement cases and matters.
  - By the end of 2011 increase the criminal civil rights caseload by 34 percent with 80 percent of cases favorably resolved.
  - By the end of 2011 increase the non-criminal civil rights caseload by 28 percent, with 80 percent of cases favorably resolved.
  - By the end of 2011 increase the number of complaints finalized by mediation by 10 percent, with 75 percent of mediation complaints successfully resolved.

Department of Labor

Mission: The Department of Labor fosters and promotes the welfare of the job seekers, wage earners, and retirees of the United States by improving their working conditions, advancing their opportunities for profitable employment, protecting their retirement and health care benefits, helping employers find workers, strengthening free collective bargaining, and tracking changes in employment, prices, and other national economic measurements.

High Priority Performance Goals

As part of developing the 2011 Budget and performance plan, the Department of Labor has identified a limited number of high priority performance goals that will be a particular focus over the next two years. These goals are a subset of those used to regularly monitor and report performance. To view the full set of performance information please visit *www.dol.gov/dol/aboutdol/main.htm*.

- Workplace Fatalities: Reduce fatalities resulting from common causes by two percent in Occupational Safety and Health Administration-covered workplaces and by five percent in mining sites per year.

- Wage Law Enforcement: Increase the percent of prior violators who remain in compliance with the minimum wage and overtime provisions of the Fair Labor Standards Act (FLSA) to 75 percent in 2011 from 66 percent in 2009.

- International Labor Laws: By the end of 2011, improve worker rights and livelihoods for vulnerable populations in at least eight developing country trading partners.

- Workers' Compensation: Create a model return-to-work program to reduce lost production day rates by one percent per year and reduce injury and illness rates by at least four percent per year in 2010 and 2011.

- Worker Job Training:
  - By June 2012, increase by 10 percent (to 220,000) the number of WIA low-skilled adults, dislocated workers, disadvantaged youth; and National Emergency Grant (NEG), Trade Adjustment Assistance (TAA), and Community-Based Job Training (CBJT) program completers who receive training and attain a degree or certificate.
  - Train over 120,000 Americans for green jobs by June 2012.

Department of State and USAID

Mission: The shared mission of the U.S. Department of State and the U.S. Agency for International Development (USAID) is to advance freedom for the benefit of the American people and the international community by helping to build and sustain a more democratic, secure, and prosperous world composed of well-governed states that respond to the needs of their people, reduce widespread poverty, and act responsibly within the international system.

High Priority Performance Goals

As part of our 2011 Performance Budget and Annual Performance Plan, the Department and USAID identified a limited number of joint high priority performance goals that reflect both agencies' priorities and will be a particular focus for the two agencies from now through 2011. These goals are a subset of those used to regularly monitor and report performance against our joint strategic plan. To view the full set of performance information please visit *www.state.gov* and *www.usaid.gov*.

- Afghanistan and Pakistan: Strengthen the host country capacity to effectively provide services to citizens and enhance the long-term sustainability of development efforts by increasing the number of local implementers (government and private) that can achieve a clean audit to clear them to manage civilian assistance funds.

- Iraq: Helping the Iraqi people continue to build a sovereign, stable, and self-reliant country as the United States transitions from military to civilian responsibility in Iraq, measured by improvements in security, political, and economic metrics.

- Global Health: By 2011, countries receiving health assistance will better address priority health needs of women and children, with progress measured by USG and UNICEF-collected data and indicators. Longer term, by 2015, the Global Health Initiative aims to reduce mortality of mothers and children under five, saving millions of lives, avert millions of unintended pregnancies, prevent millions of new HIV infections, and eliminate some neglected tropical diseases.

- Climate Change: By the end of 2011, U.S. assistance will have supported the establishment of at least 20 work programs to develop Low-Carbon Development Strategies (LCDS) that contain measurable, reportable, and verifiable actions. This effort will lay the groundwork for at least 30 completed LCDS by the end of 2013 and meaningful reductions in national emissions trajectories through 2020.

- Food Security: By 2011, up to five countries will demonstrate the necessary political commitment and implementation capacities to effectively launch implementation of comprehensive food security plans that will track progress towards the country's Millennium Development Goal (MDG1) to halve poverty and hunger by 2015.

- Democracy and Good Governance: Facilitate transparent, participatory, and accountable governance in 23 priority emerging and consolidating democracies by providing training assistance to 120,000 rule of law professionals, civil society leaders, democratically elected officials, journalists, and election observers over the 24-month period of October 1, 2009 through September 30, 2011.

- Global Security–Nuclear Nonproliferation: Improve global controls to prevent the spread of nuclear weapons and enable the secure, peaceful use of nuclear energy.

- Management–Building Civilian Capacity: Strengthen the civilian capacity of the State Department and USAID to conduct diplomacy and development activities in support of the Nation's foreign policy goals by strategic management of personnel, effective skills training, and targeted hiring.

Department of Transportation

Mission: The national objectives of general welfare, economic growth and stability, and the security of the United States require the development of transportation policies and programs that contribute to providing fast, safe, efficient, and convenient transportation at the lowest cost consistent with those and other national objectives, including the efficient use and conservation of the resources of the United States.

High Priority Performance Goals

The Department of Transportation (DOT) develops a 5-year strategic plan, as well as annual performance plans in its budget submission to Congress and an annual performance report on our progress. As part of developing the 2011 Budget and performance plan, the Department of Transportation has also identified a limited number of high priority performance goals that will be a particular focus over the next two years. These goals are a subset of those used to regularly monitor and report performance. To view the full set of performance information please visit: *http://www.dot.gov/about_dot.html#perfbudgplan*.

- Reduce the Highway Fatality Rate: Reduce the rate of highway fatalities to 1.13 – 1.16 per 100 million vehicle miles traveled by the end of 2011, through a variety of initiatives aimed at drivers, improved road design, and the use of technology to improve safety. DOT will revisit this target once it has had the opportunity to research the effects of the recession on vehicle miles traveled and more completely understand the effect of new technology, safety standards, and demographic trends on passenger survival in an accident.

- Limit the Rate of Aviation Risks on Runways: Reduce the risk of accidents during aircraft departures and landings by reducing the number of runway incursions five percent from the 2008 baseline by the end of 2011.

- Improve Rail Transit Industry Focus on Safety Vulnerabilities:
  - Improve State Safety Oversight programs' compliance with existing requirements by the end of the third quarter of 2010.
  - Form a compliance advisory committee, in accordance with the Federal Advisory Committee Act, to provide input on potential future regulation by the end of 2010.
  - Complete at least three workshops and training on transit asset management, including a focus on safety critical assets by the end of 2010.
- Establish High Speed Rail Capability: Increase the Nation's ability to develop high speed intercity passenger rail.
  - Obligate or issue a Letter of Intent to obligate 100 percent of funds to selected grantees by the end of 2011.

Department of the Treasury

Mission: Maintain a strong economy and create economic and job opportunities by promoting the conditions that enable economic growth and stability at home and abroad, strengthen national security by combating threats and protecting the integrity of the financial system, and manage the U.S. Government's finances and resources effectively.

High Priority Performance Goals

As part of developing the 2011 Budget and performance plan the Department of the Treasury has identified a limited number of high priority performance goals that will be a particular focus over the next two years. These goals are a subset of those used to regularly monitor and report performance. To view the full set of performance information please visit *www.treas.gov/offices/management/budget/planningdocs/*.

- Repair and reform the financial system
  - Complete up to four million trial mortgage loan modifications by December 31, 2012.
  - Implement strong, comprehensive regulatory reform to restore stability and accountability to the financial system.
  - Establish a new Financial Services Oversight Council of financial regulators to identify emerging systemic risks and improve interagency cooperation.
  - Indicator: Mortgage interest rates.
  - Indicator: Cost of credit to businesses.
  - Indicator: Consumer Asset-Backed Securities (ABS) issuance.
  - Indicator: Chicago Federal Reserve Bank's National Activity Index, 3-Month Moving Average (CFNAI-MA3).
- Increase voluntary tax compliance
  - Make progress against the Tax Gap through improved service and enhanced enforcement of the tax laws:
    - Achieve over four million document matching closures in a year in 2011 (where IRS information does not match taxpayer reported information).
    - Implement the new Customer Account Data Engine database and processing platform by December 2011, doubling the number of taxpayers receiving refunds on a five-day cycle.
  - Assist Americans in voluntarily meeting their tax obligations:
    - Increase individual income tax filers' American Customer Satisfaction Index to 69 percent.
    - Improve telephone level of service to at least 75 percent by the end of 2011.
- Significantly increase the number of paperless transactions with the public
  - Increase electronic payment, collections, and savings bonds transactions by 33 percent by the end of 2011.
  - Increase individual E-file rate to 81 percent.

Department of Veterans Affairs

Mission: The Department of Veterans Affairs (VA) is responsible for a timeless mission: "To care for him who shall have borne the battle, and for his widow, and his orphan"—by serving and honoring the men and women who are America's Veterans.

High Priority Performance Goals

VA identified five high priority performance goals that will be a particular focus over the next two years. These goals are a subset of those used to regularly monitor and report performance as part of developing the 2011 Budget and performance plan. To view our most recent annual performance report, please visit *http://www4.va.gov/budget/report/*.

- In conjunction with HUD, reduce the homeless veteran population to 59,000 by June 2012 on the way to eliminating veteran homelessness.
- Build and deploy an automated GI Bill benefits system to speed tuition and housing payments for all eligible veterans by December 2010.
  - By the end of 2011, reduce the average number of days to complete original Post-9/11 GI Bill education benefit claims to 18 days.
- Implement a 21st Century paperless claims processing system by 2012 to ultimately reduce the average disability claims processing time to 125 days.
- Create the next generation of electronic record system—Virtual Lifetime Electronic Record (VLER) by 2012. This interagency initiative will create a more effective means for electronically sharing health and benefits data of service members and veterans.
  - By the end of 2011, at least three sites will be capable of bi-directional information exchange between VA, the Department of Defense, and the private sector.
  - The prototyping and pilot phases will be completed by 2012.
- Improve the quality, access, and value of mental health care provided to veterans by December 2011.
  - By the end of 2011, 96 percent of mental health patients will receive a mental health evaluation within 15 days following their first mental health encounter.
  - By the end of 2011, 97 percent of eligible patients will be screened at required intervals for Post Traumatic Stress Disorder.
  - By the end of 2010, 97 percent of all eligible patients will be screened at required intervals for alcohol misuse, and 96 percent will be screened for depression.
- Deploy a Veterans Relationship Management (VRM) Program to improve access for all Veterans to the full range of VA services and benefits by June 2011.
  - By the end of 2010, implement call recording, national queue, transfer of calls and directed voice and self help.
  - By the end of 2010, enhance transfers of calls among all Veterans Benefits Administration lines of business with capability to simultaneously transfer callers' data.
  - By the end of 2010, pilot the Unified Desktop within Veterans Benefits Administration lines of businesses to improve call center efficiency.

Army Corps of Engineers—Civil Works

Mission: The civil works program develops, manages, and restores water resources, with a focus on its three main mission areas, which are: 1) commercial navigation; 2) flood and storm damage reduction; and 3) aquatic ecosystem restoration. The Corps, working with other Federal agencies, also helps communities respond to and recover from floods and other natural disasters.

High Priority Performance Goals

As part of developing the 2011 Budget and performance plan, the Corps has identified four high priority performance goals to focus on over the next two years. These goals are a subset of those that it uses internally to monitor and report project and program performance. To view our performance-related information, please visit *http://www.usace.army.mil/CECW/Pages/fpi.aspx*.

- Aquatic Ecosystem Restoration and Regulatory Program: Provide sustainable development, restoration, and protection of the Nation's water resources by restoring degraded habitat on 10,300 acres in the Aquatic Ecosystem Restoration program by the end of 2011, which would result in an increase of 17 percent over the total acreage estimated to have been restored during 2005-2010, and achieving no net loss of wetland function through avoidance and mitigation in the Regulatory Program.

- Flood Risk Management: Reduce the Nation's risk of flooding that damages property and places individuals at risk of injury or loss of life. Metrics include:
  - Reduced risk of damage to property (Cumulative damages prevented)
    - 2006-2009: $122 million; 2010: $150 million; 2011: $174 million.
  - Reduced risk to life and safety (Cumulative increase in the number of people offered protection)
    - 2006-2009: 908 thousand people; 2010: 945 thousand people; 2011: 2.77 million people.

  This goal reflects the estimated cumulative flood damage reduction benefits (starting from 2006) resulting from completing construction of projects in 2010 or 2011. These first metric's targets are based on projected milestones of an additional $28 million of property with a reduced risk of damage in 2010 and another $24 million in 2011. The second metric's targets reflect project milestones of an additional 37 thousand people and another 1.823 million people offered protection in 2010 and 2011 respectively.

  In addition, for those completed projects, the Corps also will track overall project implementation performance by identifying variances in schedule and cost between the actual results and the initial estimates as adjusted for inflation, as well as documenting the causes of such variances. This will enable the Corps to better develop future project cost estimates and implementation schedules with the goal of keeping cost and schedule variance to no more than 10 percent.

- Commercial Navigation—Help facilitate commercial navigation by providing safe, reliable, highly cost-effective, and environmentally sustainable waterborne transportation systems.

  Primary metric, inland navigation program: The number of instances where mechanically driven failure or shoaling results in the closure of a high or moderate commercial use segment anywhere in the Nation for a defined period of time. The Corps will measure overall program performance based on its ability over time to reduce both the number of preventable closures that last longer than 24 hours, as well as the number of preventable closures that last longer than one week. Using these measures, the Corps will aim to achieve a level of performance each year that is as good as the median level of annual performance over the past three years (from 2007—2009). The Corps will only count preventable closures (i.e., not closures due to low water levels from droughts, high water levels from floods, or accidents) caused by: (1) a failure on the main chamber of a lock, rather than an auxiliary chamber; or (2) shoaling due to inadequate dredging.

- Hydropower Program—Increase the Hydropower program's performance metric of average peak unit availability for 353 generating units from the 2009 level of 88 percent to 90 percent by 2011. This will move the Corps closer to the industry standard level, which is 98 percent.

Environmental Protection Agency

Mission: The mission of the Environmental Protection Agency (EPA) is to protect human health and to safeguard the natural environment—air, water and land—upon which life depends.

High Priority Performance Goals

As part of developing the 2011 Budget and performance plan, EPA has identified a limited number of high priority performance goals that will be a particular focus over the next two years. These goals are a subset of those used to regularly monitor and report performance. To view the full set of performance information please visit *www.epa.gov/ocfo/par/2009par/*.

- EPA will improve the country's ability to measure and control Green House Gas (GHG) emissions. Building a foundation for action is essential.
  - By June 15, 2011, EPA will make publically available 100 percent of facility-level GHG emissions

data submitted to EPA in compliance with the GHG Reporting Rule.

- In 2011, EPA working with DOT will begin implementation of regulations designed to reduce the GHG emissions from light duty vehicles sold in the U.S. starting with model year 2012.

- Clean water is essential for our quality of life and the health of our communities. EPA will take actions over the next two years to improve water quality.
  - All Chesapeake Bay watershed States (including the District of Columbia) will develop and submit approvable Phase I watershed implementation plans by the end of CY 2010 and Phase II plans by the end of CY 2011 in support of EPA's final Chesapeake Bay Total Maximum Daily Load (TMDL).
  - By the end of 2011, increase the percent of federal CWA discharge permit enforcement actions that reduce pollutant discharges into impaired waterways from 20 percent (2009 baseline) to 25 percent, and promote transparency and right-to-know by posting results and analysis on the web.
  - EPA will initiate over the next two years, at least four drinking water standard reviews to strengthen public health protection.

- EPA will ensure that environmental health and protection is delivered to our communities.
  - By 2012, EPA will have initiated 20 enhanced Brownfields community level projects that will include a new area-wide planning effort to benefit under-served and economically disadvantaged communities. This will allow those communities to assess and address multiple Brownfields sites within their boundaries, thereby advancing area-wide planning and cleanups and enabling redevelopment of Brownfields properties on a broader scale than on individual sites. EPA will provide technical assistance, coordinate its enforcement, water and air quality programs, and work with other Federal agencies, States, tribes and local governments to implement associated targeted environmental improvements identified in each community's area-wide plan.

National Aeronautics and Space Administration

Mission: The National Aeronautics and Space Administration (NASA) drives advances in science, technology, and exploration to enhance knowledge, education, innovation, economic vitality, and stewardship of the Earth.

High Priority Performance Goals

As part of developing the 2011 Budget and performance plan, NASA has identified a limited number of high priority performance goals that will be a particular focus over the next two years. The Agency will be establishing one or more additional goals in the months ahead for its human space programs. These goals are a subset of those used to regularly monitor and report performance. To view the full set of performance information please visit: *www.nasa.gov/news/budget/index.html*.

- Aeronautics Research: Increase efficiency and throughput of aircraft operations during arrival phase of flight.
  - By September 2012, NASA will deliver a Technology Transition Document to the FAA. The goal is to conduct demonstration field tests of a NASA-developed technology that can reduce airliner flight time, fuel consumption, noise and emissions. Delivering complete documentation of the demonstration supports a process for potential deployment of this technology by the FAA.

- Earth Science: NASA will make significant progress towards completion of the integration, test, launch, validation and initiation of early orbit operations of the Aquarius, Glory and NPOESS Preparatory Project (NPP) missions prior to the end of Fiscal Year 2011.
  - Aquarius: By February 2011, conduct "In-Orbit Checkout" (60 days post launch).
  - Glory: By January 2011, complete the Glory Transition Review.
  - NPP: By April 2011, complete the NPP Operational Handover Review.

  These milestones indicate when each mission is expected to become operational. The delays thus far for these missions represent an unplanned cost burden to NASA as well as lost opportunity in collecting essential data that supports major scientific assessments for climate change.

- Education and Future Workforce Preparation: Increase annually the percentage of NASA higher education program student participants employed by NASA, aerospace contractors, universities, and other educational institutions.
  - In 2010 the target is to achieve a 60 percent conversion to the workforce of students who receive a degree and meet the threshold for funding/contact hour investments by NASA. The current actions and measures within this goal are intended to improve the means through which higher education program managers can increase the percentage of students hired into the NASA, aerospace, and Science, Technology, Engineering, and Mathematics (STEM) education workforce.

- Energy Management: Ensure a sustainable infrastructure by reducing Agency energy intensity use.
  - For facility energy use, the target is 30 percent reduction in energy intensity Btu/gsf by the end of 2015 (from a 2003 baseline, reduce energy three percent per year for 2006-2015).

- For fleet vehicle energy use, the target is 30 percent reduction in fleet total consumption of petroleum products by the end of 2020 (two percent per year from a 2005 baseline).
- For potable water use, the target is 26 percent reduction in water intensity gal/gsf by the end of 2020 (two percent per year from a 2007 baseline).

National Science Foundation

Mission: The National Science Foundation (NSF) promotes the progress of science, engineering, and education for the common good. The National Science Foundation carries out its mission by investing in the best ideas generated by scientists, engineers and educators working at the frontiers of knowledge, and across all fields of research and education.

High Priority Performance Goals

As part of developing the 2011 budget and performance plan, NSF has identified a high priority performance goal focused on evidence-based approaches to our Science, Technology, Engineering, and Mathematics (STEM) workforce development programs that will be a particular focus over the next two years. In addition to this high priority performance goal, there are a number of other goals used to regularly monitor and report performance. To view the full set of performance information please visit *www.nsf.gov/about/performance/*.

- Improve the education and training of an innovative Science, Technology, Engineering, and Mathematics (STEM) workforce through evidence-based approaches that includes collection and analysis of performance data, program evaluation and other research.
  - By the end of 2011, at least six major NSF STEM workforce development programs at the graduate/postdoctoral level have evaluation and assessment systems providing findings leading to program re-design or consolidation for more strategic impact in developing STEM workforce problem solvers, entrepreneurs, or innovators.

Small Business Administration

Mission: The Small Business Administration (SBA) was established in 1953 to "aid, counsel, assist and protect, insofar as is possible, the interests of small business concerns." The charter also stipulated that SBA would ensure small businesses a "fair proportion" of Government contracts and sales of surplus property. SBA's mission is to maintain and strengthen the Nation's economy by enabling the establishment and vitality of small businesses and by assisting in the economic recovery of communities after disasters.

High Priority Performance Goals

As part of developing the 2011 Budget and performance plan, SBA has identified a limited number of high priority performance goals that will be a particular focus over the next two years. These goals are a subset of those used to regularly monitor and report performance. To view the full set of performance information please visit *www.sba.gov/aboutsba/budgetsplans/index.html*.

- Lending: Expand access to capital by increasing the number of active SBA lending partners for the 7(a) loan program to 3,000 by September 30, 2011, a 15 percent increase over the 2008 and 2009 average. The SBA will increase its outreach to lending partners so that small business owners will have increased access to capital. The foundation for the initiative is the Office of Capital Access which oversees the SBA lending programs. Additionally, the primary contacts for these lenders are the staff in the Office of Field Operations' 68 district offices around the country. Other SBA resources will play a role in promoting and achieving this goal.

- Contracting: Increase small business participation in Federal Government contracting to meet the statutory goals and reduce participation by ineligible firms. Congress has mandated that small businesses should receive 23 percent of Federal Government prime contracts and has set separate goals for other subsets of the small business community. The SBA's Office of Government Contracting and Business Development will play a lead coordinating role in helping each Federal agency reach the specific goals, and other SBA resources will play a role in promoting contracting opportunities to small business owners.

- Disaster Assistance: Process 85 percent of home loan applications within 14 days and 85 percent of business and EIDL loan applications within 18 days. The SBA's Office of Disaster Assistance will lead the Agency in overseeing the success of this goal. In addition, the Office of Field Operations, including its 68 offices around the country, will assist with "on the ground" efforts.

- Small Business Innovation Research Program: Improve the SBIR program by 1) deploying an improved data collection and reporting system, including implementing performance metrics, 2) implementing more systematic monitoring for fraud waste and abuse, and 3) improving commercialization from existing program awards.

Social Security Administration

Mission: The Social Security Administration's (SSA's) mission is to "deliver Social Security services that meet the changing needs of the public."

High Priority Performance Goals

As part of developing the 2011 Budget and performance plan, the Social Security Administration identified a limited number of high priority performance goals that will be a particular focus over the next two years. These goals are a subset of those used to regularly monitor and report performance. To view the full set of performance information please visit *www.socialsecurity.gov/asp.*

- Increase the Number of Online Applications: By 2012, achieve an online filing rate of 50 percent for retirement applications. In 2011, SSA's goal is to:
  - Achieve 44 percentage of total retirement claims filed online.
  - Additionally, achieve 27 percentage of total initial disability claims filed online.
- Issue More Decisions for People Who File for Disability: SSA will work towards achieving the Agency's long-term outcomes of lowering the disability backlogs and accurately processing claims. SSA will also ensure that clearly disabled individuals will receive an initial claims decision within 20 days. Finally, the Agency will reduce the time it takes an individual to receive a hearing decision to an average of 270 days by 2013. In order to efficiently issue decisions in 2011, SSA's goal is to:
  - Process 3.317 million out of a universe of 4.316 million initial disability claims.
  - Achieve 6.5 percent of initial disability cases identified as a Quick Disability Determination or a Compassionate Allowance.
  - Process 799,000 out of a universe of 1.456 million hearing requests.
- Improve SSA's Customers' Service Experience on the telephone, in field offices, and online: To alleviate field office workloads and to provide the variety of services the public expects, SSA will improve telephone service on the national 800-number and in the field offices. By 2011, SSA's goal is to:
  - Achieve an average speed of answer of 264 seconds by the national 800-number.
  - Lower the busy rate for national 800-number calls from eight percent to seven percent.
  - Raise the percent of individuals who do business with SSA rating the overall services as "excellent," "very good," or "good" from 81 percent in 2009 to 83.5 percent.
- Ensure Effective Stewardship of Social Security Programs by Increasing Program Integrity Efforts: SSA will improve program integrity efforts by minimizing improper payments and strengthening the Agency's efforts to protect program dollars from waste, fraud, and abuse. In 2011, SSA's goal is to:
  - Process 359,800 out of a total of approximately 2 million medical continuing disability reviews, an increase of 9.4 percent over 2010.
  - Process 2.422 million supplemental security income non-disability redeterminations in 2011.

General Services Administration

Mission: The General Services Administration (GSA) leverages the buying power of the Federal Government to assure value for taxpayers and our customers.

High Priority Performance Goals

As part of developing the 2011 Budget and performance plan, GSA has identified a limited number of high priority performance goals that will be a particular focus over the next two years. These goals are a subset of those used to regularly monitor and report performance. To view the full set of performance information please visit *www.gsa.gov/annualreport.*

- Further green the GSA Fleet inventory and that of its largest customer, the U.S. Army, by collaborating to provide 1,000 Low Speed Electric Vehicles (LSEV) by September 30, 2011.
- Provide agile technologies and expertise for citizen-to-Government interaction that will achieve unprecedented transparency and build innovative solutions for a more effective, citizen-driven Government.
  - Create three readiness assessments and criteria-based tool selection guidance by April 15, 2010.
  - Provide assistance to other Federal agencies in conducting six dialogs by September 30, 2010.
  - Realize 136 million touchpoints (citizen engagements) through Internet, phone, print and social media channels by September 30, 2010.
  - Successfully complete three agency dialogs with the public to better advance successful use of public engagements by September 30, 2010.
  - Train 100 Government employees on citizen engagement in forums, classes and/or webinars that are rated highly successful by participants and linked to agency capability building and successful engagement outcomes by September 30, 2010.
- Identify at least three demonstration projects during 2010 to begin designing toward zero net energy footprint using the principles of Living Building Challenge.

Office of Personnel Management

Mission: The mission of the Office of Personnel Management (OPM) is to recruit, retain, and honor a world-class workforce to serve the American people.

High Priority Performance Goals

As part of developing the 2011 Budget and performance plan, OPM has identified a limited number of high priority performance goals that will be a particular focus over the next two years. These goals are a subset of those used to regularly monitor and report performance. To view the full set of performance information please visit *www.opm.gov/about_opm/*.

- Hiring Reform: 80 percent of Departments and major agencies meet agreed upon targeted improvements to:
  - – Improve hiring manager satisfaction with applicant quality.
  - – Improve applicant satisfaction.
  - – Reduce the time it takes to hire.
- Telework: Increase by 50 percent the number of eligible Federal employees who telework.
  - – By 2011, increase by 50 percent the number of eligible Federal employees who telework over the 2009 baseline of 102,900.
- Security Clearance Reform: Maintain or exceed OPM-related goals of the Intelligence Reform and Terrorism Prevention Act of 2004 and provide OPM deliverables necessary to ensure that security clearance reforms are substantially operational across the Federal Government by the end of CY 2010.
- Retirement Claims Processing: Reduce the number of retirement records OPM receives that are incomplete and require development to less than 38 percent by the end of 2010, 35 percent by the end of 2011, and 30 percent by the end of 2012.
- Wellness: By the end of 2011, every agency has established and begun to implement a plan for a comprehensive health and wellness program which will achieve a 75 percent participation rate.

Cross-Cutting Goals in Support of Executive Order 13514, Federal Leadership in Environmental Energy and Economic Performance

Mission: Because of the size and scale of Federal operations, agency actions to lead by example in shifting to a clean energy economy align with our Nation's energy security priorities. Executive Order 13514 promotes the Administration's policy to increase energy efficiency; measure, report and reduce Federal agencies' greenhouse gas emissions from both direct and indirect activities; conserve and protect water resources; eliminate waste; leverage Federal acquisition to foster markets for sustainable technologies, products and services; design, construct, maintain and operate high performance sustainable buildings in sustainable locations and strengthen the vitality and livability of the communities in which Federal facilities are located.

High Priority Performance Goals

The following high priority performance goals are identified as essential to meeting the Executive Order objectives. Achievement of all of these goals will help enable the Federal Government to meet its Greenhouse Gas Emission reduction target of 28 percent by 2020. Individual agencies will be held accountable for achieving these goals annually through an OMB Scorecard on Energy and Sustainability.

- Energy Intensity Reduction (Btu/GSF): All Federal agencies will reduce their energy intensity (in goal-subject facilities) by 30 percent in 2015 as compared to 2003 or three percent annually. At the start of the Administration, the Federal Government had reduced its energy intensity by at least 9.3 percent since 2003 and plans to exceed 18 percent by the end of 2011.
- Renewable Energy Increase: All Federal agencies will increase their use of electricity from renewable sources from three percent in 2008 to 7.5 percent by 2013 and at least half of that will come from (new) sources placed in service after 1999.
- Water Intensity Reduction: All Federal agencies will reduce their use of potable water by at least 10 percent in 2012 or two percent annually from their 2007 use.
- Petroleum Reduction: Federal agencies will reduce their petroleum use in covered fleet vehicles by at least 20 percent by 2015 or two percent annually from 2005 use. Emergency vehicles are excluded from this requirement.
- Green Buildings: By 2015, all Federal agencies will have converted at least 15 percent of their buildings inventories to be green as defined by the Guiding Principles for Federal Leadership in High Performance and Sustainable Buildings. These buildings will employ integrated design principles, optimize energy efficiency, use renewable energy, protect and conserve water, have improved indoor environmental quality, and reduce the environmental impacts of materials.
- GHG Emission Reduction: Agencies will submit their first complete GHG inventory and demonstrate that they are on track to achieve their individual 2020 GHG emission reduction targets.

8. PROGRAM EVALUATION

Empirical evidence is an essential ingredient for assessing whether Government programs are achieving their intended outcomes. Agencies use performance measurement to track progress toward intended program outcomes and to suggest which programs and practices hold the most promise for improving performance and which do not. Performance measurement is a critical tool managers use to improve performance, but often cannot conclusively answer questions about how outcomes would differ in the absence of a program or if a program had been administered in a different way. That is where program evaluations play a critical role.

Good program evaluations help answer questions such as whether workers are safer in facilities that are inspected more frequently, whether one option for turning around a low-performing school is more effective than another, and whether outcomes for families are substantially improved in neighborhoods that receive intensive services. A central pillar of good government is a culture where answering such questions is a fundamental part of program design and where agencies have the capacity to use evidence to invest more in what works and less in what does not. The Administration has committed to building such an evaluation infrastructure, complementing and integrated with its efforts to strengthen performance measurement and management.

On October 7, 2009, the OMB Director issued Memo M-10-01 "Increased Emphasis on Program Evaluations", which called for three steps to improve the evaluation capacity of the Federal Government:

Table 8–1. FUNDED PROGRAM EVALUATION INITIATIVE PROPOSALS

Agency	Description
Department of Defense	Effects of locus of control on ChalleNGe program outcomes
Department of Education	Effects of school improvement grants
Department of Education	Effects of Investing in Innovation Fund (i3)
Department of Education/National Science Foundation	Effects of mathematical professional development for teachers
Department of Energy	Capacity building
Department of Health and Human Services	Effects of early childhood programs
Department of Health and Human Services	Effects of teen pregnancy programs
Department of Housing and Urban Development	Effects of rent reform options
Department of Housing and Urban Development	Effects of Family Self-Sufficiency (FSS) options
Department of Housing and Urban Development	Effects of Choice Neighborhoods
Department of Interior	Capacity building
Department of Justice	Effects of inmate re-entry programs
Department of Justice	Capacity building
Department of Labor	Effects of new WIA performance measures
Department of Labor	Effects of employment services
Department of Labor	Evaluation of workforce programs using administrative data
Department of Labor	Effects of training/wage incentives on dislocated workers
Department of Labor	Recidivism and deterrent effects of OSHA inspections
Department of Labor	Capacity building
Millennium Challenge Corporation	Various efforts to improve evaluation efforts
Department of Transportation	Capacity building
Department of the Treasury	Testing alternative mortgage modification strategies
Department of the Treasury	Evaluating financial innovations by CDFIs
Department of the Treasury	Evaluating different approaches to no-fee debit cards
Department of the Treasury	Evaluating VITA prepaid cards
Department of the Treasury	Linking mortgage/administrative data to assess mortgage risk
Environmental Protection Agency	Capacity building
National Aeronautics and Space Administration	Effects of Applied Sciences data sharing
National Science Foundation	Capacity building
National Science Foundation	Effects of Federal investments in science
National Science Foundation/Department of Education	Effects of various STEM education initiatives
Office of Personnel Management	Effects of Federal employee health and wellness initiative
Small Business Administration	Effects of SBA programs
Social Security Administration	Disability Insurance evaluations
Corporation for National and Community Service	Effects of AmeriCorps on training, service, and communities

Providing on-line information about existing evaluations—OMB is working with agencies to make information readily available on-line about all Federal evaluations focused on program impacts that are planned or already underway. This effort, analogous to that of the HHS clinical trial registry and results data bank (*ClinicalTrials.gov*), will promote increased transparency and allow experts inside and outside the Government to engage early in the development of program evaluations.

Establishing an inter-agency working group—Working with the Domestic Policy Council, National Economic Council, the Council of Economic Advisers, and OMB, this inter-agency working group will promote stronger evaluation across the Federal Government by (a) helping build agency evaluation capacity and creating effective evaluation networks that draw on the best expertise inside and outside the Federal Government, (b) sharing best practices from agencies with strong, independent evaluation offices and making research expertise available to agencies that need assistance in selecting appropriate research designs in different contexts, (c) devising new and creative strategies for using data and evaluation to drive continuous improvement in program policy and practice, and (d) developing Government-wide guidance on program evaluation practices with sufficient flexibility for agencies to adopt practices suited to their specific needs.

Launch a new evaluation initiative—The Budget allocates approximately $100 million to 17 agencies that submitted proposals requesting funding either to conduct new evaluations with strong study designs that address important, actionable questions or to strengthen agency capacity to support such strong evaluations. Agencies that submitted proposals also needed to demonstrate that their 2011 funding priorities are based upon credible empirical evidence—or a plan to collect that evidence—and to identify impediments to rigorous program evaluation in their statutes or regulations so that these might be addressed going forward.

The evaluation initiative included an extensive review process, with proposals reviewed by program examiners at OMB and evaluation experts at OMB and the Council of Economic Advisers. Agencies then had a series of meetings with OMB and the Council of Economic Advisers to sharpen their proposals. Going forward, OMB and the Council of Economic Advisers plan to continue to work with these agencies on implementing strong research designs that answer important questions.

The accompanying table presents the evaluation activities proposed for funding as part of the 2011 evaluation initiative. Evaluations are also being undertaken separate from this initiative and part of the purpose of making information on all evaluations available on-line is to develop a comprehensive accounting of all such activity being conducted by the Federal Government.

The President has made it very clear that policy decisions should be driven by evidence—evidence about what works and what does not and evidence that identifies the greatest needs and challenges. As an example of this, the Administration has made investments in equality of opportunity an important part of its agenda. Yet there are many ways to make such investments, such as improving K-12 education, increasing aid for college, increasing training opportunities, and providing greater income support for low-income families. The Administration has chosen to invest in many of those areas, but has made a concerted effort to increase investments in early childhood education and home-visiting programs that are backed by strong evidence—because rigorous evidence suggests that investments in those areas have especially high returns.

One of the challenges to doing evidence-based policy making is that sometimes it is hard to say whether a program is working well or not. Historically, evaluations have been an afterthought when programs are designed—and once programs have been in place for a while it can be hard to build a constituency for a rigorous evaluation.

For that reason, for new initiatives, the Administration is using a three-tiered approach. First, more money is proposed for promoting the adoption of programs and practices that generate results backed up by strong evidence. Second, for an additional group of programs with some supportive evidence but not as much, additional resources are allocated on the condition that the programs will be rigorously evaluated going forward. Over time, the Administration anticipates that some of these programs will move to the top tier, but if not their funds will be directed to other, more promising efforts. Third, the approach encourages agencies to innovate and to test ideas with strong potential—ideas supported by preliminary research findings or reasonable hypotheses.

This three-tiered structure will provide objective criteria to inform decisions about programs and practices in which to invest. It will also create the right incentives for the future. Organizations will know that to be considered for significant funding, they must provide credible evaluation results that show promise, and, before that evidence is available, to be ready to subject their models to analysis. As more models move into the top tier, it will create pressure on all the top-tier models to improve their effectiveness to continue to receive support.

A good example of this approach—in which new or expanded programs have evaluation "baked into their DNA"—is the Department of Education's Invest in Innovation Fund (i3). The i3 fund invests in high-impact, potentially transformative education interventions—ranging from new ideas with huge potential to those that have proven their effectiveness and are ready to be scaled up. Whether applicants to i3 are eligible for funding to develop, validate, or scale up their program, and therefore how much funding they are eligible to receive, will depend on the strength of the existing research evidence of the program's effectiveness, the magnitude of the impact this evidence demonstrates the program is likely to have, and the program's readiness for scaling up.

By instilling a culture of learning into Federal programs, the Administration can build knowledge so that spending decisions are based not only on good intentions, but also on strong evidence, so that carefully targeted investments will produce results.

9. BENEFIT–COST ANALYSIS

I. INTRODUCTION

Federal Government policies and programs make use of our Nation's limited resources to achieve important social goals, including education, security, environmental protection, and public health. Many Federal programs require governmental expenditures, such as those funding early childhood education or job training. Moreover, many policies entail social expenditures that are not reflected in budget numbers. For example, environmental and workplace safety regulations impose compliance costs on the private sector. In all cases, the American people expect the Federal Government to design programs and policies to manage and allocate scarce fiscal resources prudently, and to ensure that programs achieve the maximum benefit to society and do not impose unjustified or excessive costs.

A crucial tool used by the Federal Government to achieve these objectives is benefit-cost analysis, which provides a systematic accounting of the social benefits and costs of Government policies. As the President recently said in Executive Order 13514, "It is . . . the policy of the United States that . . . agencies shall prioritize actions based on a full accounting of both economic and social benefits and costs and shall drive continuous improvement by annually evaluating performance, extending or expanding projects that have net benefits, and reassessing or discontinuing under-performing projects." The benefits and costs of a government policy are meant to offer a concrete description of the anticipated consequences of the policy. Such an accounting enables policymakers to design programs to be efficient and effective and to avoid unnecessary or unjustified burdens. That accounting also allows the American people to see the expected consequences of programs and to hold policymakers accountable for their actions.

II. BENEFIT-COST ANALYSIS OF FEDERAL REGULATIONS

Overview of Benefit-Cost Analysis of Federal Regulation

For over three decades, benefit-cost analysis has played a critical role in the evaluation and design of significant Federal regulatory actions. While there are precursors in earlier administrations, the Reagan Administration was the first to establish a broad commitment to benefit-cost analysis in regulatory decision making through its Executive Order 12291. The Clinton Administration updated the principles and processes governing regulatory review in Executive Order 12866, which continues in effect today. Executive Order 12866 requires executive agencies to catalogue and assess the benefits and costs of planned significant regulatory actions. It also requires agencies to undertake regulatory action only on the basis of a "reasoned determination" that the benefits justify the costs, and to choose the regulatory approach that maximizes net social benefits, that is, benefits minus costs (unless the law governing the agency's action requires another approach).

A notable change instituted by Executive Order 12866 was a more expansive conception of benefits and costs to include consideration of qualitative benefits and costs that are difficult to monetize but essential to consider, such as the value of protecting endangered species. Executive Order 12866 also calls for explicit consideration of "distributive impacts," that is, of which social groups bear costs and enjoy benefits. Operating under the broad framework established by Executive Order 12866, OMB requires careful analysis of the costs and benefits of significant rules; identification of the approach that maximizes net benefits; detailed exploration of reasonable alternatives, alongside assessments of their costs and benefits; cost-effectiveness; and attention to unquantifiable benefits and costs as well as to distributive impacts.

Reviewing agencies' benefit-cost analyses and working with agencies to improve them, OMB provides a centralized repository of analytical expertise in its Office of Information and Regulatory Affairs (OIRA). OMB's guidance to agencies on how to do benefit-cost analysis for proposed regulations is contained in its Circular A-4. A-4 directs agencies to specify the goal of a planned regulatory intervention, to consider a range of regulatory approaches for achieving that goal, and to estimate the benefits and costs of each alternative considered. To the extent feasible, agencies are required to monetize benefits and costs, so that they are expressed in comparable units of value. This process enables the agency to identify the approach that maximizes the total net benefits to society generated by the rule.

For example, consider a regulation that sets standards for how quickly a truck's brakes must be able to bring it to a stop.[1] A shorter stopping distance generates great-

[1] The National Highway Traffic Safety Administration recently issued a new safety standard for air brake systems to improve the stopping distance performance of trucks. *See* 49 CFR § 571.

er safety benefits, but will also impose larger compliance costs if more effective brakes are more expensive. The agency should attempt to quantify both the safety benefits of reduced stopping distance and the costs of regulatory requirements. It should consider a range of stopping distances to determine the optimal one that maximizes net benefits. At such an optimal standard, making the stopping distance even shorter would impose greater additional compliance costs than it would generate in additional safety benefits. At the same time, making the stopping distance longer than optimal results in a loss in safety benefits that is greater than the cost savings. Careful benefit-cost analysis enables the agency to determine the optimal standard. It helps to show that some approaches would be insufficient and that others would be excessive.

To be sure, quantification of the relevant variables, and monetization of those variables, can present serious challenges. OIRA and relevant agencies have developed a range of strategies for meeting those strategies; many of them are sketched in Circular A-4. Efforts continue to be made to improve current analyses and to disclose and test their underlying assumptions. In some cases, identification of costs and benefits will leave significant uncertainties. But in other cases, an understanding of costs and benefits will rule out some possible courses of action, and will show where, and why, reasonable people might differ.

The Benefits and Costs of Federal Regulation in FY 2008

Each year, OMB reports to Congress agencies' estimates of the benefits and costs of major regulations reviewed in the prior fiscal year. Table 9–1 presents the benefit and cost estimates for the 21 non-budgetary rules reviewed by OMB in FY 2008.[2] Agencies monetized both the benefits and costs for 13 of the 21 rules.

[2] FY 2008 is the most recent period for which such a summary is available. These estimates were reported in OMB, 2009 Report to Congress on the Benefits and Costs of Federal Regulations and Unfunded Mandates on State, Local, and Tribal Entities. A detailed description of the assumptions and calculations underlying these estimates is provided in that Report.

Table 9–1 ESTIMATES OF THE TOTAL ANNUAL BENEFITS AND COSTS OF MAJOR RULES REVIEWED BY OMB IN FISCAL YEAR 2008

(In millions of 2001 dollars)

Rule	Agency	Benefits	Costs
Right Whale Ship Strike Reduction	DOC / NOAA	Not estimated	105
Energy Efficiency Standards for Residential Furnaces and Boilers	DOE / EE	120-182	33-38
Fire Safety Requirements for Long-Term Care Facilities: Sprinkler Systems (CMS-3191-F)	HHS / CMS	53-56	45-56
Group Health Plans and Health Insurance Issuers Under the Newborns' and Mothers' Health Protection Act	HHS/ CMS, DOL/ EBSA and IRS	Not estimated	119-238
Substances Prohibited from Use in Animal Food or Feed to Prevent the Transmission of Bovine Spongiform Encephalopathy	HHS / FDA	Not estimated	58-72
Changes to the Visa Waiver Program to Implement the Electronic System for Travel Authorization (ESTA) Program	DHS / OS	20-29	13-99
Documents Required for Travelers Entering the United States at Sea and Land Ports-of-Entry from within the Western Hemisphere	DHS / USCBP	Not estimated	268-284
Minimum Standards for Driver's Licenses and Identification Cards Acceptable to Federal Agencies for Official Purposes	DHS / OS	Not estimated	477-1,331
Migratory Bird Hunting; 2008 to 2009 Migratory Game Bird Hunting Regulations	DOI / FWS	711-1002	Not estimated
Section 404 Regulation-Default Investment Alternatives under Participant Directed Individual Account Plans	DOL / EBSA	Not estimated	Not estimated
Employer Payment for Personal Protective Equipment	DOL / OSHA	40-336	40-229
Transport Airplane Fuel Tank Flammability Reduction	DOT / FAA	21-66	60-67
Hours of Service of Drivers	DOT/ FMCSA	0-1760	0-105
Regulatory Relief for Electronically Controlled Pneumatic Brake System Implementation	DOT / FRA	828-884	130-145
Implementation of a Revised Basel Capital Accord	TREAS/OCC and TREAS/ OTS	Not estimated	101-797
Control of Emissions from New Locomotives and New Marine Diesel Engines Less Than 30 Liters per Cylinder[1]	EPA / AR	4,145-14,550	295-392
Control of Emissions from Nonroad Spark-Ignition Engines and Equipment[1]	EPA / AR	899-4,762	196-200
Review of the National Ambient Air Quality Standards for Ozone[2]	EPA / AR	1,581-14,934	6,676-7,730
Petroleum Refineries--New Source Performance Standards (NSPS)[3]	EPA / AR	176-1,669	27
Lead-Based Paint; Amendments for Renovation, Repair and Painting	EPA/ OPPTS	657-1,611	383-417
Definition of Solid Wastes Revisions	EPA / SWER	16-285	14

[1] EPA reported estimated impacts in the years of 2020 and 2030. OMB linearly interpolated the impact for the transition period and annualized at 7 percent and 3 percent from 2007 to 2020, and 2020 to 2030.

[2] EPA reported estimate impacts in the year 2020.

[3] EPA reported estimate impacts in the year 2012.

Most of the benefits and costs reported in Table 9–1 are expressed as ranges, and sometimes as wide ranges, because of uncertainty about the likely consequences of rules. Quantification and monetization raise difficult conceptual and empirical questions. Prospective benefit-cost analysis requires predictions about the future—both about what will happen if the regulatory action is taken and what will happen if it is not—and what the future holds is typically not known for certain. A standard goal of the agency's analysis is to produce both a central "best estimate," which reflects the expected value of the benefits and costs of the rule, as well as a description of the ranges of plausible values for benefits, costs, and net benefits. These estimates inform the decision makers and the public of the degree of uncertainty associated with the regulatory decision. The process of public scrutiny can sometimes reduce that uncertainty.

To illustrate some of the underlying issues, consider the EPA's recent National Ambient Air Quality Standard (NAAQS) for Ozone. The benefits of the rule are estimated to be somewhere between $1,581–$14,934 million—an expansive range. Almost all of these estimated benefits are due to reduced mortality resulting from the reduction in particulate matter emissions caused by the rule. However, there is substantial uncertainty with respect to (a) the relationship between exposure to particulate matter and premature death and (b) the proper monetary valuation of avoiding a premature death. Hence, the agency reported a wide range of plausible values for the benefits of the NAAQS for Ozone. Similar uncertainties in both the science used to predict the consequences of rules and the monetary values of those consequences, contribute to the uncertainty represented in the ranges of benefits and costs for other rules in Table 9–1. Despite these uncertainties, benefit-cost analysis often reduces the range of reasonable approaches – and simultaneously helps to inform the decision about which approach is most reasonable.

As noted, Executive Order 12866 requires agencies, to the extent permitted by law, to "propose or adopt a regulation only upon a reasoned determination that the benefits of the intended regulation justify its costs." OIRA works actively with agencies to promote compliance with this requirement. It is noteworthy that for all but one entry in Table 9–1—Transport Airline Fuel Tank flammability reduction—the benefits exceeded the costs for much of the estimated range. The exception was an unusual rule designed to protect against low-probability disasters in the context of air travel. Acknowledging the uncertainties, the Federal Aviation Administration said that "When modeling discrete rare events such as fuel tank explosions, it is important to understand and evaluate the distribution around the mean value rather than to rely only on a single point estimated value. This variability analysis indicates there is a substantial (23 percent) probability that the quantified benefits will be greater than the costs." The FAA concluded "that the correct public policy choice is to eliminate the substantial probability of a high consequence fuel tank explosion accident by proceeding with the final rule."[3]

Cost-per-life-saved of Health and Safety Regulation in FY 2008

For regulations intended to reduce mortality risks, another analytic tool that can be used to assess regulations is cost-effectiveness analysis. Some agencies develop estimates of the "net cost per life saved" for regulations intended to improve public health and safety. To calculate this figure,

[3] 73 Fed. Reg. 42489 (July 21, 2008).

Table 9–2. ESTIMATES OF THE NET COSTS PER LIFE SAVED OF SELECTED HEALTH AND SAFETY RULES REVIEWED BY OMB IN FISCAL YEAR 2008

(in millions of 2001 dollars)

Rule	Agency	Benefits	Costs	Net Cost per Life Saved
Fire Safety Requirements for Long-Term Care Facilities: Sprinkler Systems (CMS-3191-F)	HHS / CMS	53-56	45-56	0.23
Transport Airplane Fuel Tank Flammability Reduction	DOT / FAA	21-66	60-67	8.5[1]
Control of Emissions from New Locomotives and New Marine Diesel Engines Less Than 30 Liters per Cylinder	EPA / AR	4,145-14,550	295-392	Negative[2]
Control of Emissions from Nonroad Spark-Ignition Engines and Equipment	EPA / AR	899-4,762	196-200	0.05 - 0.52[3]
Review of the National Ambient Air Quality Standards for Ozone	EPA / AR	1,581-14,934	6,676-7,730	2.7 - 28[4]

Notes:

1. FAA estimates that the net cost per life saved for retrofitting cargo planes (one provision in the rule) is $31 billion, but for this provision the majority of the benefits are not related to mortality risk.

2. EPA reports "the net costs (private compliance costs minus avoided cost of illness minus other benefits) are negative, indicating that the final standards result in cost savings. As such, traditional cost-effectiveness ratios are not informative."

3. p. 8-110 of EPA's RIA at http://www.epa.gov/otaq/regs/nonroad/marinesi-equipld/420r08014-chp08.pdf

4. These estimates exclude the costs and benefits of meeting the standard in the south coast of California and the San Joaquin Valley and assume "aggressive technological change" (RIA, p. ES-5). OMB derived it using the ratio of EPA's highest net cost estimate over EPA's lowest estimate of the reduction in mortality risk and EPA's lowest net cost estimate over EPA's highest estimate of the reduction in mortality risk.

the costs of the rule minus any monetized benefits other than mortality reduction are placed in the numerator, and the expected reduction in mortality in terms of total number of lives saved is placed in the denominator. This measure avoids any assignment of monetary values to reductions in mortality risk. It still reflects, however, a concern for economic efficiency, insofar as choosing a regulatory option that reduces a given amount of mortality risk at a lower net cost to society would conserve scarce resources compared to choosing another regulatory option that would reduce the same amount of risk at greater net costs.

Table 9–2 presents the net cost per life saved for the five health and safety rules from Table 1 for which calculation is possible.[4] The net cost per life saved is calculated using a 3% discount rate and using agencies' best estimates for costs and expected mortality reduction where those were provided by the agency. There is substantial variation in the net cost per life saved by these rules, ranging from *negative* (that is, the non-mortality-related benefits outweigh the costs), to potentially as high as $28 million.

This table is designed to be illustrative rather than definitive, and continuing work must be done to ensure that estimates of this kind are complete and not misleading. For example, some mortality-reducing rules have a range of other benefits, including reductions in morbidity, and it is important to include these benefits in cost-effectiveness analysis. Other rules have benefits that are exceedingly difficult to quantify but nonetheless essential to consider; consider rules that improve water quality or have aesthetic benefits. Nonetheless, it is clear that some rules are far more cost-effective than others, and it is valuable to take steps to catalogue variations and to increase the likelihood that scarce resources will be used as effectively as possible.

III. BENEFIT-COST ANALYSIS OF BUDGETARY PROGRAMS

Historically, benefit-cost analysis of Federal budgetary programs has been more limited than that of regulatory policy. Increasingly, though, the Federal Government explicitly employs benefit-cost analysis to ensure that projects and spending programs have benefits in excess of costs, maximize net benefits, and allocate federal dollars across potential projects.

In the 1936 Flood Control Act, for example, the Congress stated as a matter of policy that the Federal government should undertake or participate in flood control projects if the benefits exceeded the costs, where the lives and social security of people are at stake. By the late 1970s, the Army Corps of Engineers had begun to use benefit-cost analysis to improve the return on investment at a given project site. The Corps did this by designing projects based on increments of work whose benefits exceeded their costs. More recently, the Budget has used benefits and costs, along with other criteria, to develop an overall program for the Corps that yields the greatest bang for the buck.

Benefit-cost analysis can also be used to evaluate programs retrospectively to determine whether they should be either expanded or discontinued and how they can be improved. Chapter 8, "Program Evaluation", in this volume discusses current efforts to improve program evaluation including through the use of benefit-cost analysis. Evidence that an activity can yield substantial net benefits has motivated the creation and expansion of a substantial number of programs. For example, longitudinal studies have shown that each dollar spent on high quality pre-school programs serving disadvantaged children yields substantially more than a dollar (in present value) in higher wages, less crime, and less use of public services, motivating an expansion of funding for quality pre-K programs. Similar evidence has motivated the decision to expand funding for nurse family partnerships, finding that each dollar spent in the program leads to more than a dollar of benefits mostly in reduced government expenditures on health care, educational and social services, and criminal justice, and that the highest returns were present in serving the most disadvantaged families. GAO has concluded that the Women, Infants, and Children (WIC) program produces monetary benefits that exceed its costs by reducing the incidence of low birth weight and iron deficiency, which are linked to children's behavior and development.

IV. IMPROVING THE USE OF BENEFIT-COST ANALYSIS BY THE FEDERAL GOVERNMENT

OMB continually works with executive agencies to improve their benefit-cost analyses. In its 2009 annual report to Congress on the benefits and costs of Federal regulations,[5] OMB made the following recommendations for improvement in agencies' use of benefit-cost analysis in regulatory decision making. Regulation should be data-driven and evidence-based, and benefit-cost analysis can help to ensure a careful focus on evidence and a thorough consideration of alternative approaches. Properly understood, such analysis should be seen as a pragmatic tool for helping agencies to assess the consequences of regulations and thus to identify approaches that best promote human welfare.[6] In accordance with Executive

[4] Of the 21 regulations listed in Table 1, 15 are primarily intended to protect health and safety. These 15 include all of EPA's regulations, which affect health and safety primarily through improvements in environmental quality, as well as all FDA and OSHA regulations. Rules issued by the Department of Homeland Security are excluded because homeland security is a much broader goal than public health and safety *per se*. Of the 15 health and safety regulations, five are not suitable for meaningful calculations of the net costs per life saved because their primary goal is to reduce injuries as opposed to mortality risks. For five other rules the agencies did not calculate a net cost per life saved in the regulatory impact analysis and did not present sufficient information to permit OMB to derive an accurate estimate.

[5] OMB, 2009 Report to Congress on the Benefits and Costs of Federal Regulations and Unfunded Mandates on State, Local, and Tribal Entities.

[6] See Adler and Posner (2004).

Order 12866, regulatory analysis should, where relevant, incorporate the interests of future generations, attend to distributional considerations, and consider issues of fairness.

Furthermore, OMB recommends that benefit-cost analysis should be seen and used as a central part of open government. By providing the public with information about proposed and final regulations, by revealing assumptions and subjecting them to public assessment, and by drawing attention to the consequences of alternative approaches, such analysis can promote public understanding, scrutiny, and improvement of rules. OMB continues to explore ways to ensure that benefit-cost analysis helps promote the commitment to open government.[7]

Improving Benefit-Cost Analysis

With recognition of the limits of quantification, efforts to promote a full accounting of both benefits and costs can greatly inform judgments about appropriate courses of action – and can help to increase benefits, decrease burdens, and inspire new approaches and creative solutions. In this section, OMB recommends several steps designed to promote these goals.

Benefit-cost analysis continues to present a range of analytical, empirical, and normative challenges, involving (for example) the appropriate valuation of mortality and morbidity risks, the proper discount rate for future benefits and harms, the treatment of variables that are hard to quantify or monetize, the appropriate treatment of uncertainty, and the role, if any, of "stated preference" studies. OMB Circular A-4 offers guidance on these and other issues. Because OMB's goals are to ensure that regulation is evidence-based and data-driven, to increase the likelihood that regulation will be effective in achieving its goals, and to reduce excessive or unjustified burdens on the private and public sectors, OMB continues to explore the underlying questions and the best way to approach them.

Several points are clear. To promote evidence-based regulation, those who produce the relevant numbers must respect scientific integrity. It is also vital to have a process of public scrutiny and review, allowing assumptions to be revealed and errors to be exposed and corrected. Imposition of serious burdens and costs must be justified, and any effort at justification should attempt to measure and quantify benefits; the process of analysis might reveal that a particular approach cannot be justified and that a less stringent or more stringent approach is better. Appropriate analysis should attempt to quantify relevant variables, to promote cost-effective choices, and to explore and evaluate different alternatives. Some variables are essential to identify and consider but difficult to monetize; examples include improvements in the water quality of rivers, protection of endangered species, and measures designed to decrease the risks of terrorist attacks. A sensible approach to benefit-cost analysis recognizes the limits of quantification and insists on presentation of qualitative as well as quantitative information. If, for example, a regulation would prevent a specified range of deaths and injuries from occupational accidents, a proper analysis would present that range as well as the monetary equivalents.

In some cases, the effort to monetize certain benefits (such as protection of streams and wildlife) may run into serious obstacles; quantification may be possible but not monetization. In other cases, regulators will know the direction of an effect, and perhaps be able to specify a range, but precise quantification will not be possible. For these reasons, OMB recommends that consistent with Executive Order 12866, the best practice is to accompany all significant regulations with (1) a tabular presentation, placed prominently and offering a clear statement of qualitative and quantitative benefits and costs of the proposed or planned action, together with (2) a presentation of uncertainties and (3) similar information for reasonable alternatives to the proposed or planned actions. As Table 1 above demonstrates, some rules are not accompanied by relevant information on either costs or benefits; OMB recommends that agencies should be more consistent and systematic in providing that information.

While essential, pre-promulgation analyses of costs and benefits of rules may turn out to be inaccurate. Prospective accounts may overestimate or underestimate either costs or benefits. In some cases, regulations may impose significant burdens that are not justified. In other cases, regulations may be working well, and more stringency might be desirable. For this reason, OMB recommends that serious consideration be given to finding ways to employ retrospective analysis more regularly, in order to ensure that rules are appropriate, and to expand, reduce, or repeal them in accordance with what has been learned.[8]

President Obama's January 30, 2009, memorandum on regulatory review specifically directed OMB to "offer suggestions on the role of cost benefit analysis" and to "address the role of distributional considerations, fairness, and concern for the interests of future generations." It is clear that a full accounting of the costs and benefits of rules must include, rather than neglect, the interests of future generations. Nor does sensible regulation ignore distributional considerations. If regulation would impose serious costs on the least well-off, or deliver significant benefits to them, regulators should take that point into account in deciding how to proceed.

To meet these challenges, OMB recommends a candid effort to go as far as existing knowledge allows, while also fairly presenting the limits of such knowledge and recognizing that an analysis of quantitative costs and benefits may not be determinative. In some cases, the most that can be done is to present a "break-even analysis," that is, an analysis that specifies the economic value of the benefits that would make the regulation justified on benefit-cost grounds. OMB continues to explore methods for handling the most difficult challenges posed by efforts to specify the likely effects of regulation.

[7] See Transparency and Open Government, Memorandum for the Heads of Executive Departments and Agencies, President Obama, Jan. 21, 2009. For discussion of this point and its relationship to retrospective analysis of the effects of regulations, see Greenstone (2009).

[8] See Greenstone (2009).

Regulatory Analysis and Open Government

Rigorous benefit-cost analysis continues to be a central feature of regulatory review. Properly understood, a public accounting of the consequences of alternative regulatory approaches can increase transparency and openness, discourage ill-considered initiatives, and promote valuable innovations. President Obama has placed a great deal of emphasis on open government. He has quoted the words of Supreme Court Justice Louis Brandeis: "Sunlight is said to be the best of disinfectants."[9] He has explained that "accountability is in the interest of the Government and the citizenry alike." He has emphasized that "[k]nowledge is widely dispersed in society, and public officials benefit from having access to that dispersed knowledge."[10] Transparency can increase the availability of data to all, and with available data we can greatly improve our practices. OMB's Open Government Directive, issued in late 2009, is designed to promote the President's goals by requiring a series of steps to promote transparency, participation, and collaboration.

Indeed, careful regulatory analysis, if transparent in its assumptions and subject to public scrutiny, should be seen as part and parcel of open government. It helps to ensure that policies are not based on speculation and guesswork, but instead on a sense of the likely consequences of alternative courses of action. It helps to reduce the risk of insufficiently justified regulation, imposing serious burdens and costs for inadequate reason. It also helps to reduce the risk of insufficiently protective regulation, failing to go as far as proper analysis suggests. OMB believes that regulatory analysis should be developed and designed in a way that fits with the commitment to open government. Modern technologies should be enlisted to promote that goal. Existing websites—*regulations.gov* and *reginfo.gov*—have been improved to increase transparency, participation, and collaboration. OMB recommends continued assessment of those websites to promote these goals. OMB also recommends that agencies should publish, on those websites, existing data sets that can help promote regulatory goals. The Occupational Safety and Health Administration has posted fatality data on *www.osha.gov*. If sunlight can operate as "the best of disinfectants," steps of this kind might help to increase safety and thus promote the agency's core mission.

Indeed, OMB's Open Government Directive specifically calls for open government plans that include "high-value information," defined to include information "that can be used to increase agency accountability and responsiveness; improve public knowledge of the agency and its operations; further the core mission of the agency; create economic opportunity; or respond to need and demand as identified through public consultation."[11] For present purposes, OMB emphasizes that information can "further the core mission of the agency" and "create economic opportunity." In some cases, disclosure will further that mission, and promote such opportunity, for reasons previously sketched in this chapter.

With full appreciation of its limitations, benefit-cost analysis itself can promote transparency and accountability. By drawing attention to the consequences of proposed courses of action, benefit-cost analysis can help the public to evaluate regulatory initiatives. At the same time, it creates the possibility of self-correction. Benefit-cost analysis should itself be subject to public scrutiny and review and qualified or corrected if it is wrong. As noted, OMB continues to explore ways to promote retrospective analysis of rules, thus (in the words of Executive Order 13514) "extending or expanding projects that have net benefits, and reassessing or discontinuing under-performing projects." If members of the public have fresh evidence or ideas about improvement of existing regulations – including expansion, redirection, modification, or repeal – it is important to learn about that evidence and those ideas. A general goal is to connect the interest in sound analysis with the focus on open government, in part by promoting public engagement and understanding of regulatory alternatives.

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[9] Speech by President Obama, Jan. 28, 2009.

[10] Transparency and Open Government, Memorandum for the Heads of Executive Departments and Agencies, President Obama, Jan. 21, 2009.

[11] Open Government, Memorandum for the Heads of Executive Departments and Agencies, OMB Director Peter Orszag, Dec. 8, 2009.

10. IMPROVING THE FEDERAL WORKFORCE

The United States has overcome great challenges throughout its history because Americans of every generation have stepped forward to aid their Nation through service, both in civilian Government and in the Armed Forces. Today's Civil Service carries forward that proud American tradition. Whether it is defending our homeland, restoring confidence in our financial system and administering a historic economic recovery effort, providing health care to our veterans, or searching for cures to the most vexing diseases—we are fortunate to be able to rely upon a skilled workforce committed to public service.

A high-performing Government depends on committed, engaged, and well-prepared employees. This chapter presents trends in Federal employment, compensation, and benefits; discusses challenges facing the Federal service; and presents the Administration's plans for achieving the most talented Federal workforce possible to serve the American people.

Trends in Federal Employment

Chart 10-1 shows total Federal civilian employment (excluding the U.S. Postal Service) as a share of the U.S. resident population from 1940 to 2008. Since the end of the Korean War in 1953, there has been a steady downward trend in the relative size of the Federal civilian workforce. In 1953, there was one Federal worker for every 78 residents. Notwithstanding occasional upticks, due to, for example, military conflicts and the enumeration of the Census, the ratio has steadily decreased over time. In 1988 there was one Federal employee for every 110 residents and by 2008 there was one Federal employee for every 155 residents.

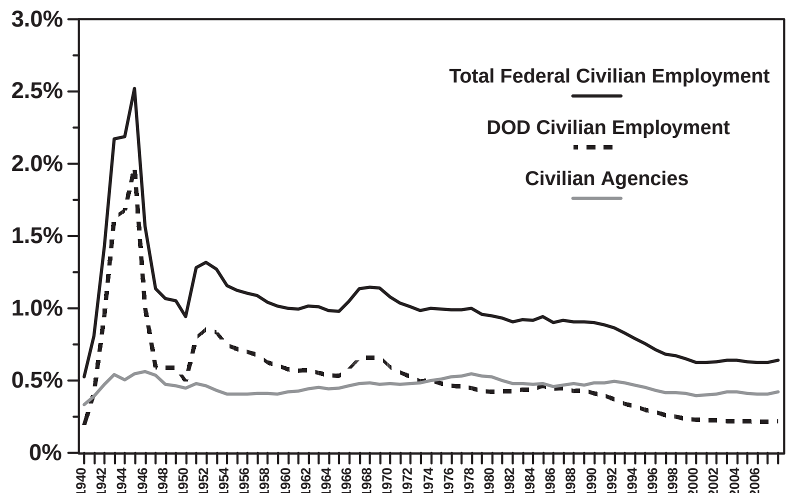
Table 10-1 shows Federal civilian employment in the executive branch by agency from 2007 to 2011. The levels for 2007 through 2009 are actual levels. The levels for 2010 and 2011 are estimates. The full-time equivalents (FTEs) shown in the table are calculated by dividing total hours worked during the fiscal year by 2080 (for 40 hours a week times 52 weeks per year). Total executive branch civilian employment is expected to grow by 274,100 FTEs over this time period. A little more than half of the four-year increase happened between 2007 and 2009, while the remainder occurs between 2009 and 2011.

Most of the increase (79 percent) is at five agencies – the Department of Defense, the Department of Veterans Affairs, the Department of Homeland Security, the Department of Justice, and the Department of State – that are centrally involved in fighting the wars in Iraq and Afghanistan, providing care for our returning veterans, protecting our country from the threat of terrorism, and advancing our Nation's interests abroad.

Federal Workforce Pay

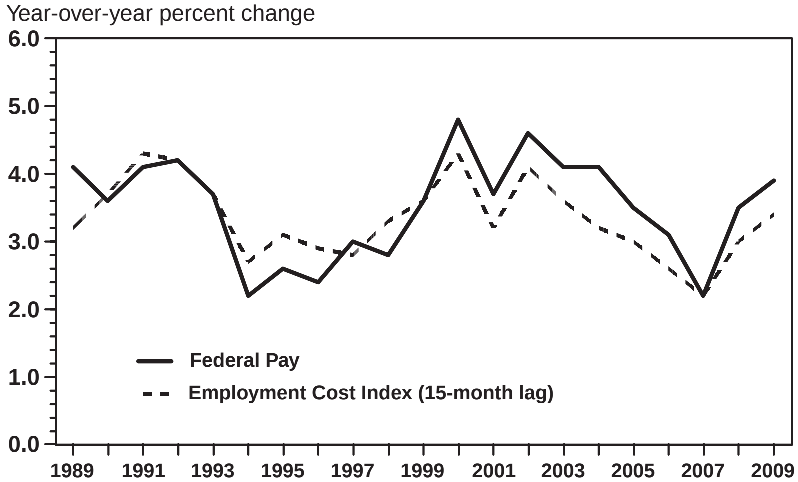
Federal and private sector pay raises have followed each other closely for the past two decades. As a default, Federal pay raises are pegged to changes in the

Chart 10-1. Federal Civilian Workforce as Share of U.S. Population



Sources: Workforce from OPM historical Federal civilian workforce tables. U.S. Population from Census Bureau.
Notes: Workforce excludes U.S. Postal Service. U.S. Population is resident population series.

Chart 10-2. Pay Raises for Federal vs. Private Workforce



Sources: Public Laws, Executive Orders, and the Bureau of Labor Statistics.
Notes: Federal pay is for civilians and includes base and locality pay. Employement Cost Index is the wages and salaries, private industry workers series.

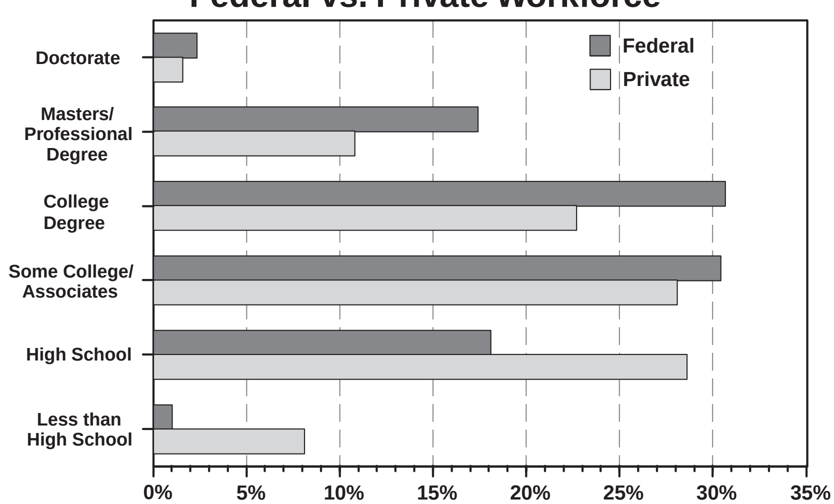
15-month-lagged Employment Cost Index series of wage and salaries for private industry workers.[1] The index measures private sector pay holding constant industry and occupation composition.

Chart 10-2 shows Federal civilian pay raises and the private sector index since 1989. As the lines show, actual pay raises closely track the private sector index. In fact, since 1989 Federal and private sector pay raises have never diverged by more than one percentage point in a given year. And furthermore, since the adjustments have been in both directions, the adjustments have offset each other so that the average difference has been only one tenth of one percentage point over the time period.

The Federal Government hires lawyers to tackle corruption, security professionals to monitor our borders, doc-

[1] The Federal Employees Pay Comparability Act of 1990 (FEPCA) dictated that Federal civilian employee pay increases be composed of two parts: across-the board or base pay adjustments and locality adjustments. The annual statutory increase for base pay is the 15-month lagged ECI (wages and salaries, private industry workers) minus 0.5 percent. The annual statutory increase for locality pay is different by geographic area and is based upon Bureau of Labor Statistics-measured pay comparability differences between private and Federal pay rates for jobs by locality. Federal civilian pay increases generally have not followed statutory guidelines; instead, Presidents have proposed differing amounts based upon their authority to do so under FEPCA's alternative pay adjustment provisions, and Congress has enacted differing amounts in annual appropriations bills.

Chart 10-3. Education Level Distribution in Federal vs. Private Workforce



Source: Current Population Survey, 2009
Notes: Full-time, year-round employees. Federal is civilian workforce excluding U.S. Postal Service. State and Local workers excluded from both groups.

tors to care for our injured veterans, and world-class scientists to combat deadly diseases such as cancer. Because of these vital needs, the Federal Government hires a relatively highly educated workforce, resulting in higher average pay. In 2009, full-time, year-round Federal civilian employees earned on average 21 percent more than workers in the private sector, according to Current Population Survey data collected by the Census Bureau. However, a raw comparison of these numbers masks important differences in the education levels of Federal and private sector employees. [2]

Chart 10-3 examines this difference in more detail, showing the distribution of workers by education level in the Federal civilian and private workforce. About 20 percent of Federal workers have a master's degree, professional degree, or doctorate versus only 13 percent in the private sector. A full 51 percent of Federal employees have at least a college degree compared to 35 percent in the private sector.

Challenges

An older workforce combined with technological change could be a major personnel challenge for the Federal Government. If the Government loses top talent, experience, and institutional memory through retirements but does not recruit, retain, and train talent, government performance will suffer. If the Government does not adapt to technological change by updating the ways it hires, develops, deploys, and engages its personnel, the Government will have difficulty meeting 21st Century challenges. But at the same time, these two developments create an opportunity for Government to bring in new workers excited about Government service with strong technology and problem-solving skills along with fresh perspectives on the problems that Government is expected to address.

Aging workforce

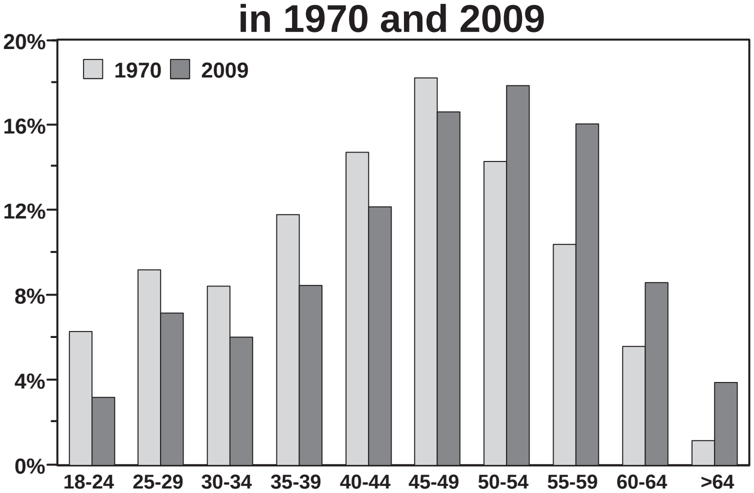
The Federal workforce of 2009 is older than Federal workforces of past decades and older than the private sector workforce of the present. Chart 10-4 shows the age distribution of Federal civilian employees in 1970 and 2009. The age distribution of the 2009 Federal workforce is shifted to the right of the 1970 distribution indicating an older workforce. In 1970, only 31 percent of Federal employees were 50 or older, whereas in 2009 a full 46 percent were at least 50 years old. At the same time, health has improved at older ages, allowing a greater proportion of workers to remain productive longer.

One factor driving this shift is the aging of the Baby Boomers, but the age structure of the Federal workforce is not solely a product of this demographic trend. Chart 10-5 compares the age distribution of Federal and private employees in 2009. The Federal workforce is substantially older than the private sector workforce. About 31 percent of the private workforce is at least 50, while 46 percent of the Federal workforce is 50 or older.

Chart 10-6 shows actual and projected retirements for the Federal civilian workforce from 1999 through 2016. Retirement levels increased from 2001 to 2007, and are projected to maintain their peak through 2011. While the recession that began in 2007 seems to have dampened retirement levels, it is unlikely to have a permanent effect. The gap between actual and predicted retirements in 2008 suggests that Federal workers, like workers in the private sector, are delaying retirement for economic reasons. As the economy recovers, retirements will rebound, likely pushing the retirement peak a few years into the future.

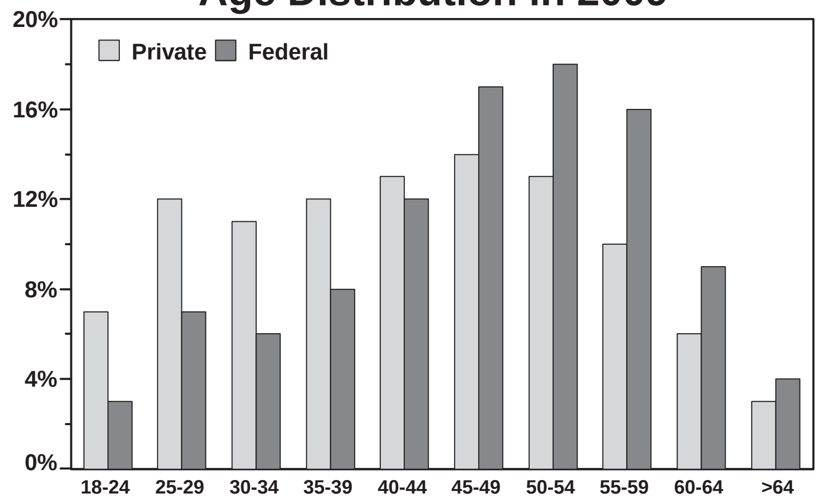
[2] John Donahue, *The Warping of Government Work* (Harvard University Press, 2008)

Chart 10-4. Federal Age Distribution in 1970 and 2009



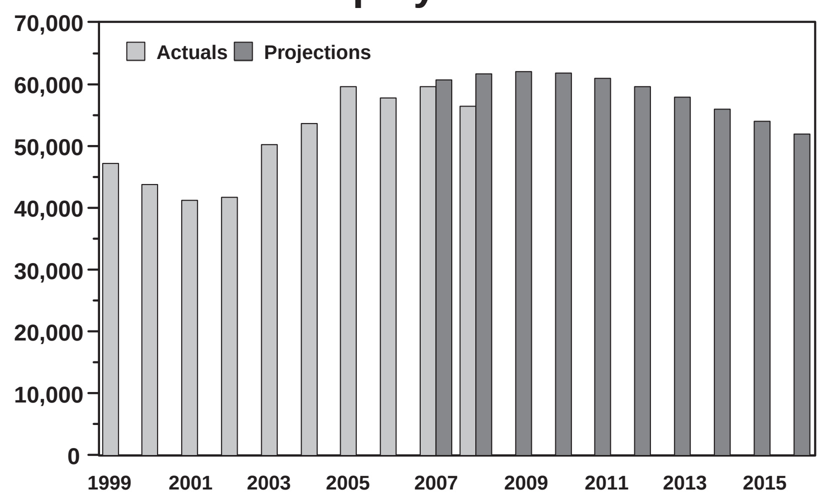
Source: Current Population Survey, 1970 and 2009.
Notes: Full-time, year-round employees. Federal is civilian workforce excluding U.S. Postal Service. State and Local workers excluded from both groups.

Chart 10-5. Federal vs. Private Age Distribution in 2009



Source: Current Population Survey.
Notes: Full-time, year-round employees. Federal is civilian workforce excluding U.S. Postal Service. State and Local workers excluded from both groups.

Chart 10-6. Actual and Projected Federal Employee Retirements

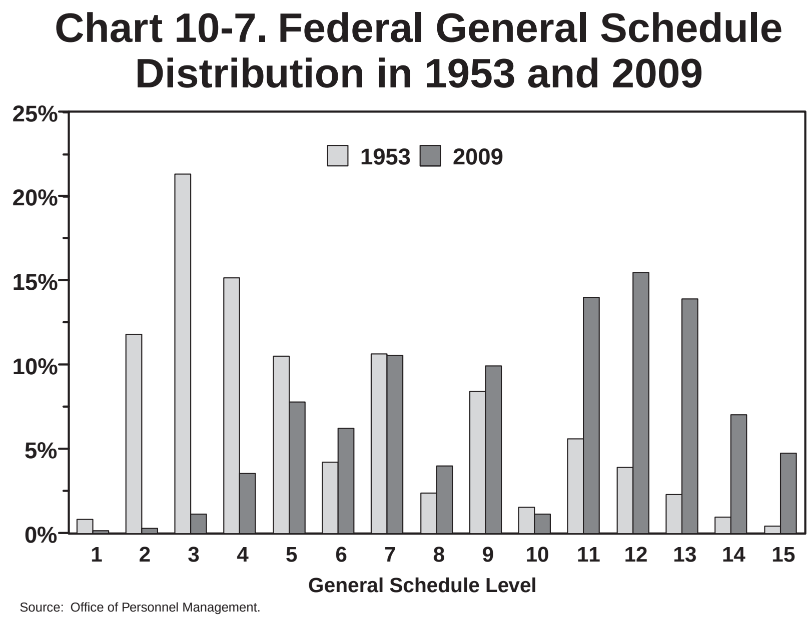


Source: Office of Personnel Management.
Notes: Retirements of non-seasonal, full-time, and permanent Federal civilian employees.

A Knowledge-Based Economy

Half a century ago, most white collar Federal employees performed clerical tasks, such as posting Census figures in ledgers and retrieving taxpayer records from file rooms. Today their jobs are vastly different. Federal workers need the advanced skills required for a knowledge-based economy. Professionals such as doctors, engineers, scientists, statisticians, and lawyers now make up a large portion of the Federal workforce. Additionally, a large number of Federal employees must manage highly sensitive situations that require great skill, experience, and judgment to balance the interests of multiple stakeholders to advance progress on complex, and often novel, problems, a point emphasized by Donald Kettl. [3] Federal employees increasingly need sophisticated management and negotiation skills to coordinate change not just

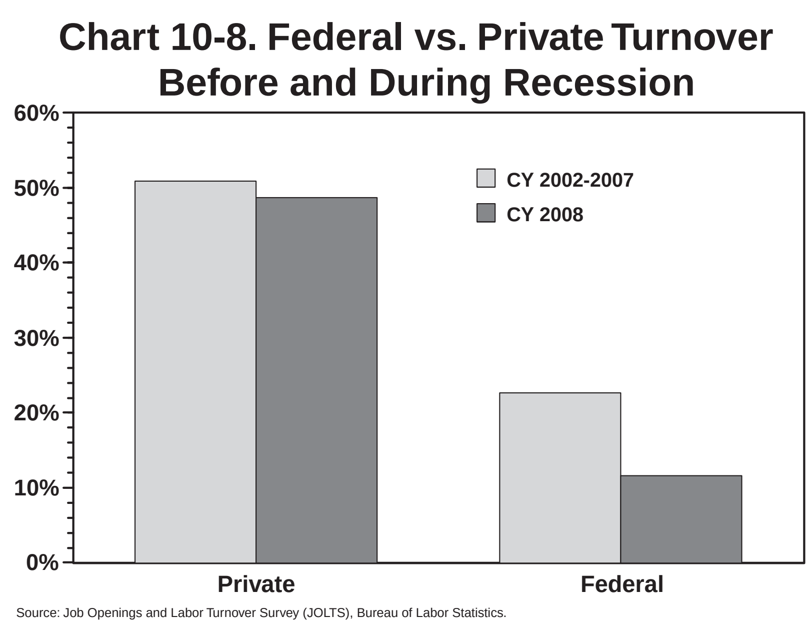
[3] *The Next Government of the United States: Why our Institutions Fail and How to Fix Them* (W. W. Norton & Compnay, Inc, 2009)



across Federal Government organizations, but also with other levels of government, not-for-profit providers, and for-profit contractors. Others need skills to manage large, highly complex information systems that exceed the scope of most private sector systems.

This shift is perhaps illustrated most starkly by Chart 10-7, which shows the General Schedule levels of Federal employees in 1953 and 2009. The General Schedule (GS) is a payment structure set in place in 1949 that classifies occupations according to the difficulty and responsibility of the work. In 1953, about 75 percent of Federal employees had a GS level of 7 or below. By 2009, in contrast, more than 70 percent of the workforce was GS 8 or higher.

Chart 10-8 shows employee turnover in the Federal civilian and private workforce, measured by the percent of employees that left work for voluntary or involuntary reasons within the last year. Hire and separation rates in the Federal Government are consistently about half those in the private sector. At a private firm, on average, about 50 percent of employees have been hired or will leave within the year. In the Federal Government, only about 25 percent of employees are hired or separate within a given year. Federal turnover fell dramatically in CY 2008, presumably due to the recession. Among other implications, the low turnover rate of Federal employees



suggests Government can gain significantly from training its workers.

Personnel Performance Agenda

To serve the American people, the Federal Government needs to improve management of the Federal workforce. The Office of Personnel Management (OPM) has recently released its new Strategic Plan with goals aligned with the lifecycle of a Federal employee. The "Hire the Best" strategic goal concentrates on improving the Federal hiring process. The "Respect the Workforce" strategic goal focuses on employee retention through training and work-life initiatives. The "Expect the Best" strategic goal aims to provide the necessary tools and resources for employees to engage and perform at the highest levels while holding them accountable. Finally, the "Honor Service" strategic goal acknowledges the exemplary service of Federal employees through well-designed compensation and retirement benefits. Combined, these strategic goals will facilitate engagement and satisfaction as the individual moves from applicant to Federal employee to retiree. Having the best possible Federal workforce is critical to improving organizational performance across the Government. Specifically, the Government needs to improve "people" management in order to improve "program" management and ultimately the services on which the American people depend.

Improving the Federal Hiring Process

The Administration believes that fixing the Federal hiring process is urgent to enable the Federal Government to attract the talent it needs, especially in light of retirement projections. The Office of Personnel Management is spearheading a Government-wide hiring initiative and has devised a five-prong approach to 1) elevate public service; 2) create pathways for college recruiting; 3) improve the applicant's experience; 4) improve the quality of hires; and 5) simplify the hiring process. Additionally, the Administration aims to increase its outreach to veterans and persons with disabilities, and improve the diversity of the Federal workforce. Finally, the Administration is working to improve the timeliness and quality of critical personnel background investigations and employment suitability services.

Improving Federal Manager and Employee Training

The Administration is committed to the strategic management of Federal personnel, and believes that assessing and reducing the skills gap is a critical component of this strategy. As Linda Bilmes and Scott Gould observe, agencies too rarely invest strategically in training.[4] Yet improving Federal manager and employee training is essential. Given the expected increase in the number of new hires and projected retirements, agencies must harness the institutional knowledge of experienced workers, cross-train new staff to provide seamless delivery of services to the public, and groom their future leaders. The Federal workforce needs an optimal skills mix to meet demands in changing technology and process improvements in Government services.

In some areas of the Federal Government, such as the military branches, training has been studied and revised extensively to implement best talent management practices. One promising example of training in the intelligence community is joint duty, which allows personnel to rotate assignments in order to better understand the roles and responsibilities of their counterparts. As another example, the VA San Diego Health System offers its employees disaster preparedness training and nurse triage training via virtual world simulations of real world scenarios.

Improved Personnel Analytics

Over the next year, the Administration plans to strengthen Federal agencies' ability to use survey feedback from employees to help them improve personnel management. Federal agencies should strive to be model employers, and the engagement and satisfaction of our workforce directly affects Federal Government performance. The Administration will strengthen the capacity of agencies to use results from surveys of Federal workers and from job applicants to identify areas of personnel management strength and promote them in other parts of the Federal Government and to identify areas of weakness needing attention.

Since 2002, the Office of Personnel Management has administered a biannual survey of Federal employees. The Federal Employee Viewpoint survey (formerly the Federal Human Capital Survey) measures the views of full-time, permanent employees across Government. Table 10-4 shows rankings, along four dimensions, constructed with the survey data. (The table shows results only from large agencies, so the rankings skip some numbers.) The first four columns present indices constructed from the 2008 survey: the Leadership and Knowledge Management Index brings together data on the motivational and communication skills of leadership; the Results-Oriented Performance Culture Index combines responses to questions on the promotion of creative and innovating thinking and performance appraisal; the Talent Management Index summarizes data on the recruiting and training of workforce talent; and the Job Satisfaction Index brings together responses to questions on job satisfaction. The rankings across indices are highly correlated, suggesting that the elements of workforce management, engagement, and satisfaction are inherently intertwined and that agencies may be able to take a broad-based approach to improvement. The rankings should be taken in context, as different agency missions place different challenges on employees. Moreover, they do not show variations by type of work or by subunits within a larger organization, which may vary dramatically, and do not reflect changes in performance over the last year. Still, the survey results begin to shed light on the issues different agencies face in personnel man-

[4] *The People Factor: Strengthening America by Investing in Public Service* (Brookings Institution Press, 2009)

agement, and highlight areas where there is room for improvement.

Table 10-4 also shows the Employee Engagement Rankings constructed by the Merit System Protections Board (MSPB) and the Best Places to Work ranking constructed by the Partnership for Public Service (PPS). The Employee Engagement Rankings draws from the 2005 Merit Principles Survey and the Best Places to Work ranking uses responses from the same Federal Employee Viewpoint Survey described above. The similar rankings across these different surveys and methodologies may lend support to the validity of the findings.

These survey results can be viewed as a baseline to measure improvements in the workforce. To provide leadership with more current information, the Federal Employee Viewpoint Survey will be administered on an annual basis starting in 2010. Results will be reported so that they can be used by agency leadership to inform management decisions. Going forward, the survey will be administered to more employees so the findings can be sorted by and linked to more organizational units to make them more "actionable" by managers and supervisors. In addition, OMB and OPM will examine the survey to identify promising practices to promote more broadly for Government-wide improvement.

A few other major initiatives being launched in the coming year will improve analysis and management of workforce issues. The Federal Employee Health Benefits (FEHB) program provides health insurance for 8 million Federal employees, retirees, their spouses and dependents, and data from insurance carriers involved in FEHB is currently used to detect fraud. It is not, however, analyzed to improve the effectiveness or efficiency of the program or the health of FEHB members. The Budget proposes funding for new analytical capacity to focus on the FEHB program with the goal of analyzing the data for program improvement, not just for fraud detection. The President's Budget also includes funding for worksite wellness demonstration projects which are aimed at applying best practices from the private sector to the Federal workforce. These demonstration projects will be evaluated to determine their impact on lowering the growth in employee health care costs and improving employee health, productivity, and morale.

In addition, the Administration will construct a Human Resources Dashboard, with a specific focus on employee and manager satisfaction with the hiring process and other key metrics of personnel management. This dashboard will be used to inform management decisions and identify problem areas at an early stage. Similar to the IT Dashboard, the HR Dashboard will provide senior leaders and managers a mechanism to have better information on the current status of hiring and other key "people issues" in their agencies so they can focus on areas that need improvement. The dashboards will also help agencies benchmark with each other and learn from each other's best practices.

Restoring Balance Between Work Done by Federal Employees and Work Done by Contractors

Federal agencies use both Federal employees and private sector contractors to deliver important services to citizens. Agency management practices must recognize the proper role of each sector's labor force and draw on their respective skills to help Government operate at its best. Contractors provide vital expertise to the Government, and agencies must continue to strengthen their acquisition practices so that they can take advantage of the marketplace to meet taxpayer needs. At the same time, agencies must be alert to situations in which excessive reliance on contractors undermines the ability of the Federal Government to control its own operations and accomplish its missions for the American people.

In particular, overreliance on contractors can lead to the erosion of in-house capacity that is essential to effective Government performance, a fact emphasized by Paul Light.[5] Such overreliance was encouraged by the one-sided management priorities of the previous administration. Those priorities rewarded agencies for identifying functions that could be outsourced, while ignoring the costs associated with the loss of institutional knowledge and internal capability. Too often agencies have neglected the investments in human capital planning, recruitment, hiring, and training that are necessary for building strong internal capacity.

In July 2009, OMB issued guidance providing agencies with a framework of guiding principles for assessing their use of contractors in this context. That guidance directed agencies to take steps to make sure that they have sufficient internal capacity to maintain control of their missions and operations. Each agency was also directed to conduct a pilot human capital analysis of at least one program, project, or activity, where the agency had concerns about the extent of reliance on contractors, and to take appropriate steps to address any identified internal weaknesses. In some instances, the result of the pilots may be that agencies replace contractors with Federal employees, a step that often saves money at the same time that it improves control over mission and operations. Some of the FTE increases described earlier in the chapter result from agencies replacing contractors with Federal workers.

When contractors are used, it is essential that the Federal Government has the ability to protect taxpayer interests. Acquiring the best contractor support requires solid acquisition planning, appropriate competitive procedures, and appropriate management and oversight of firms during performance of contracts. Too often, whether due to inadequate planning or simply poor business decisions, the government has entered into high-risk arrangements, such as sole-source contracts, that cause costs to the taxpayers to rise without commensurate benefits, and, too frequently, contract management has been haphazard and inadequate.

[5] *A Government Ill Executed: The Decline of the Federal Service and How to Reverse It* (Harvard University Press, 2008)

The Federal Government currently spends more than $500 billion a year on contracts, more than double the amount that was spent in 2001. Over that period, the size of the acquisition workforce planning, awarding, and managing these contracts has barely grown. The President's 2011 Budget provides $158 million for an initiative to improve the capacity and capabilities of the civilian agency acquisition workforce, building on a similar initiative at the Department of Defense. The initiative included in the 2011 Budget provides resources sufficient for most civilian agencies to increase their acquisition workforce by five percent and to invest in training and technology that will make the acquisition workforce more effective. The initiative also provides funds for Government-wide investments in the acquisition workforce, such as curriculum development, competency and certification management, and collection of data on acquisition workforce capacity and needs. This additional capacity will allow agencies to acquire the goods and services they need to accomplish their missions at reduced costs and with better performance.

Appendix: The U.S. Overseas Staffing Presence

There are approximately 70,300 American and locally hired staff overseas under the authority of Chiefs of Mission (e.g., Ambassadors or Charge d' Affairs at U.S. embassies worldwide). The average estimated cost to support an American position overseas in 2011 is projected to be $580,000, as reported by agencies with personnel overseas (see Table 10-5.). This total includes direct costs, such as salary, benefits, and overseas allowances, and also support costs, such as housing, travel, administrative support, Capital Security Cost Sharing charges, and other benefits.

The Administration continues to work to improve the safety, efficiency, and accountability in U.S. Government staffing overseas. To this end, the Administration is committed to developing transparent data on overseas staffing, including the cost of maintaining positions overseas, and incorporating this data in the budget process to better inform decision makers on overseas staffing levels.

Table 10–1. FEDERAL CIVILIAN EMPLOYMENT IN THE EXECUTIVE BRANCH
(Civilian employment as measured by Full-Time Equivalents in thousands, excluding the Postal Service)

Agency	Actual			Estimate		Change: 2007 to 2011	
	2007	2008	2009	2010	2011	FTE	Percent
Cabinet agencies:							
Agriculture	94.8	93.9	94.2	101.0	97.1	2.3	2.4%
Commerce	36.3	37.5	56.0	141.5	43.6	7.3	20.1%
Defense	658.8	671.2	702.7	720.2	757.5	98.7	15.0%
Education	4.1	4.1	4.0	4.3	4.6	0.5	12.2%
Energy	14.6	14.7	15.5	16.6	16.9	2.3	15.8%
Health and Human Services	58.8	59.8	63.0	65.1	68.0	9.2	15.6%
Homeland Security	148.1	158.2	169.6	177.0	183.5	35.4	23.9%
Housing and Urban Development	9.5	9.4	9.5	9.7	9.7	0.2	2.1%
Interior	67.4	67.4	68.6	70.6	69.6	2.2	3.3%
Justice	105.0	106.0	109.1	119.3	125.0	20.0	19.0%
Labor	15.9	16.0	16.0	17.9	17.9	2.0	12.6%
State	30.1	30.4	30.4	35.0	35.7	5.6	18.6%
Transportation	53.4	54.7	56.4	57.9	58.6	5.2	9.7%
Treasury	107.7	106.7	108.7	113.5	113.7	6.0	5.6%
Veterans Affairs	230.4	249.5	272.0	284.3	287.7	57.3	24.9%
Other agencies—excluding Postal Service:							
Agency for International Development	2.4	2.4	2.6	2.8	3.3	0.9	37.5%
Broadcasting Board of Governors	2.0	2.0	1.9	2.1	2.1	0.1	5.0%
Corps of Engineers—Civil Works	21.2	21.1	22.2	22.6	22.6	1.4	6.6%
Environmental Protection Agency	17.0	16.8	17.0	17.4	17.6	0.6	3.5%
Equal Employment Opportunity Comm	2.2	2.2	2.2	2.5	2.6	0.4	18.2%
Federal Deposit Insurance Corporation	4.5	4.6	5.5	7.6	6.6	2.1	46.7%
General Services Administration	11.9	11.8	12.0	13.0	13.3	1.4	11.8%
National Aeronautics and Space Admin	18.2	18.4	18.3	18.6	18.6	0.4	2.2%
National Archives and Records Administration	2.8	2.8	3.0	3.2	3.3	0.5	17.9%
National Labor Relations Board	1.7	1.6	1.6	1.7	1.7	0.0	0.0%
National Science Foundation	1.3	1.3	1.4	1.4	1.5	0.2	15.4%
Nuclear Regulatory Commission	3.5	3.7	4.0	4.0	4.0	0.5	14.3%
Office of Personnel Management	4.6	4.7	4.7	4.9	5.0	0.4	8.7%
Peace Corps	1.1	1.0	1.0	1.3	1.4	0.3	27.3%
Railroad Retirement Board	1.0	1.0	0.9	1.0	0.9	–0.1	–10.0%
Securities and Exchange Commission	3.5	3.5	3.6	3.8	4.2	0.7	20.0%
Small Business Administration	4.4	3.6	3.9	3.5	3.5	–0.9	–20.5%
Smithsonian Institution	5.0	5.1	5.1	5.4	5.4	0.4	8.0%
Social Security Administration	61.7	61.3	64.1	67.6	68.4	6.7	10.9%
Tennessee Valley Authority	11.3	11.6	11.5	13.0	13.0	1.7	15.0%
All other small agencies	15.6	15.2	15.6	17.3	17.7	2.1	13.5%
Total, Executive Branch civilian employment *	**1,831.6**	**1,875.3**	**1,977.8**	**2,148.3**	**2,105.7**	**274.1**	**15.0%**
Subtotal, Defense	658.8	671.2	702.7	720.2	757.5	98.7	15.0%
Subtotal, Non-Defense	1,172.8	1,204.1	1,275.1	1,428.1	1,348.2	175.4	15.0%

* Totals may not add due to rounding.

Table 10–2. TOTAL FEDERAL EMPLOYMENT
(As measured by Full-Time Equivalents)

Description	2009 Actual	Estimate		Change: 2009 to 2011	
		2010	2011	FTE	Percent
Executive branch civilian personnel:					
All agencies except Postal Service and Defense	1,275,110	1,428,103	1,348,241	73,131	5.7%
Defense-Military functions (civilians)	702,664	720,201	757,461	54,797	7.8%
Subtotal, excluding Postal Service	1,977,774	2,148,304	2,105,702	127,928	6.5%
Postal Service [1]	674,844	675,256	663,503	–11,341	–1.7%
Subtotal, Executive Branch civilian personnel	2,652,618	2,823,560	2,769,205	116,587	4.4%
Executive branch uniformed personnel:					
Department of Defense [2]	1,541,235	1,547,501	1,541,182	–53	–0.0%
Department of Homeland Security (USCG)	42,939	44,276	43,810	871	2.0%
Commissioned Corps (DOC, EPA, HHS)	6,580	6,873	6,926	346	5.3%
Subtotal, uniformed military personnel	1,590,754	1,598,650	1,591,918	1,164	0.1%
Subtotal, Executive Branch	4,243,372	4,422,210	4,361,123	117,751	2.8%
Legislative Branch: Total FTE [3]	32,104	33,495	33,533	1,429	4.5%
Judicial branch: Total FTE	34,288	35,162	36,303	2,015	5.9%
Grand total	**4,309,764**	**4,490,867**	**4,430,959**	**121,195**	**2.8%**

[1] Includes Postal Rate Commission.
[2] Does not include Full-Time Support (Active Guard & Reserve (AGRs)) paid from Reserve Component Appropriations.
[3] FTE data not available for the Senate (positions filled were used).

Table 10–3. PERSONNEL COMPENSATION AND BENEFITS

(In millions of dollars)

Description	2009 Actual	2010 Estimate	2011 Request	Change: 2009 to 2011	
				Dollars	Percent
Civilian personnel costs:					
Executive Branch (excluding Postal Service):					
Direct compensation:					
DOD—military functions	49,194	52,949	56,914	7,720	15.7%
All other executive branch	104,921	116,353	117,177	12,256	11.7%
Subtotal, direct compensation	154,115	169,302	174,091	19,976	13.0%
Personnel benefits:					
DOD—military functions	13,965	15,565	16,642	2,677	19.2%
All other executive branch	42,604	44,661	45,546	2,942	6.9%
Subtotal, personnel benefits	56,569	60,226	62,188	5,619	9.9%
Subtotal, Executive Branch	210,684	229,528	236,279	25,595	12.1%
Postal Service:					
Direct compensation	36,387	37,914	37,818	1,431	3.9%
Personnel benefits	16,642	18,096	18,615	1,973	11.9%
Subtotal	53,029	56,010	56,433	3,404	6.4%
Legislative Branch:[1]					
Direct compensation	2,072	2,221	2,303	231	11.1%
Personnel benefits	604	665	691	87	14.4%
Subtotal	2,676	2,886	2,994	318	11.9%
Judicial Branch:					
Direct compensation	3,023	3,247	3,425	402	13.3%
Personnel benefits	942	1,015	1,076	134	14.2%
Subtotal	3,965	4,262	4,501	536	13.5%
Total, civilian personnel costs	270,354	292,686	300,207	29,853	11.0%
Military personnel costs:					
DOD—Military Functions:					
Direct compensation	95,613	99,788	100,925	5,312	5.6%
Personnel benefits	47,106	50,815	52,307	5,201	11.0%
Subtotal	142,719	150,603	153,232	10,513	7.4%
All other executive branch, uniformed personnel:					
Direct compensation	2,914	3,140	3,187	273	9.4%
Personnel benefits	792	833	841	49	6.2%
Subtotal	3,706	3,973	4,028	322	8.7%
Total, military personnel costs[2]	146,425	154,576	157,260	10,835	7.4%
Grand total, personnel costs	416,779	447,262	457,467	40,688	9.8%
ADDENDUM					
Former Civilian Personnel:					
Retired pay for former personnel					
Government payment for Annuitants:	69,307	71,683	73,961	4,654	6.7%
Employee health benefits	9,114	9,526	10,118	1,004	11.0%
Employee life insurance	44	47	48	4	9.1%
Former Military personnel:					
Retired pay for former personnel	50,304	50,998	51,933	1,629	3.2%
Military annuitants health benefits	8,291	8,634	9,356	1,065	12.8%

[1] Excludes members and officers of the Senate.

[2] Amounts in this table for military compensation reflect direct pay and benefits for all service members, including active duty, guard, and reserve members.

Table 10–4. AGENCY RANKINGS FROM FEDERAL WORKFORCE SURVEYS[1]

Agency	Human Capital Index Score (OPM)				Employee Satisfaction Ranking (PPS Best Places to Work)	Employee Engagement Rankings (MSPB)
	Leadership and Knowledge Management	Results-Oriented Performance Culter	Talent Management	Job Satisfaction		
Nuclear Regulatory Commission	1	2	1	1	1	*
National Aeronautics and Space Administration	5	4	3	4	3	1
State	7	11	10	5	5	2
General Services Administration	8	14	9	12	8	9
Social Security Administration	10	24	24	7	9	14
Commerce	11	8	12	16	10	6
Office of Personnel Management	14	15	26	19	20	18
Defense	15	20	16	18	15	13
Energy	16	19	15	22	19	20
Securities and Exchange Commission	17	27	22	29	11	*
Justice	18	23	17	10	7	7
Environmental Protection Agency	19	13	13	11	6	5
Treasury	20	18	18	28	17	15
Labor	21	16	30	21	18	12
Small Business Administration	22	26	31	27	26	*
Veterans Affairs	23	32	14	14	12	8
Health and Human Services	24	17	20	20	21	11
Education	27	29	25	31	27	21
Agriculture	28	31	23	24	23	19
Housing and Urban Development	31	33	36	30	24	17
Interior	34	30	27	26	22	16
Homeland Security	35	35	34	33	28	24
Transportation	36	36	33	35	30	22

[1] Only large agencies shown. Rankings may skip numbers.

* Not surveyed

Table 10–5. OVERSEAS STAFFING UNDER CHIEF OF MISSION AUTHORITY*

Total Personnel Under COM Authority (including American and locally engaged staff) projected for FY 2011	Total American Personnel Under COM Authority projected for FY 2011	Average Cost of an American Position Overseas Estimated for FY 2011
70,300	17,640	$580,000

* As reported by agencies in their 2011 Overseas Staffing and Cost submissions

BUDGET CONCEPTS AND BUDGET PROCESS

11. BUDGET CONCEPTS

The budget system of the United States Government provides the means for the President and Congress to decide how much money to spend, what to spend it on, and how to raise the money they have decided to spend. Through the budget system, they determine the allocation of resources among the agencies of the Federal Government and between the Federal Government and the private sector. The budget system focuses primarily on dollars, but it also allocates other resources, such as Federal employment. The decisions made in the budget process affect the Nation as a whole, state and local governments, and individual Americans. Many budget decisions have worldwide significance. The Congress and the President enact budget decisions into law. The budget system ensures that these laws are carried out.

This chapter provides an overview of the budget system and explains some of the more important budget concepts. It includes summary dollar amounts to illustrate major concepts. Other chapters of the budget documents discuss these amounts and more detailed amounts in greater depth.

The following section discusses the budget process, covering formulation of the President's Budget, action by Congress, and execution of enacted budget laws. The next section provides information on budget coverage, including a discussion of on-budget and off-budget amounts, functional classification, presentation of budget data, types of funds, and full-cost budgeting. Subsequent sections discuss the concepts of receipts and collections, budget authority, and outlays. These sections are followed by discussions of Federal credit; surpluses, deficits, and means of financing; Federal employment; and the basis for the budget figures. A glossary of budget terms appears at the end of the chapter.

Various laws, enacted to carry out requirements of the Constitution, govern the budget system. The chapter refers to the principal ones by title throughout the text and gives complete citations in the section just preceding the glossary.

THE BUDGET PROCESS

The budget process has three main phases, each of which is related to the others:

1. Formulation of the President's Budget;

2. Action by Congress; and

3. Execution of enacted budget laws.

Formulation of the President's Budget

The Budget of the United States Government consists of several volumes that set forth the President's fiscal policy goals and priorities for the allocation of resources by the Government. The primary focus of the Budget is on the budget year—the next fiscal year for which Congress needs to make appropriations, in this case 2011. (Fiscal year 2011 will begin on October 1, 2010, and end on September 30, 2011.) The Budget also covers the nine years following the budget year in order to reflect the effect of budget decisions over the longer term. It includes the funding levels provided for the current year, in this case 2010, so that the reader can compare the President's Budget proposals with the most recently enacted levels, and it includes data on the most recently completed fiscal year, in this case 2009, so that the reader can compare budget estimates to actual accounting data.

In a normal year, the President begins the process of formulating the budget by establishing general budget and fiscal policy guidelines, usually by the Spring of each year, at least nine months before the President transmits the budget to Congress and at least 18 months before the fiscal year begins. (See the "Budget Calendar" later in this chapter.) Based on these guidelines, the Office of Management and Budget (OMB) works with the Federal agencies to establish specific policy directions and planning levels, both for the budget year and for at least the following four years, and in this case, the following nine years, to guide the preparation of their budget requests.

During the formulation of the budget, the President, the Director of OMB, and other officials in the Executive Office of the President continually exchange information, proposals, and evaluations bearing on policy decisions with the Secretaries of the departments and the heads of the other Government agencies. Decisions reflected in previously enacted budgets, including the one for the fiscal year in progress, reactions to the last proposed budget (which Congress is considering at the same time the process of preparing the forthcoming budget begins), and evaluations of program performance all influence decisions concerning the forthcoming budget. So do projections of the economic outlook, prepared jointly by the Council of Economic Advisers, OMB, and the Treasury Department.

In early Fall, agencies submit their budget requests to OMB, where analysts review them and identify issues that OMB officials need to discuss with the agencies. OMB and the agencies resolve many issues themselves. Others require the involvement of White House policy officials and the President. This decision-making process is usually completed by late December. At that time, the final stage of developing detailed budget data and the preparation of the budget documents begins.

The decision-makers must consider the effects of economic and technical assumptions on the budget estimates. Interest rates, economic growth, the rate of inflation, the unemployment rate, and the number of people eligible for various benefit programs, among other factors, affect Government spending and receipts. Small changes in these assumptions can alter budget estimates by many billions of dollars. (Chapter 2, "Economic Assumptions," provides more information on this subject.)

Thus, the budget formulation process involves the simultaneous consideration of the resource needs of individual programs, the allocation of resources among the agencies and functions of the Federal Government, and the total outlays and receipts that are appropriate in light of current and prospective economic conditions.

The law governing the President's budget requires its transmittal to Congress on or after the first Monday in January but not later than the first Monday in February of each year for the following fiscal year, which begins on October 1. The budget is routinely sent to Congress on the first Monday in February, giving Congress eight months to act on the budget before the fiscal year begins.

Congressional Action [1]

Congress considers the President's budget proposals and approves, modifies, or disapproves them. It can change funding levels, eliminate programs, or add programs not requested by the President. It can add or eliminate taxes and other sources of receipts or make other changes that affect the amount of receipts collected.

Congress does not enact a budget as such. Through the process of adopting a planning document called a budget resolution (described below), Congress agrees on targets for total spending and receipts, the size of the deficit or surplus, and the debt limit. The budget resolution provides the framework within which individual congressional committees prepare appropriations bills and other spending and receipts legislation. Congress provides spending authority—funding—for specified purposes in appropriations acts each year. It also enacts changes each year in other laws that affect spending and receipts. Both appropriations acts and these other laws are discussed in the following paragraphs.

In making appropriations, Congress does not vote on the level of outlays (spending) directly, but rather on budget authority, or funding, which is the authority provided by law to incur financial obligations that will result in outlays. In a separate process, prior to making appropriations, Congress usually enacts legislation that authorizes an agency to carry out particular programs and, in some cases, limits the amount that can be appropriated for the programs. Some authorizing legislation expires after one year, some expires after a specified number of years, and some is permanent. Congress may enact appropriations for a program even though there is no specific authorization for it or its authorization has expired.

Congress begins its work on its budget resolution shortly after it receives the President's budget. Under the procedures established by the Congressional Budget Act of 1974, Congress decides on budget targets before commencing action on individual appropriations. The Act requires each standing committee of the House and Senate to recommend budget levels and report legislative plans concerning matters within the committee's jurisdiction to the Budget Committee in each body. The House and Senate Budget Committees then each design and report, and each body then considers, a concurrent resolution on the budget—a congressional budget plan, or budget resolution. The budget resolution sets targets for total receipts

[1] For a fuller discussion of the congressional budget process, see Robert Keith, Introduction to the Federal Budget Process (Congressional Research Service Report 98–721 GOV), and Robert Keith and Allen Schick, Manual on the Federal Budget Process (Congressional Research Service Report 98–720 GOV, archived).

BUDGET CALENDAR

The following timetable highlights the scheduled dates for significant budget events during a normal budget year:

Between the 1st Monday in January and the 1st Monday in February	President transmits the budget
Six weeks later	Congressional committees report budget estimates to Budget Committees
April 15	Action to be completed on congressional budget resolution
May 15	House consideration of annual appropriations bills may begin even if the budget resolution has not been agreed to.
June 10	House Appropriations Committee to report the last of its annual appropriations bills.
June 15	Action to be completed on "reconciliation bill" by Congress.
June 30	Action on appropriations to be completed by House
July 15	President transmits Mid-Session Review of the Budget
October 1	Fiscal year begins

and for budget authority and outlays, both in total and by functional category (see "Functional Classification" later in this chapter). It also sets targets for the budget deficit or surplus and for Federal debt subject to statutory limit.

The congressional timetable calls for the House and Senate to resolve differences between their respective versions of the congressional budget resolution and adopt a single budget resolution by April 15 of each year.

In the report on the budget resolution, the Budget Committees allocate the total on-budget budget authority and outlays set forth in the resolution to the Appropriations Committees and the other committees that have jurisdiction over spending. (See "Coverage of the Budget," later in this chapter, for more information on on-budget and off-budget amounts.) Once Congress resolves differences between the House and Senate and agrees on a budget resolution, the Appropriations Committees are required to divide their allocations of budget authority and outlays among their subcommittees. Congress is not allowed to consider appropriations bills (so-called "discretionary" spending) that would breach or further breach an Appropriations subcommittee's target. The other committees with jurisdiction over spending (so-called "mandatory" spending) may make allocations among their subcommittees but are not required to. Congress is not allowed to consider legislation that would cause the overall spending target for any such committee to be breached or further breached. The Budget Committees' reports may discuss assumptions about the level of funding for major programs. While these assumptions do not bind the other committees and subcommittees, they may influence their decisions. The budget resolution may also contain "reconciliation directives" (discussed below) to the committees responsible for tax laws and for mandatory spending—programs not controlled by annual appropriation acts—in order to conform the level of receipts and this type of spending to the targets in the budget resolution.

Since the concurrent resolution on the budget is not a law, it does not require the President's approval. However, Congress considers the President's views in preparing budget resolutions, because legislation developed to meet congressional budget allocations does require the President's approval. In some years, the President and the joint leadership of Congress have formally agreed on plans to reduce the deficit or balance the budget. These agreements were then reflected in the budget resolution and legislation passed for those years.

Once Congress approves the budget resolution, it turns its attention to enacting appropriations bills and authorizing legislation. Appropriations bills are initiated in the House. They provide the budgetary resources for the majority of Federal programs, but only a minority of Federal spending. The Appropriations Committee in each body has jurisdiction over annual appropriations. These committees are divided into subcommittees that hold hearings and review detailed budget justification materials prepared by the Executive Branch agencies within the subcommittee's jurisdiction. After a bill has been drafted by a subcommittee, the full committee and the whole House, in turn, must approve the bill, sometimes with amendments to the original version. The House then forwards the bill to the Senate, where a similar review follows. If the Senate disagrees with the House on particular matters in the bill, which is often the case, the two bodies form a conference committee (consisting of some Members of each body) to resolve the differences. The conference committee revises the bill and returns it to both bodies for approval. When the revised bill is agreed to, first in the House and then in the Senate, Congress sends it to the President for approval or veto.

Since 1977, when the start of the fiscal year was established as October 1, there have been only three fiscal years (1989, 1995, and 1997) for which Congress agreed to every appropriations bill by that date. When one or more appropriations bills has not been agreed on by this date, Congress usually enacts a joint resolution called a "continuing resolution," (CR) which is an interim or stop-gap appropriations bill that provides authority for the affected agencies to continue operations at some specified level up to a specific date or until the regular appropriations are enacted. Occasionally, a CR has funded a portion or all of the Government for the entire year.

Most CRs instruct the Administration to take the most limited funding action permitted by the CR, so as not to impinge on the final funding prerogatives of the Congress. Congress must present these resolutions to the President for approval or veto. In some cases, Presidents have rejected CRs because they contained unacceptable provisions. Left without funds, Government agencies were required by law to shut down operations—with exceptions for some activities—until Congress passed a CR the President would approve. Shutdowns have lasted for periods of a day to several weeks.

Congress also provides budget authority in laws other than appropriations acts. In fact, while annual appropriations acts fund the majority of Federal programs, they account for only about a third of the total spending in a typical year. Authorizing legislation controls the rest of the spending, which is commonly called "mandatory spending." A distinctive feature of these authorizing laws is that they provide agencies with the authority or requirement to spend money without first requiring the Appropriations Committees to enact funding. This category of spending includes interest the Government pays on the public debt and the spending of several major programs, such as Social Security, Medicare, Medicaid, unemployment insurance, and Federal employee retirement. This chapter discusses the control of budget authority and outlays in greater detail under "Budget Authority and Other Budgetary Resources, Obligations, and Outlays."

Almost all taxes and most other receipts also result from authorizing laws. Article I, Section 7, of the Constitution provides that all bills for raising revenue shall originate in the House of Representatives. In the House, the Ways and Means Committee initiates tax bills; in the Senate, the Finance Committee has jurisdiction over tax laws.

The budget resolution often includes reconciliation directives, which require authorizing committees to change laws that affect receipts or mandatory spending. It directs each designated committee to report amendments to the laws under the committee's jurisdiction that would achieve changes in the levels of receipts or reductions in mandatory spending controlled by those laws. These directives specify the dollar amount of changes that each designated committee is expected to achieve, but do not specify which laws are to be changed or the changes to be made. However, the Budget Committees' reports on the budget resolution frequently discuss assumptions about how the laws would be changed. Like other assumptions in the report, they do not bind the committees of jurisdiction but may influence their decisions. A reconciliation instruction may also specify the total amount by which the statutory limit on the public debt is to be changed.

The committees subject to reconciliation directives draft the implementing legislation. Such legislation may, for example, change the tax code, revise benefit formulas or eligibility requirements for benefit programs, or authorize Government agencies to charge fees to cover some of their costs. Reconciliation bills are typically omnibus legislation, combining the legislation submitted by each reconciled committee in a single act.

Such a large and complicated bill would be difficult to enact under normal legislative procedures because it usually involves changes to tax rates or to popular social programs in order to achieve budgetary savings. The Senate considers such omnibus reconciliation acts under expedited procedures that limit total debate on the bill. To offset the procedural advantage gained by expedited procedures, the Senate places significant restrictions on the substantive content of the reconciliation measure itself, as well as on amendments to the measure. Any material in the bill that is extraneous or that contains changes to the Federal Old-Age and Survivors Insurance and the Federal Disability Insurance programs is not in order under the Senate's expedited reconciliation procedures. Non-germane amendments are also prohibited. In addition, the reconciliation bill as a whole is not permitted to increase projected deficits or reduce projected surpluses.

Reconciliation acts, together with appropriations acts for the year, are usually used to implement broad agreements between the President and the Congress on those occasions where the two branches have negotiated a comprehensive budget plan. Reconciliation acts have sometimes included other matters, such as laws providing the means for enforcing these agreements, as described under "Budget Enforcement."

Budget Enforcement

The Budget Enforcement Act (BEA), first enacted in 1990 and extended in 1993 and 1997, was an example of a law designed to enforce an overall budget agreement negotiated between the President and Congress; the purpose of the law was to reassure both the President and Congress that neither would work to unravel the budget agreement they had reached. Most aspects of the BEA expired in 2002, and its principal enforcement provisions were ignored by the President and Congress in its last few years. However, one of those provisions—a pay-as-you-go rule for tax and mandatory spending legislation—is part of House and Senate rules in a modified form and continues to govern congressional consideration of such legislation. In addition, the possibility of reinstating caps on discretionary spending and a statutory pay-as-you-go rule continues to prompt much discussion and so these provisions are discussed in this section.

The BEA divided spending into two types—***discretionary spending*** and ***direct*** or ***mandatory spending***. As noted above, discretionary spending is controlled through annual appropriations acts and mandatory spending is controlled by authorizing laws.

The BEA defined categories of discretionary spending (such as "defense" and "non-defense" spending) and set forth dollar limits known as ***caps*** on the amount of spending in each category. If the amount of budget authority provided in appropriations acts for a given year exceeded the budget authority cap for that category, or if the estimated outlays exceeded the outlay cap for that category, the BEA triggered an automatic procedure, called ***sequestration***, for reducing the spending in the category down to the level of the cap.

The BEA did not cap mandatory spending, in large part because much mandatory spending, such as unemployment compensation, is intended to fluctuate automatically with economic conditions. Instead, it required that all proposed legislation that affected mandatory spending or receipts be enacted on a ***pay-as-you-go*** (PAYGO) basis. If such a law increased the projected deficit or reduced a projected surplus in the budget year or any of the four following years, another law had to be enacted with an offsetting reduction in mandatory spending or increase in receipts for each such year. In short, the PAYGO rule prohibited the enactment of new legislation that, on net, would cost money in any of the years covered by a budget agreement between the President and Congress. (In 1990, 1993, and 1997, the agreements each covered five years.) If the net of all tax and mandatory spending legislation enacted since the start of the most recent five-year agreement was a cost for the budget year, a sequestration would be triggered to offset that net cost. On July 22, 2009, the House of Representatives passed a permanent version of statutory PAYGO (H.R. 2920), similar in basic ways to the statutory PAYGO provisions of the BEA. The Senate has not yet acted on the House-passed bill. The Administration transmitted a statutory PAYGO bill to Congress in 2009 and supports the House-passed legislation. This proposal is discussed in more detail in Chapter 13 of this volume, "Budget Process."

Chapter 24, "Budget System and Concepts and Glossary," pages 460-461 in the *Analytical Perspectives* volume of the 2004 Budget, discusses the Budget Enforcement Act in more detail.

Budget Execution

Government agencies may not spend or obligate more than Congress has appropriated, and they may use funds only for purposes specified in law. The Antideficiency Act prohibits them from spending or obligating the Government to spend in advance of an appropriation, unless specific authority to do so has been provided in law. Additionally, the Act requires the President to apportion the budgetary resources available for most executive branch agencies. The President has delegated this authority to OMB. Some apportionments are by time periods (usually by quarter of the fiscal year), some are by projects or activities, and others are by a combination of both. Agencies may request OMB to reapportion funds during the year to accommodate changing circumstances. This system helps to ensure that funds do not run out before the end of the fiscal year.

During the budget execution phase, the Government sometimes finds that it needs more funding than Congress has appropriated for the fiscal year because of unanticipated circumstances. For example, more might be needed to respond to a severe natural disaster. Under such circumstances, Congress may enact a supplemental appropriation.

On the other hand, the President may propose to reduce a previously enacted appropriation. The President may propose to either "cancel" or "rescind" the amount. If the President initiates the withholding of funds while Congress considers his request, the amounts are apportioned as "deferred" or "withheld pending rescission" on the OMB-approved apportionment form. Agencies are instructed not to withhold funds without the prior approval of OMB. When OMB approves a withholding, the Impoundment Control Act requires that the President transmit a "special message" to the Congress. The historical reason for the special message is to inform Congress that the President has unilaterally withheld funds that were enacted in regular appropriations acts. The notification allows the Congress to consider the proposed rescission in a timely way. The last time the President initiated the withholding of funds was in fiscal year 2000.

COVERAGE OF THE BUDGET

Federal Government and Budget Totals

The budget documents provide information on all Federal agencies and programs. However, because the laws governing Social Security (the Federal Old-Age and Survivors Insurance and the Federal Disability Insurance trust funds) and the Postal Service Fund require that the receipts and outlays for those activities be excluded from the budget totals and from the calculation of the deficit or surplus, the budget presents on-budget and off-budget totals. The off-budget totals include the Federal transactions excluded by law from the budget totals. The on-budget and off-budget amounts are added together to derive the totals for the Federal Government. These are sometimes referred to as the unified or consolidated budget totals.

Table 11–1. TOTALS FOR THE BUDGET AND THE FEDERAL GOVERNMENT
(In billions of dollars)

	2009 Actual	Estimate	
		2010	2011
Budget Authority:			
Unified	4,077	3,601	3,691
On-budget	3,548	3,041	3,110
Off-budget	529	559	580
Receipts:			
Unified	2,105	2,165	2,567
On-budget	1,451	1,530	1,893
Off-budget	654	635	674
Outlays:			
Unified	3,518	3,721	3,834
On-budget	3,001	3,164	3,256
Off-budget	517	557	578
Deficit (–)/Surplus (+):			
Unified	–1,413	–1,556	–1,267
On-budget	–1,550	–1,634	–1,363
Off-budget	137	78	96

It is not always obvious whether a transaction or activity should be included in the budget; the dividing line between the Government and the private sector is sometimes murky. Where there is a question, OMB normally follows the recommendation of the 1967 President's Commission on Budget Concepts to be comprehensive of the full range of Federal agencies, programs, and activities. In recent years, for example, the budget has included the transactions of the Universal Service Fund, the Public Company Accounting Oversight Board, Guaranty Agencies Reserves, the National Railroad Retirement Investment Trust, the United Mine Workers Combined Benefits Fund, the Telecommunications Development Fund, the Federal Financial Institutions Examination Council, and the transactions of Electric Reliability Organizations (EROs) established pursuant to the Energy Policy Act of 2005. This year, the budget includes the transactions of the Securities Investor Protection Corporation, which was created pursuant to Securities Investor Protection Act of 1970.

The budget also classifies as governmental the collections and spending by the Affordable Housing Program (AHP) funds created by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) and includes them in the budget totals. FIRREA requires each of the 12 Federal Home Loan Banks (FHLBs) to contribute at least 10 percent of its previous year's net earnings to an AHP fund to be used to subsidize owner-occupied and rental housing for low-income families and individuals and to provide assistance to certain first-time homebuyers. Since 1990, the FHLBs have contributed $3.5 billion to the AHP funds, of which $2.7 billion has been spent. The unspent funds represent 2009 contributions that will be committed in 2010 and the undisbursed portion of funds already committed to specific projects. Although the funds remain in the possession of the FHLBs, the deposit of specific amounts into the AHP funds is compulsory, and the expenditures are to meet specific governmental purposes.

In contrast, the budget excludes tribal trust funds that are owned by Indian tribes and held and managed by the Government in a fiduciary capacity on the tribes' behalf. These funds are not owned by the Government, the Government is not the source of their capital, and the Government's control is limited to the exercise of fiduciary duties. Similarly, the transactions of Government-sponsored enterprises, such as the FHLBs, are not included in the on-budget or off-budget totals. Federal laws established these enterprises for public policy purposes, but they are privately owned and operated corporations. Nevertheless, because of their public charters, the budget discusses them and reports summary financial data in the budget Appendix and in some detailed tables.

The Appendix includes a presentation for the Board of Governors of the Federal Reserve System for information only. The amounts are not included in either the on-budget or off-budget totals because of the independent status of the System within the Government. However, the Federal Reserve System transfers its net earnings to the Treasury, and the budget records them as receipts.

Chapter 12 of this volume, "Coverage of the Budget," provides more information on this subject.

Functional Classification

The functional classification is used to array budget authority, outlays, and other budget data according to the major purpose served—such as agriculture, transportation, income security, and national defense. There are 19 major functions, most of which are divided into subfunctions. For example, the Agriculture function comprises the subfunctions Farm Income Stabilization and Agricultural Research and Services. The functional array meets the Congressional Budget Act requirement for a presentation in the budget by national needs and agency missions and programs.

The following criteria are used in establishing functional categories and assigning activities to them:

- A function encompasses activities with similar purposes, emphasizing what the Federal Government seeks to accomplish rather than the means of accomplishment, the objects purchased, the clientele or geographic area served (except in the cases of functions 570 for Medicare, 650 for Social Security, and 700 for Veterans Benefits and Services), or the Federal agency conducting the activity (except in the case of subfunction 051 in the National Defense function, which is used only for defense activities under the Department of Defense—Military).

- A function must be of continuing national importance, and the amounts attributable to it must be significant.

- Each basic unit being classified (generally the appropriation or fund account) usually is classified according to its primary purpose and assigned to only one subfunction. However, some large accounts that serve more than one major purpose are subdivided into two or more functions or subfunctions.

Detailed functional tables, which provide information on Government activities by function and subfunction, are available on the Internet and as a CD-ROM in the printed document.

Agencies, Accounts, Programs, Projects, and Activities

Various summary tables in the *Analytical Perspectives* volume of the Budget provide information on budget authority, outlays, and offsetting collections and receipts arrayed by Federal agency. A table that lists budget authority and outlays by budget account within each agency and the totals for each agency of budget authority, outlays, and receipts that offset the agency spending totals is available on the Internet and as a CD-ROM in the printed document. The *Appendix* provides budgetary, financial, and descriptive information about programs, projects, and activities by account within each agency.

Types of Funds

Agency activities are financed through Federal funds and trust funds.

Federal funds comprise several types of funds. Receipt accounts of the ***general fund***, which is the greater part of the budget, record receipts not earmarked by law for a specific purpose, such as income tax receipts. The general fund also includes the proceeds of general borrowing. General fund appropriations accounts record general fund expenditures. General fund appropriations draw from general fund receipts and borrowing collectively and, therefore, are not specifically linked to receipt accounts. ***Special funds*** consist of receipt accounts for Federal fund receipts that laws have designated for specific purposes and the associated appropriation accounts for the expenditure of those receipts. ***Public enterprise funds*** are revolving funds used for programs authorized by law to conduct a cycle of business-type operations, primarily with the public, in which outlays generate collections.

Intragovernmental funds are revolving funds that conduct business-type operations primarily within and between Government agencies. The collections and the outlays of revolving funds are recorded in the same budget account.

Trust funds account for the receipt and expenditure of monies by the Government for carrying out specific purposes and programs in accordance with the terms of a statute that designates the fund as a trust fund (such as the Highway Trust Fund) or for carrying out the stipulations of a trust where the Government itself is the beneficiary (such as any of several trust funds for gifts and donations for specific purposes). ***Trust revolving funds*** are trust funds credited with collections earmarked by law to carry out a cycle of business-type operations.

The Federal budget meaning of the term "trust," as applied to trust fund accounts, differs significantly from its private-sector usage. In the private sector, the beneficiary of a trust usually owns the trust's assets, which are managed by a trustee who must follow the stipulations of the trust. In contrast, the Federal Government owns the assets of most Federal trust funds, and it can raise or lower future trust fund collections and payments, or change the purposes for which the collections are used, by changing existing laws. There is no substantive difference between a trust fund and a special fund or between a trust revolving fund and a public enterprise revolving fund.

However, in some instances, the Government does act as a true trustee of assets that are owned or held for the benefit of others. For example, it maintains accounts on behalf of individual Federal employees in the Thrift Savings Fund, investing them as directed by the individual employee. The Government accounts for such funds in ***deposit funds***, which are not included in the budget. (Chapter 27 of this volume, "Trust Funds and Federal Funds," provides more information on this subject.)

Budgeting for Full Costs

A budget is a financial plan for allocating resources—deciding how much the Federal Government should spend in total, program by program, and for the parts of each program and deciding how to finance the spending. The budgetary system provides a process for proposing policies, making decisions, implementing them, and reporting the results. The budget needs to measure costs accurately so that decision makers can compare the cost of a program with its benefits, the cost of one program with another, and the cost of one method of reaching a specified goal with another. These costs need to be fully included in the budget up front, when the spending decision is made, so that executive and congressional decision makers have the information and the incentive to take the total costs into account when setting priorities.

The budget includes all types of spending, including both current operating expenditures and capital investment, and to the extent possible, both are measured on the basis of full cost. Questions are often raised about the measure of capital investment. The present budget provides policymakers the necessary information regarding investment spending. It records investment on a cash basis, and it requires Congress to provide budget authority before an agency can obligate the Government to make a cash outlay. By these means, it causes the total cost of capital investment to be compared up front in a rough and ready way with the total expected future net benefits. Since the budget measures only cost, the benefits with which these costs are compared, based on policy makers' judgment, must be presented in supplementary materials. Such a comparison of total costs with benefits is consistent with the formal method of cost-benefit analysis of capital projects in government, in which the full cost of a capital asset as the cash is paid out is compared with the full stream of future benefits (all in terms of present values). (Chapter 20 of this volume, "Federal Investment," provides more information on capital investment.)

RECEIPTS, OFFSETTING COLLECTIONS, AND OFFSETTING RECEIPTS

In General

The budget records amounts collected by Government agencies two different ways. Depending on the nature of the activity generating the collection and the law that established the collection, they are recorded as either:

- ***Governmental receipts***, which are compared in total to outlays (net of offsetting collections and offsetting receipts) in calculating the surplus or deficit; or
- ***Offsetting collections*** or ***offsetting receipts***, which are deducted from gross outlays to calculate net outlay figures.

Governmental Receipts

Governmental receipts are collections that result from the Government's exercise of its sovereign power to tax or otherwise compel payment. Sometimes they are called receipts, Federal receipts, or Federal revenues. They consist mostly of individual and corporation income taxes and social insurance taxes, but also include excise taxes, compulsory user charges, regulatory fees, customs duties, court fines, certain license fees, and deposits of earnings by the Federal Reserve System. Total receipts for the Federal Government include both on-budget and off-budget receipts (see Table 11–1, "Totals for the Budget and the Federal Government," which appears earlier in this chapter.) Chapter 14 of this volume, "Governmental Receipts," provides more information on receipts.

Offsetting Collections and Offsetting Receipts

Offsetting collections and offsetting receipts are recorded as offsets to (deductions from) spending, not as additions on the receipt side of the budget. As explained below, they are recorded as offsets to outlays so that the budget totals represent governmental rather than market activity and reflect the Government's net transactions with the public. They are recorded in one of two ways, based on interpretation of laws and longstanding budget concepts and practice. They are offsetting collections when the collections are authorized by law to be credited to expenditure accounts and are generally available for expenditure without further legislation. Otherwise, they are deposited in receipt accounts and called offsetting receipts.

Offsetting collections and offsetting receipts result from any of the following types of transactions:

- ***Business-like transactions or market-oriented activities with the public***—collections from the public in exchange for goods or services, such as 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. The budget records these amounts as *offsetting collections from non-Federal sources* (for offsetting collections) or as *proprietary receipts* (for offsetting receipts). The amounts are deducted from gross budget authority and outlays, rather than added to governmental receipts. This treatment produces budget totals for budget authority, outlays, and governmental receipts that represent governmental rather than market activity.

- ***Intragovernmental transactions***—collections from other Federal Government accounts. The budget records collections by one Government account from another as *offsetting collections from Federal sources* (for offsetting collections) or as *intragovernmental receipts* (for offsetting receipts). For example, the General Services Administration rents office space to other Government agencies and records their rental payments as offsetting collections from Federal sources in the Federal Buildings Fund. These transactions are exactly offsetting and do not affect the surplus or deficit. However, they are an important accounting mechanism for allocating costs to the programs and activities that cause the Government to incur the costs. Intragovernmental offsetting collections and receipts are deducted from gross budget authority and outlays so that the budget totals measure the transactions of the Government with the public.

- ***Voluntary gifts and donations***—gifts and donations, which are treated as offsets to budget authority and outlays. Previously, existing gifts and donations were reported as Governmental receipts, but they have been reclassified for the 2011 Budget.

- ***Offsetting governmental transactions***—collections from the public that are governmental in nature (e.g., tax receipts, regulatory fees, compulsory user charges, custom duties, license fees) but required by law to be misclassified as offsetting. The budget records amounts from non-Federal sources that are governmental in nature as *offsetting governmental collections* (for offsetting collections) or as *offsetting governmental receipts* (for offsetting receipts).

Offsetting Collections

Some laws authorize agencies to credit collections directly to the account from which they will be spent and, usually, to spend the collections for the purpose of the account without further action by Congress. Most revolving funds operate with such authority. For example, a permanent law authorizes the Postal Service to use collections from the sale of stamps to finance its operations without a requirement for annual appropriations. The budget records these collections in the Postal Service Fund (a revolving fund) and records budget authority in an amount equal to the collections. In addition to revolving funds, some agencies are authorized to charge fees to defray a portion of costs for a program that are otherwise financed by appropriations from the general fund and usually to spend the collections without further action by Congress. In such cases, the budget records the offsetting collections and resulting budget authority in the program's general fund expenditure account. Similarly, intragovernmental collections authorized by some laws may be recorded as offsetting collections and budget authority in revolving funds or in general fund expenditure accounts.

Sometimes appropriations acts or provisions in other laws limit the obligations that can be financed by offsetting collections. In those cases, the budget records budget authority in the amount available to incur obligations, not in the amount of the collections.

Offsetting collections credited to expenditure accounts automatically offset the outlays at the expenditure account level. Where accounts have offsetting collections, the budget shows the budget authority and outlays of the account both gross (before deducting offsetting collections) and net (after deducting offsetting collections). Totals for the agency, subfunction, and overall budget are net of offsetting collections.

Offsetting Receipts

Collections that are offset against gross outlays but are not authorized to be credited to expenditure accounts are credited to receipt accounts and are called offsetting receipts. Offsetting receipts are deducted from budget authority and outlays in arriving at total budget authority and outlays. However, unlike offsetting collections credited to expenditure accounts, offsetting receipts do not offset budget authority and outlays at the account level. In most cases, they offset budget authority and outlays at the agency and subfunction levels.

Proprietary receipts from a few sources, however, are not offset against any specific agency or function and are classified as undistributed offsetting receipts. They are deducted from the Government-wide totals for budget authority and outlays. For example, the collections of rents and royalties from outer continental shelf lands are undistributed because the amounts are large and for the most part are not related to the spending of the agency that administers the transactions and the subfunction that records the administrative expenses.

Similarly, two kinds of intragovernmental transactions—agencies' payments as employers into Federal employee retirement trust funds and interest received by trust funds—are classified as undistributed offsetting receipts. They appear instead as special deductions in computing total budget authority and outlays for the

Government rather than as offsets at the agency level. This special treatment is necessary because the amounts are so large they would distort measures of the agency's activities if they were attributed to the agency.

User Charges

User charges are fees assessed on individuals or organizations for the provision of Government services and for the sale or use of Government goods or resources. The payers of the user charge must be limited in the authorizing legislation to those receiving special benefits from, or subject to regulation by, the program or activity beyond the benefits received by the general public or broad segments of the public (such as those who pay income taxes or customs duties). Policy regarding user charges is established in OMB Circular A–25, "User Charges" (July 8, 1993). The term encompasses proceeds from the sale or use of Government goods and services, including the sale of natural resources (such as timber, oil, and minerals) and proceeds from asset sales (such as property, plant, and equipment). User charges are not necessarily dedicated to the activity they finance and may be credited to the general fund of the Treasury.

The term "user charge" does not refer to a separate budget category for collections. User charges are classified in the budget as receipts, offsetting receipts, or offsetting collections according to the principles explained previously.

See Chapter 15, "Offsetting Collections and Offsetting Receipts," for more information on the classification of user charges.

BUDGET AUTHORITY, OBLIGATIONS, AND OUTLAYS

Budget authority, obligations, and outlays are the primary benchmarks and measures of the budget control system. Congress enacts laws that provide agencies with spending authority in the form of budget authority. Before agencies can use these resources—obligate this budget authority—OMB must approve their spending plans. After the plans are approved, agencies can enter into binding agreements to purchase items or services or to make grants or other payments. These agreements are recorded as obligations of the United States and deducted from the amount of budgetary resources available to the agency. When payments are made, the obligations are liquidated and outlays recorded. These concepts are discussed more fully below.

Budget Authority and Other Budgetary Resources

Budget authority is the authority provided in law to enter into legal obligations that will result in immediate or future outlays of the Government. In other words, it is the amount of money that agencies are allowed to commit to be spent in current or future years. Government officials may obligate the Government to make outlays only to the extent they have been granted budget authority.

The budget records new budget authority as a dollar amount in the year when it first becomes available for obligation. When permitted by law, unobligated balances of budget authority may be carried over and used in the next year. The budget does not record these balances as budget authority again. They do, however, constitute a budgetary resource that is available for obligation. In some cases, a provision of law (such as a limitation on obligations or a benefit formula) precludes the obligation of funds that would otherwise be available for obligation. In such cases, the budget records budget authority equal to the amount of obligations that can be incurred. A major exception to this rule is for the highway and mass transit programs financed by the Highway Trust Fund, where budget authority is measured as the amount of contract authority (described later in this chapter) provided in authorizing statutes, even though the obligation limitations enacted in annual appropriations acts restrict the amount of contract authority that can be obligated.

In deciding the amount of budget authority to request for a program, project, or activity, agency officials estimate the total amount of obligations they will need to incur to achieve desired goals and subtract the unobligated balances available for these purposes. The amount of budget authority requested is influenced by the nature of the programs, projects, or activities being financed. For current operating expenditures, the amount requested usually covers the needs for the fiscal year. For major procurement programs and construction projects, agencies generally must request sufficient budget authority in the first year to fully fund an economically useful segment of a procurement or project, even though it may be obligated over several years. This full funding policy is intended to ensure that the decision-makers take into account all costs and benefits fully at the time decisions are made to provide resources. It also avoids sinking money into a procurement or project without being certain if or when future funding will be available to complete the procurement or project.

Budget authority takes several forms:

- ***Appropriations***, provided in annual appropriations acts or authorizing laws, permit agencies to incur obligations and make payment;
- ***Borrowing authority***, usually provided in permanent laws, permits agencies to incur obligations but requires them to borrow funds, usually from the general fund of the Treasury, to make payment;
- ***Contract authority***, usually provided in permanent law, permits agencies to incur obligations in advance of a separate appropriation of the cash for payment or in anticipation of the collection of receipts that can be used for payment; and

- ***Spending authority from offsetting collections***, usually provided in permanent law, permits agencies to credit offsetting collections to an expenditure account, incur obligations, and make payment using the offsetting collections.

Because offsetting collections and offsetting receipts are deducted from gross budget authority, they are referred to as negative budget authority for some purposes, such as Congressional Budget Act provisions that pertain to budget authority.

Authorizing statutes usually determine the form of budget authority for a program. The authorizing statute may authorize a particular type of budget authority to be provided in annual appropriations acts, or it may provide one of the forms of budget authority directly, without the need for further appropriations.

An appropriation may make funds available from the general fund, special funds, or trust funds, or authorize the spending of offsetting collections credited to expenditure accounts, including revolving funds. Borrowing authority is usually authorized for business-like activities where the activity being financed is expected to produce income over time with which to repay the borrowing with interest. The use of contract authority is traditionally limited to transportation programs.

New budget authority for most Federal programs is normally provided in annual appropriations acts. However, new budget authority for more than half of all outlays is made available through permanent appropriations under existing laws and does not require current action by Congress. Much of the permanent budget authority is for trust funds, interest on the public debt, and the authority to spend offsetting collections credited to appropriation or fund accounts. For most trust funds, the budget authority is appropriated automatically under existing law from the available balance of the fund and equals the estimated annual obligations of the funds. For interest on the public debt, budget authority is provided automatically under a permanent appropriation enacted in 1847 and equals interest outlays.

Annual appropriations acts generally make budget authority available for obligation only during the fiscal year to which the act applies. However, they frequently allow budget authority for a particular purpose to remain available for obligation for a longer period or indefinitely (that is, until expended or until the program objectives have been attained). Typically, budget authority for current operations is made available for only one year, and budget authority for construction and some research projects is available for a specified number of years or indefinitely. Most budget authority provided in authorizing statutes, such as for most trust funds, is available indefinitely. If budget authority is initially provided for a limited period of availability, an extension of availability would require enactment of another law (see "Reappropriation" later in this chapter).

Budget authority that is available for more than one year and not obligated in the year it becomes available is carried forward for obligation in a following year. In some cases, an account may carry forward unobligated budget authority from more than one prior year. The sum of such amounts constitutes the account's ***unobligated balance***. Most of these balances had been provided for specific uses such as the multi-year construction of a major project and so are not available for new programs. A small part may never be obligated or spent, primarily amounts provided for contingencies that do not occur or reserves that never have to be used.

Amounts of budget authority that have been obligated but not yet paid constitute the account's ***unpaid obligations***. For example, in the case of salaries and wages, one to three weeks elapse between the time of obligation and the time of payment. In the case of major procurement and construction, payments may occur over a period of several years after the obligation is made. Unpaid obligations net of the accounts receivable and unfilled customers' orders are defined by law as the ***obligated balances***. Obligated balances of budget authority at the end of the year are carried forward until the obligations are paid or the balances are canceled. (A general law provides that the obligated balances of budget authority that was made available for a definite period is automatically cancelled five years after the end of the period.) Due to such flows, a change in the amount of budget authority available in any one year may change the level of obligations and outlays for several years to come. Conversely, a change in the amount of obligations incurred from one year to the next does not necessarily result from an equal change in the amount of budget authority available for that year and will not necessarily result in an equal change in the level of outlays in that year.

Congress usually makes budget authority available on the first day of the fiscal year for which the appropriations act is passed. Occasionally, the appropriations language specifies a different timing. The language may provide an ***advance appropriation***—budget authority that does not become available until one year or more beyond the fiscal year for which the appropriations act is passed. ***Forward funding*** is budget authority that is made available for obligation beginning in the last quarter of the fiscal year (beginning on July 1) for the financing of ongoing grant programs during the next fiscal year. This kind of funding is used mostly for education programs, so that obligations for education grants can be made prior to the beginning of the next school year. For certain benefit programs funded by annual appropriations, the appropriation provides for ***advance funding***—budget authority that is to be charged to the appropriation in the succeeding year, but which authorizes obligations to be incurred in the last quarter of the current fiscal year if necessary to meet benefit payments in excess of the specific amount appropriated for the year. When such authority is used, an adjustment is made to increase the budget authority for the fiscal year in which it is used and to reduce the budget authority of the succeeding fiscal year.

Provisions of law that extend into a new fiscal year the availability of unobligated amounts that have expired or would otherwise expire are called reappropriations. Reappropriations of expired balances that are newly available for obligation in the current or budget year count as new budget authority in the fiscal year in which the balances become newly available. For example, if a 2010 appropriations act extends the availability of unobligated budget authority that expired at the end of 2009, new budget authority would be recorded for 2010. This scorekeeping is used because a reappropriation has exactly the same effect as allowing the earlier appropriation to expire at the end of 2009 and enacting a new appropriation for 2010.

For purposes of the Congressional Budget Act (discussed earlier under "Budget Enforcement"), the budget classifies budget authority as ***discretionary*** or ***mandatory***. This classification indicates whether an appropriations act or authorizing legislation controls the amount of budget authority that is available. Generally, budget authority is discretionary if provided in an annual appropriations act and mandatory if provided in authorizing legislation. However, the budget authority provided in annual appropriations acts for certain specifically identified programs is also classified as mandatory. This is because the authorizing legislation for these programs entitles beneficiaries—persons, households, or other levels of government—to receive payment, or otherwise legally obligates the Government to make payment and thereby effectively determines the amount of budget authority required, even though the payments are funded by a subsequent appropriation.

Sometimes, budget authority is characterized as current or permanent. Current authority requires Congress to act on the request for new budget authority for the year involved. Permanent authority becomes available pursuant to standing provisions of law without appropriations action by Congress for the year involved. Generally, budget authority is current if an annual appropriations act provides it and permanent if authorizing legislation provides it. By and large, the current/permanent distinction has been replaced by the discretionary/mandatory distinction, which is similar but not identical. Outlays are also classified as discretionary or mandatory according to the classification of the budget authority from which they flow (see "Outlays" later in this chapter).

The amount of budget authority recorded in the budget depends on whether the law provides a specific amount or employs a variable factor that determines the amount. It is considered ***definite*** if the law specifies a dollar amount (which may be stated as an upper limit, for example, "shall not exceed …"). It is considered ***indefinite*** if, instead of specifying an amount, the law permits the amount to be determined by subsequent circumstances. For example, indefinite budget authority is provided for interest on the public debt, payment of claims and judgments awarded by the courts against the United States, and many entitlement programs. Many of the laws that authorize collections to be credited to revolving, special, and trust funds make all of the collections available for expenditure for the authorized purposes of the fund, and such authority is considered to be indefinite budget authority because the amount of collections is not known in advance of their collection.

Obligations

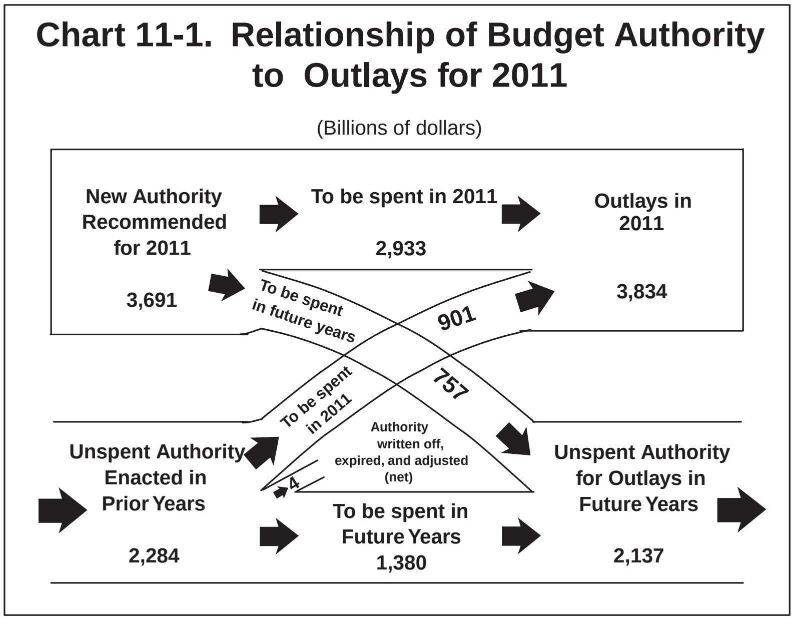
Following the enactment of budget authority and the completion of required apportionment action, Government agencies incur obligations to make payments (see earlier discussion under "Budget Execution"). Agencies must record obligations when they enter into binding agreements that will result in immediate or future outlays. Such obligations include the current liabilities for salaries, wages, and interest; and contracts for the purchase of supplies and equipment, construction, and the acquisition of office space, buildings, and land. For Federal credit programs, obligations are recorded in an amount equal to the estimated subsidy cost of direct loans and loan guarantees (see "Federal Credit" later in this chapter).

Outlays

Outlays are the measure of Government spending. They are payments that liquidate obligations (other than most exchanges of financial instruments, of which the repayment of debt is the prime example). The budget records outlays when obligations are paid, in the amount that is paid.

Agency, function and subfunction, and Government-wide outlay totals are stated net of offsetting collections and offsetting receipts for most budget presentations. (Offsetting receipts from a few sources do not offset any specific function, subfunction, or agency, as explained previously, but only offset Government-wide totals.) Outlay totals for accounts with offsetting collections are stated both gross and net of the offsetting collections credited to the account. However, the outlay totals for special and trust funds with offsetting receipts are not stated net of the offsetting receipts; like other offsetting receipts, these offset the agency, function, and subfunction totals but do not offset account-level outlays.

The Government usually makes outlays in the form of cash (currency, checks, or electronic fund transfers). However, in some cases agencies pay obligations without disbursing cash, and the budget nevertheless records outlays for the equivalent method. For example, the budget records outlays for the full amount of Federal employees' salaries, even though the cash disbursed to employees is net of Federal and state income taxes withheld, retirement contributions, life and health insurance premiums, and other deductions. (The budget also records receipts for the amounts withheld from Federal employee paychecks for Federal income taxes and other payments to the Government.) When debt instruments (bonds, debentures, notes, or monetary credits) are used in place of cash to pay obligations, the budget records outlays financed by an increase in agency debt. For example, the budget records the acquisition of physical assets through certain types of lease-purchase arrangements as though a cash disbursement were made for an outright purchase. The transaction creates a Government debt, and the cash lease payments are treated as repayments of principal and interest.



The budget records outlays for the interest on the public issues of Treasury debt securities as the interest accrues, not when the cash is paid. A small portion of Treasury debt consists of inflation-indexed securities, which feature monthly adjustments to principal for inflation and semiannual payments of interest on the inflation-adjusted principal. As with fixed-rate securities, the budget records interest outlays as the interest accrues. The monthly adjustment to principal is recorded, simultaneously, as an increase in debt outstanding and an outlay of interest.

Most Treasury debt securities held by trust funds and other Government accounts are in the Government account series (that is, they are "special issues" of debt). The budget normally states the interest on these securities on a cash basis. When a Government account is invested in Federal debt securities, the purchase price is usually close or identical to the par (face) value of the security. The budget generally records the investment at par value and adjusts the interest paid by Treasury and collected by the account by the difference between purchase price and par, if any.

For Federal credit programs, outlays are equal to the subsidy cost of direct loans and loan guarantees and are recorded as the underlying loans are disbursed (see "Federal Credit" later in this chapter).

The budget records refunds of receipts that result from overpayments by the public (such as income taxes withheld in excess of tax liabilities) as reductions of receipts, rather than as outlays. However, the budget records payments to taxpayers for refundable tax credits (such as earned income tax credits) that exceed the taxpayer's tax liability as outlays. Similarly, when the Government makes overpayments that are later returned to the Government, those refunds to the Government are recorded as offsetting collections or offsetting receipts, not as governmental receipts.

Not all of the new budget authority for 2011 will be obligated or spent in 2011. Outlays during a fiscal year may liquidate obligations incurred in the same year or in prior years. Obligations, in turn, may be incurred against budget authority provided in the same year or against unobligated balances of budget authority provided in prior years. Outlays, therefore, flow in part from budget authority provided for the year in which the money is spent and in part from budget authority provided for prior years. The ratio of a given year's outlays resulting from budget authority enacted in that or a prior year to the original amount of that budget authority is referred to as the spendout rate for that year.

As shown in the accompanying chart, $2,933 billion of outlays in 2011 (77 percent of the outlay total) will be made from that year's $3,691 billion total of proposed new budget authority (a first-year spendout rate of 79 percent). Thus, the remaining $901 billion of outlays in 2011 (23 percent of the outlay total) will be made from budget authority enacted in previous years. At the same time, $757 billion of the new budget authority proposed for 2011 (21 percent of the total amount proposed) will not lead to outlays until future years.

As described earlier, the budget classifies budget authority and outlays as discretionary or mandatory for the purposes of the Congressional Budget Act. This classification of outlays measures the extent to which actual spending is controlled through the annual appropriations process. Almost 35 percent of total outlays in 2009 ($1,219 billion) are discretionary and the remaining 65 percent ($2,299 billion in 2009) are mandatory spending and net interest. Such a large portion of total spending is mandatory because authorizing rather than appropriations legislation determines net interest ($187 billion in 2009) and the spending for a few programs with large amounts of spending each year, such as Social Security ($678 billion in 2009) and Medicare ($425 billion in 2009).

The bulk of mandatory outlays flow from budget authority recorded in the same fiscal year. This is not necessarily the case for discretionary budget authority and outlays. For most major construction and procurement projects and long-term contracts, for example, the budget authority covers the entire cost estimated when the projects are initiated even though the work will take place and outlays will be made over a period extending beyond the year for which the budget authority is enacted. Similarly, discretionary budget authority for most education and job training activities 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 appropriation.

FEDERAL CREDIT

Some Government programs make direct loans or loan guarantees. A ***direct loan*** is a disbursement of funds by the Government to a non-Federal borrower under a contract that requires repayment of such funds with or without interest. The term includes equivalent transactions such as selling a property on credit terms in lieu of receiving cash up front. A ***loan guarantee*** is any guarantee, insurance, or other pledge with respect to the payment of all or a part of the principal or interest on any debt obligation of a non-Federal borrower to a non-Federal lender. The Federal Credit Reform Act (FCRA) prescribes the budget treatment for Federal credit programs. Under this treatment, the budget records the net cost to the Government (subsidy cost) when the loans are disbursed, rather than the cash flows year by year over the term of the loan, so direct loans and loan guarantees can be compared to each other and to other methods of delivering benefits, such as grants, on an equivalent basis.

The cost of direct loans and loan guarantees, sometimes called the "subsidy cost," is estimated as the present value of expected disbursements over the term of the loan less the present value of expected collections, using appropriate Treasury interest rates to discount the cash flows.[2] Similar to most other kinds of programs, agencies can make loans or guarantee loans only if Congress has appropriated funds sufficient to cover the subsidy costs or provided a limitation on the amount of direct loans or loan guarantees that can be made in annual appropriations acts.

The budget records the estimated long-term cost to the Government arising from direct loans and loan guarantees—the budget authority and outlays—in ***credit program accounts***. When a Federal agency disburses a direct loan or when a non-Federal lender disburses a loan guaranteed by a Federal agency, the program account disburses or outlays an amount equal to the estimated present- value cost, or subsidy, to a non-budgetary credit ***financing account***. The financing accounts record the actual transactions with the public. For a few programs, the estimated cost is negative, because the present value of expected Government collections exceeds the present value of expected payments to the public over the term of the loan. In such cases, the financing account makes a payment to the program's negative subsidy receipt account, where it is recorded as an offsetting receipt. In a few cases, the offsetting receipts of credit accounts are dedicated to a special fund established for the program and are available for appropriation for the program.

The agencies responsible for credit programs must reestimate the cost of the outstanding portfolio of direct loans and loan guarantees each year. If the estimated cost increases, the program account makes an additional payment to the financing account. If the estimated cost decreases, the financing account makes a payment to the program's downward reestimate receipt account, where it is recorded as an offsetting receipt. The FCRA provides permanent indefinite appropriations to pay for upward reestimates.

If the Government modifies the terms of an outstanding direct loan or loan guarantee in a way that increases the cost as the result of a law or the exercise of administrative discretion under existing law, the program account records obligations for an additional amount equal to the increased cost and outlays the amount to the financing account. As with the original cost, agencies may incur modification costs only if Congress has appropriated funds to cover them. A modification may also reduce costs, in which case the amounts are generally returned to the general fund when the financing account makes a payment to the program's receipt account.

Credit financing accounts record all cash flows arising from direct loan obligations and loan guarantee commitments. These cash flows consist mainly of direct loan disbursements and repayments, loan guarantee default payments, fees and interest from the public, the receipt of subsidy cost payments from program accounts, and interest paid to or received from the Treasury. Separate financing accounts record the cash flows of direct loans and of loan guarantees for programs that provide both types of credit. The budget totals exclude the transactions of the financing accounts because they are not a cost to the Government. However, since financing accounts record all credit , they affect the means of financing a budget surplus or deficit (see "Credit Financing Accounts" in the next section). The budget documents display the transactions of the financing accounts, together with the related program accounts, for information and analytical purposes.

The FCRA, which was enacted in 1990, grandfathered the budgetary treatment of direct loan obligations and loan guarantee commitments made prior to 1992. The budget records these on a cash basis in ***credit liquidating accounts***, the same as they were recorded before FCRA was enacted. However, this exception ceases to apply if the direct loans or loan guarantees are modified as described above. In that case, the budget records the subsidy cost or savings of the modification, as appropriate,

[2] Present value is a standard financial concept that allows for the time-value of money. That is, it accounts for the fact that a given sum of money is worth more today than the same sum would be worth in the future because interest can be earned on money held today.

and begins to account for the associated transactions as the FCRA prescribes for direct loan obligations and loan guarantee commitments made in 1992 or later.

The Emergency Economic Stabilization Act of 2008 (EESA) created the Troubled Asset Relief Program (TARP) under the Department of the Treasury, and authorized Treasury to purchase or guarantee up to $700 billion in troubled assets until October 3, 2010. Under the TARP, Treasury has purchased preferred stock (equity interests) in financial institutions. Section 123 of the EESA provides the Administration the authority to treat these equity investments pursuant to the FCRA, recording outlays on a subsidy cost basis as is done for direct loans and loan guarantees. The budget reflects the cost to the Government of TARP direct loans, loan guarantees, and equity investments consistent with the FCRA and Section 123 of EESA, which requires adjustments to the discount rate otherwise prescribed by FCRA to account for market risk for transactions recorded on a present-value basis.

BUDGET DEFICIT OR SURPLUS AND MEANS OF FINANCING

When outlays exceed receipts, the difference is a deficit, which the Government finances primarily by borrowing. When receipts exceed outlays, the difference is a surplus, and the Government automatically uses the surplus primarily to reduce debt. The Government's debt (debt held by the public) is approximately the cumulative amount of borrowing to finance deficits, less repayments from surpluses, over the Nation's history.

Borrowing is not exactly equal to the deficit, and debt repayment is not exactly equal to the surplus, because of the other means of financing such as those discussed in this section. The factors included in the other means of financing can either increase or decrease the Government's borrowing needs (or decrease or increase its ability to repay debt). For example, the change in the Treasury operating cash balance is a factor included in other means of financing. Holding receipts and outlays constant, increases in the cash balance increase the Government's need to borrow or reduce the Government's ability to repay debt, and decreases in the cash balance decrease the need to borrow or increase the ability to repay debt. In some years, the net effect of the other means of financing is minor relative to the borrowing or debt repayment; in other years, such as 2009, the net effect may be significant, as explained later in this chapter.

Borrowing and Debt Repayment

The budget treats borrowing and debt repayment as a means of financing, not as receipts and outlays. If borrowing were defined as receipts and debt repayment as outlays, the budget would always be virtually balanced by definition. This rule applies both to borrowing in the form of Treasury securities and to specialized borrowing in the form of agency securities. The rule reflects the commonsense understanding that lending or borrowing is just an exchange of financial assets of equal value—cash for Treasury securities—and so is fundamentally different from, say, paying taxes.

In 2009, the Government borrowed $1,743 billion from the public, bringing debt held by the public to $7,546 billion. This borrowing financed the $1,412 billion deficit in that year as well as the net effect of the other means of financing, such as changes in cash balances and other accounts discussed below.

In addition to selling debt to the public, the Treasury Department issues debt to Government accounts, primarily trust funds that are required by law to invest in Treasury securities. Issuing and redeeming this debt does not affect the means of financing, because these transactions occur between one Government account and another and thus do not raise or use any cash for the Government as a whole.

(See Chapter 6 of this volume, "Federal Borrowing and Debt," for a fuller discussion of this topic.)

Exercise of Monetary Power

Seigniorage is the profit from coining money. It is the difference between the value of coins as money and their cost of production. Seigniorage reduces the Government's need to borrow. Unlike the payment of taxes or other receipts, it does not involve a transfer of financial assets from the public. Instead, it arises from the exercise of the Government's power to create money and the public's desire to hold financial assets in the form of coins. Therefore, the budget excludes seigniorage from receipts and treats it as a means of financing other than borrowing from the public. The budget also treats proceeds from the sale of gold as a means of financing, since the value of gold is determined by its value as a monetary asset rather than as a commodity.

Credit Financing Accounts

The budget records the net cash flows of credit programs in credit financing accounts. These accounts include the transactions for direct loan and loan guarantee programs, as well as the equity purchase programs under TARP that are recorded on a credit basis consistent with Section 123 of EESA, and the 2009 increase in contributions to the International Monetary Fund that are recorded on a credit basis consistent with the Supplemental Appropriations Act, 2009 (Public Law 111-32, title XIV, International Monetary Programs). These accounts are excluded from the budget because they are not allocations of resources by the Government (see "Federal Credit" earlier in this chapter). However, even though they do not affect the surplus or deficit, they can either increase or decrease the Government's need to borrow. Therefore, they are recorded as a means of financing.

Financing account disbursements to the public increase the requirement for Treasury borrowing in the same way as an increase in budget outlays. Financing account receipts from the public can be used to finance the payment of the Government's obligations and therefore reduce the requirement for Treasury borrowing from the public in the same way as an increase in budget receipts.

Deposit Fund Account Balances

The Treasury uses non-budgetary accounts, called deposit funds, to record cash held temporarily until ownership is determined (for example, earnest money paid by bidders for mineral leases) or cash held by the Government as agent for others (for example, State and local income taxes withheld from Federal employees' salaries and not yet paid to the State or local government or the Thrift Savings Fund, a defined contribution pension fund held and managed in a fiduciary capacity by the Government). Deposit fund balances may be held in the form of either invested or uninvested balances. To the extent that they are not invested, changes in the balances are available to finance expenditures and are recorded as a means of financing other than borrowing from the public. To the extent that they are invested in Federal debt, changes in the balances are reflected as borrowing from the public (in lieu of borrowing from other parts of the public) and are not reflected as a separate means of financing.

United States Quota Subscriptions to the International Monetary Fund (IMF)

The United States participates in the IMF through a quota subscription. Financial transactions with the IMF are exchanges of monetary assets. When the IMF draws dollars from the U.S. quota, the United States simultaneously receives an equal, offsetting, Special Drawing Right (SDR)-denominated claim in the form of an increase in the U.S. reserve position in the IMF. The U.S. reserve position in the IMF increases when the United States transfers dollars to the IMF and decreases when the United States is repaid and the cash flows return to the Treasury.

The budgetary treatment of appropriations for IMF quotas has changed over time. The 2011 Budget reflects obligations and outlays for the quota increase provided by the Supplemental Appropriations Act of 2009 (Public Law 111-2, Title XIV, International Monetary Programs) on a credit reform basis, with an adjustment to the discount rate for market risk. The cash transactions between the U.S. Treasury and the IMF are treated as a means of financing (see "Credit Financing Accounts" earlier in this chapter), which do not affect the deficit.

In contrast, for increases to the U.S. quota subscriptions made prior to the 2009 Supplemental Appropriations Act, the 2011 Budget records interest received from the IMF on U.S. deposits as an offsetting receipt in the general fund of the Treasury. Treasury records outlays in the prior year for financial transactions with the IMF to the extent there is an unrealized loss in dollar terms and offsetting receipts to the extent there is an unrealized gain in dollar terms on the value of the interest-bearing portion of the U.S. quota actually held at the IMF in SDRs. Changes in the value of the portion of the U.S. quota held at Treasury rather than in the U.S. reserve position held at the IMF are recorded as a change in obligations. Chapter 13 of this volume, "Budget Process," provides more information on transactions with the IMF.

Investments of the National Railroad Retirement Investment Trust

Under longstanding rules, the budget has generally treated investments in non-Federal equities and debt securities as a purchase of an asset, recording an obligation and an outlay in an amount equal to the purchase price in the year of the purchase. Since investments in non-Federal equities or debt securities consume cash, fund balances (of funds available for obligation) are normally reduced by the amounts paid for these purchases. However, as previously noted, the purchase of equity securities through TARP is recorded on a credit basis, with an outlay recorded in the amount of the estimated subsidy cost. In addition, the Railroad Retirement and Survivors' Improvement Act of 2001 (Public Law 107–90) requires purchases or sales of non-Federal assets by the National Railroad Retirement Investment Trust to be treated as a means of financing in the budget, rather than as an outlay.

Earnings on investments by the National Railroad Retirement Investment Trust (NRRIT) in private assets pose special challenges for budget projections. Over long periods, equities and private bonds are expected to earn a higher return on average than the Treasury rate, but that return is subject to greater uncertainty. Sound budgeting principles require that estimates of future trust fund balances reflect both the average return on investments, and the cost of risk associated with the uncertainty of that return. (The latter is particularly true in cases where individual beneficiaries have not made a voluntary choice to assume additional risk.) Estimating both of these separately is quite difficult. While the gains and losses that these assets have experienced in the past are known, it is quite possible that such premiums will differ in the future. Furthermore, there is no existing procedure for the budget to record separately the cost of risk from such an investment, even if it could be estimated accurately. Economic theory suggests, however, that the difference between the expected return of a risky liquid asset and the Treasury rate is equal to the cost of the asset's additional risk as priced by the market net of administrative and transaction costs. Following through on this insight, the best way to project the rate of return on the Fund's balances is probably to use a Treasury rate. As a result, the Budget treats equivalently NRRIT investments with equal economic value as measured by market prices, avoiding the appearance that the budget would be expected to benefit if the Government bought private sector assets.

The actual and estimated returns to private (debt and equity) securities are recorded in subfunction 909, other investment income. The actual-year returns include interest, dividends, and capital gains and losses on private equities and other securities. The Fund's portfolio of these assets is revalued at market prices at the end of each month to determine capital gains or losses. As a result, the Fund's balance at any given point reflects the current market value of resources available to the Government to finance benefits. Earnings for the remainder of the current year and for future years are estimated using the 10-year Treasury rate and the value of the Fund's portfolio at the end of the actual year. No estimates are made of gains and losses for the remainder of the current year or for subsequent years.

FEDERAL EMPLOYMENT

The budget includes information on civilian and military employment. It also includes information on related personnel compensation and benefits and on staffing requirements at overseas missions. Chapter 10 of this volume, "Improving the Federal Workforce," provides employment levels measured in full-time equivalents (FTE). Agency FTEs are the measure of total hours worked by an agency's Federal employees divided by the total number of one person's compensable work hours in a fiscal year.

BASIS FOR BUDGET FIGURES

Data for the Past Year

The past year column (2009) generally presents the actual transactions and balances as recorded in agency accounts and as summarized in the central financial reports prepared by the Treasury Department for the most recently completed fiscal year. Occasionally, the budget reports corrections to data reported erroneously to Treasury but not discovered in time to be reflected in Treasury's published data. In addition, in certain cases the Budget has a broader scope and includes financial transactions that are not reported to Treasury (see Chapter 29 of this volume, "Comparison of Actual to Estimated Totals," for a summary of these differences).

Data for the Current Year

The current year column (2010) includes estimates of transactions and balances based on the amounts of budgetary resources that were available when the budget was transmitted, including amounts appropriated for the year. If the budget proposes policy changes effective in the current year, the data will also reflect the budgetary effect of those proposed policy changes.

Data for the Budget Year

The budget year column (2011) includes estimates of transactions and balances based on the amounts of budgetary resources that are estimated to be available, including new budget authority requested under current authorizing legislation, and amounts estimated to result from changes in authorizing legislation and tax laws.

The budget *Appendix* generally includes the appropriations language for the amounts proposed to be appropriated under current authorizing legislation. In a few cases, this language is transmitted later because the exact requirements are unknown when the budget is transmitted. The *Appendix* generally does not include appropriations language for the amounts that will be requested under proposed legislation; that language is usually transmitted later, after the legislation is enacted. Some tables in the budget identify the items for later transmittal and the related outlays separately. Estimates of the total requirements for the budget year include both the amounts requested with the transmittal of the budget and the amounts planned for later transmittal.

Data for the Outyears

The budget presents estimates for each of the nine years beyond the budget year (2012 through 2020) in order to reflect the effect of budget decisions on objectives and plans over a longer period.

Allowances

The budget may include lump-sum allowances to cover certain transactions that are expected to increase or decrease budget authority, outlays, or receipts but are not, for various reasons, reflected in the program details. For example, the budget might include an allowance to show the effect on the budget totals of a proposal that would actually affect many accounts by relatively small amounts, in order to avoid unnecessary detail in the presentations for the individual accounts.

This year's Budget, like last year's, includes an allowance for the costs of possible future natural disasters.

Baseline

The budget baseline is an estimate of the receipts, outlays, and deficits or surpluses that would occur if no changes were made to current laws and policies during the period covered by the budget. The baseline assumes that receipts and mandatory spending, which generally are authorized on a permanent basis, will continue in the future as required by current law and policy. The baseline assumes that the future funding for most discretionary programs, which generally are funded annually, will equal the most recently enacted appropriation, adjusted for inflation.

The baseline represents the amount of resources that would be used by the Government over the period covered by the budget on the basis of laws currently enacted.

The baseline serves several useful purposes:

- It may warn of future problems, either for Government fiscal policy as a whole or for individual tax and spending programs.
- It may provide a starting point for formulating the President's Budget.
- It may provide a "policy-neutral" benchmark against which the President's Budget and alternative proposals can be compared to assess the magnitude of proposed changes.

As it happens, a number of significant changes in policies are embedded in current law. For example, the tax cuts enacted in 2001 and 2003 are scheduled to expire at the end of 2010; relief from the Alternative Minimum Tax, enacted on a one-year basis in virtually every year of the last decade, is scheduled to expire as of tax year 2010; and relief from very deep cuts to Medicare physician reimbursement rates is scheduled to expire at the end of Feburary 2010. Because the expiration of these laws would create significant differences between the baseline as specified in the Budget Enforcement Act (BEA) of 1990 and policies in effect this year or last, the Administration also issues a baseline projection of current policy that, unlike the BEA baseline, assumes such scheduled changes in current law will not occur. (Chapter 26 of this volume, "Current Services Estimates," provides more information on the baseline, including the differences between the baseline as calculated under the rules of the BEA and the baseline projection of current policy used in this Budget.)

PRINCIPAL BUDGET LAWS

The following basic laws govern the Federal budget process:

Article 1, section 8, clause 1 of the Constitution, which empowers the Congress to collect taxes.

Article 1, section 9, clause 7 of the Constitution, which requires appropriations in law before money may be spent from the Treasury and the publication of a regular statement of the receipts and expenditures of all public money.

Antideficiency Act (codified in Chapters 13 and 15 of Title 31, United States Code), which prescribes rules and procedures for budget execution.

Chapter 11 of Title 31, United States Code, which prescribes procedures for submission of the President's budget and information to be contained in it.

Congressional Budget and Impoundment Control Act of 1974 (Public Law 93–344), as amended. This Act comprises the:

Congressional Budget Act of 1974, as amended, which prescribes the congressional budget process; and

Impoundment Control Act of 1974, which controls certain aspects of budget execution.

Federal Credit Reform Act of 1990, as amended (2 USC 661–661f), which the Budget Enforcement Act of 1990 included as an amendment to the Congressional Budget Act to prescribe the budget treatment for Federal credit programs.

Government Performance and Results Act of 1993 (Public Law 103–62, as amended) which emphasizes managing for results. It requires agencies to prepare strategic plans, annual performance plans, and annual performance reports.

GLOSSARY OF BUDGET TERMS

Account refers to a separate financial reporting unit used by the Federal government to record budget authority, outlays and income for budgeting or management information purposes as well as for accounting purposes. All budget (and off-budget) accounts are classified as being either expenditure or receipt accounts and by fund group. Budget (and off-budget) transactions fall within either of two fund group: (1) Federal funds and (2) trust funds. (Cf. Federal funds group and trust funds group.)

Accrual method of measuring cost means an accounting method that records cost when the liability is incurred. As applied to Federal employee retirement benefits, accrual costs are recorded when the benefits are earned rather than when they are paid at some time in the future. The accrual method is used in part to provide data that assists in agency policymaking, but not used in presenting the overall budget of the United States Government.

Advance appropriation means appropriations of new budget authority that become available one or more fiscal years beyond the fiscal year for which the appropriation act was passed.

Advance funding means appropriations of budget authority provided in an appropriations act to be used, if necessary, to cover obligations incurred late in the fiscal year for benefit payments in excess of the amount specifically appropriated in the act for that year, where the budget authority is charged to the appropriation for the program for the fiscal year following the fiscal year for which the appropriations act is passed.

Agency means a department or other establishment of the Government.

Allowance means a lump-sum included in the budget to represent certain transactions that are expected to increase or decrease budget authority, outlays, or receipts but that are not, for various reasons, reflected in the program details.

Balances of budget authority means the amounts of budget authority provided in previous years that have not been outlayed.***Baseline*** means a projection of the estimated receipts, outlays, and deficit or surplus that would result from continuing current law or current policies through the period covered by the budget.

Budget means the Budget of the United States Government, which sets forth the President's comprehensive financial plan for allocating resources and indicates the President's priorities for the Federal Government.

Budget authority (BA) means the authority provided by law to incur financial obligations that will result in outlays. (For a description of the several forms of budget authority, see "Budget Authority and Other Budgetary Resources" earlier in this chapter.)

Budget Enforcement Act of 1990 (now expired) refers to legislation that altered the budget process, primarily by replacing the earlier fixed targets for annual deficits with a Pay-As-You-Go requirement for new tax or mandatory spending legislation, and with caps on annual discretionary funding.

Budget resolution—see concurrent resolution on the budget.

Budget totals mean the totals included in the budget for budget authority, outlays, receipts, and the surplus or deficit. Some presentations in the budget distinguish on-budget totals from off-budget totals. On-budget totals reflect the transactions of all Federal Government entities except those excluded from the budget totals by law. The off-budget totals reflect the transactions of Government entities that are excluded from the on-budget totals by law. Under current law, the off-budget totals include the Social Security trust funds (Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds) and the Postal Service Fund. The budget combines the on- and off-budget totals to derive unified or consolidated totals for Federal activity.

Budgetary resources mean amounts available to incur obligations in a given year. The term comprises new budget authority and unobligated balances of budget authority provided in previous years.

Cap means the legal limits for each fiscal year under the Budget Enforcement Act on the budget authority and outlays provided by discretionary appropriations.

Cash equivalent transaction means a transaction in which the Government makes outlays or receives collections in a form other than cash or the cash does not accurately measure the cost of the transaction. (For examples, see the section on "Outlays" earlier in this chapter.)

Collections mean money collected by the Government that the budget records as a governmental receipt, an offsetting collection, or an offsetting receipt.

Concurrent resolution on the budget refers to the concurrent resolution adopted by Congress to set budgetary targets for appropriations, mandatory spending legislation, and tax legislation. These concurrent resolutions are required by the Congressional Budget Act of 1974, and are generally adopted annually.

Continuing resolution means an appropriations act that provides for the ongoing operation of the Government in the absence of enacted appropriations.

Cost refers to legislation or administrative actions that increase outlays or decrease receipts. (Cf savings.)

Credit program account means a budget account that receives and obligates appropriations to cover the subsidy cost of a direct loan or loan guarantee and disburses the subsidy cost to a financing account.

Current services estimate—see Baseline.

Debt held by the public means the cumulative amount of money the Federal Government has borrowed from the public and not repaid.

Debt held by the public net of financial assets means the cumulative amount of money the Federal Government has borrowed from the public and not repaid, minus the current value of financial assets such as loan assets, bank deposits, or private-sector securities or equities held by the Government and plus the current value of financial liabilities other than debt.

Debt held by Government accounts means the debt the Treasury Department owes to accounts within the

Federal Government. Most of it results from the surpluses of the Social Security and other trust funds, which are required by law to be invested in Federal securities.

Debt limit means the maximum amount of Federal debt that may legally be outstanding at any time. It includes both the debt held by the public and the debt held by Government accounts, but without accounting for offsetting financial assets. When the debt limit is reached, the Government cannot borrow more money until the Congress has enacted a law to increase the limit.

Deficit means the amount by which outlays exceed receipts in a fiscal year. It may refer to the on-budget, off-budget, or unified budget deficit.

Direct loan means a disbursement of funds by the Government to a non-Federal borrower under a contract that requires the repayment of such funds with or without interest. The term includes the purchase of, or participation in, a loan made by another lender. The term also includes the sale of a Government asset on credit terms of more than 90 days duration as well as financing arrangements for other transactions that defer payment for more than 90 days. It also includes loans financed by the Federal Financing Bank (FFB) pursuant to agency loan guarantee authority. The term does not include the acquisition of a federally guaranteed loan in satisfaction of default or other guarantee claims or the price support "loans" of the Commodity Credit Corporation. (Cf. loan guarantee.)

Direct spending—see mandatory spending.

Discretionary spending means budgetary resources (except those provided to fund mandatory spending programs) provided in appropriations acts. (Cf. mandatory spending.)

Entitlement refers to a program in which the Federal Government is legally obligated to make payments or provide aid to any person who, or State or local government that, meets the legal criteria for eligibility. Examples include Social Security, Medicare, Medicaid, and Food Stamps.

Emergency appropriation means an appropriation that the Congress has designated as an emergency requirement. Under terms of most recent budget resolutions and other applicable House and Senate rules, such spending is not subject to the limits on discretionary spending, if it is discretionary spending, or the pay-as-you-go rules, if it is mandatory.

Federal funds group refers to the moneys collected and spent by the Government through accounts other than those designated as trust funds. Federal funds include general, special, public enterprise, and intragovernmental funds. (Cf. trust funds group.)

Financing account means a non-budgetary account (an account whose transactions are excluded from the budget totals) that records all of the cash flows resulting from post-1991 direct loan obligations or loan guarantee commitments. At least one financing account is associated with each credit program account. For programs that make both direct loans and loan guarantees, there are separate financing accounts for the direct loans and the loan guarantees. (Cf. liquidating account.)

Fiscal year means the Government's accounting period. It begins on October 1st and ends on September 30th, and is designated by the calendar year in which it ends.

Forward funding means appropriations of budget authority that are made for obligation starting in the last quarter of the fiscal year for the financing of ongoing grant programs during the next fiscal year.

General fund means the accounts in which are recorded governmental receipts not earmarked by law for a specific purpose, the proceeds of general borrowing, and the expenditure of these moneys.

Government sponsored enterprises mean private enterprises that were established and sponsored by the Federal Government for public policy purposes. They are not included in the budget totals because they are private companies, and their securities are not backed by the full faith and credit of the Federal Government. However, the budget presents statements of financial condition for certain Government sponsored enterprises such as the Federal National Mortgage Association. (Cf. off-budget.)

Intragovernmental fund —see Revolving fund.

Liquidating account means a budget account that records all cash flows to and from the Government resulting from pre-1992 direct loan obligations or loan guarantee commitments. (Cf. financing account.)

Loan guarantee means any guarantee, insurance, or other pledge with respect to the payment of all or a part of the principal or interest on any debt obligation of a non-Federal borrower to a non-Federal lender. The term does not include the insurance of deposits, shares, or other withdrawable accounts in financial institutions. (Cf. direct loan.)

Mandatory spending means spending controlled by laws other than appropriations acts (including spending for entitlement programs) and spending for the food stamp program. Although the Budget Enforcement Act used the term direct spending to mean this, mandatory spending is commonly used instead. (Cf. discretionary spending.)

Means of financing refers to borrowing, the change in cash balances, and certain other transactions involved in financing a deficit. The term is also used to refer to the debt repayment, the change in cash balances, and certain other transactions involved in using a surplus. By definition, the means of financing are not treated as receipts or outlays and so are non-budgetary.

Obligated balance means the cumulative amount of budget authority that has been obligated but not yet outlayed. (Cf. unobligated balance.)

Obligation means a binding agreement that will result in outlays, immediately or in the future. Budgetary resources must be available before obligations can be incurred legally.

Off-budget refers to transactions of the Federal Government that would be treated as budgetary had Congress not designated them by statute as "off-budget." Currently, transactions of the Social Security trust fund and the Postal Service fund are the only sets of transactions that are so designated. The term is sometimes used more broadly to refer to the transactions of private enterprises that were established and sponsored by the Government, most especially "Government sponsored enterprises" such as the Federal Home Loan Banks. (Cf. budget totals.)

Offsetting collections mean collections that, by law, are credited directly to expenditure accounts and deducted from gross budget authority and outlays of the expenditure account, rather than added to receipts. Usually, they are authorized to be spent for the purposes of the account without further action by Congress. They result from business-like transactions or market-oriented activities with the public and other Government accounts. The authority to spend offsetting collections is a form of budget authority. (Cf. receipts and offsetting receipts.)

Offsetting receipts mean collections that are credited to offsetting receipt accounts and deducted from gross budget authority and outlays, rather than added to receipts. They are not authorized to be credited to expenditure accounts. The legislation that authorizes the offsetting receipts may earmark them for a specific purpose and either appropriate them for expenditure for that purpose or require them to be appropriated in annual appropriation acts before they can be spent. Like offsetting collections, they result from business-like transactions or market-oriented activities with the public and other Government accounts. (Cf. receipts, undistributed offsetting receipts, and offsetting collections.)

On-budget refers to all budgetary transactions other than those designated by statute as off-budget (Cf. budget totals.)

Outlay means a payment to liquidate an obligation (other than the repayment of debt principal or other disbursements that are "means of financing" transactions). Outlays generally are equal to cash disbursements, but also are recorded for cash-equivalent transactions, such as the issuance of debentures to pay insurance claims, and in a few cases are recorded on an accrual basis such as interest on public issues of the public debt. Outlays are the measure of Government spending.

Outyear estimates mean estimates presented in the budget for the years beyond the budget year of budget authority, outlays, receipts, and other items (such as debt).

Pay-as-you-go (PAYGO) refers to requirements of the Budget Enforcement Act that would have resulted in a sequestration if the estimated combined result of legislation affecting mandatory spending or receipts is a net cost for a fiscal year. Similarly, it refers to current House and Senate rules requiring that legislation affecting mandatory spending or receipts not have net costs over either a 6-year or an 11-year period starting with the current fiscal year.

Public enterprise fund —see Revolving fund.

Reappropriation means a provision of law that extends into a new fiscal year the availability of unobligated amounts that have expired or would otherwise expire.

Receipts mean collections that result from the Government's exercise of its sovereign power to tax or otherwise compel payment . They are compared to outlays in calculating a surplus or deficit. (Cf. offsetting collections and offsetting receipts.)

Revolving fund means a fund that conducts continuing cycles of business-like activity, in which the fund charges for the sale of products or services and uses the proceeds to finance its spending, usually without requirement for annual appropriations. There are two types of revolving funds: Public enterprise funds, which conduct business-like operations mainly with the public, and intragovernmental revolving funds, which conduct business-like operations mainly within and between Government agencies. (Cf special fund and revolving fund.)

Savings refers to legislation or administrative actions that decrease outlays or increase receipts. (Cf. cost.)

Scorekeeping means measuring the budget effects of legislation, generally in terms of budget authority, receipts, and outlays, for purposes of measuring adherence to the Budget or to budget targets established by Congress, as through agreement to a Budget Resolution.

Sequestration means the cancellation of budgetary resources provided by discretionary appropriations or mandatory spending legislation, following various procedures prescribed by the Budget Enforcement Act. Under that Act, a sequestration could have occurred in response to a discretionary appropriation that causes discretionary spending to exceed the discretionary spending caps set by the Act or in response to net costs resulting from the combined result of legislation affecting mandatory spending or receipts (referred to as a “pay-as-you-go” sequestration).

Special fund means a Federal fund account for receipts or offsetting receipts earmarked for specific purposes and the expenditure of these receipts. (Cf. revolving fund and trust fund.)

Subsidy means the estimated long-term cost to the Government of a direct loan or loan guarantee, calculated on a net present value basis, excluding administrative costs and any incidental effects on governmental receipts or outlays.

Surplus means the amount by which receipts exceed outlays in a fiscal year. It may refer to the on-budget, off-budget, or unified budget surplus.

Supplemental appropriation means an appropriation enacted subsequent to a regular annual appropriations act, when the need for additional funds is too urgent to be postponed until the next regular annual appropriations act.

Trust fund refers to a type of account, designated by law as a trust fund, for receipts or offsetting receipts dedicated to specific purposes and the expenditure of these receipts. Some revolving funds are designated as trust funds, and these are called trust revolving funds. (Cf. special fund and revolving fund.)

Trust funds group refers to the moneys collected and spent by the Government through trust fund accounts. (Cf. Federal funds group.)

Undistributed offsetting receipts mean offsetting receipts that are deducted from the Government-wide totals for budget authority and outlays instead of being offset against a specific agency and function. (Cf. offsetting receipts.)

Unified budget includes receipts from all sources and outlays for all programs of the Federal Government, including both on- and off-budget programs. It is the most comprehensive measure of the Government’s annual finances.

Unobligated balance means the cumulative amount of budget authority within a budget account that is not obligated and that remains available for obligation under law.

User charges are charges assessed for the provision of Government services and for the sale or use of Government goods or resources. The payers of the user charge must be limited in the authorizing legislation to those receiving special benefits from, or subject to regulation by, the program or activity beyond the benefits received by the general public or broad segments of the public (such as those who pay income taxes or custom duties).

12. COVERAGE OF THE BUDGET

The Federal Government's activities have far-reaching impacts, affecting the economy and society of the Nation and the world. One of the primary activities of the Government is to allocate resources in order to provide public goods and achieve public policy objectives. The budget is the Government's financial plan for proposing, deciding, and controlling the allocation of resources. Those financial activities that constitute the direct allocation of resources are included in the budget's measures of receipts and expenditures, and are therefore characterized as "budgetary."

Federal Government activities that do not involve the direct allocation of resources in a measurable way are characterized as "non-budgetary" and classified outside of the budget. For example, the budget does not include funds that are privately owned but held and managed by the Government in a fiduciary capacity, such as the deposit funds owned by Native American Indians. In addition, the budget does not include costs that are borne by the private sector even when those costs result from Federal regulatory activity. Also, although the budget includes the "subsidy costs"[1] of Federal credit programs, it does not include the other cash flows of these programs that do not involve a direct allocation of resources by the Government and that are a means of financing these programs. Non-budgetary activities can be important instruments of Federal policy and are discussed briefly in this chapter and in more detail in other parts of the budget documents.

The term "off-budget" may appear to be synonymous with non-budgetary. However, it has a meaning distinct from non-budgetary and, as discussed below, refers to Federal Government activities that are required by law to be excluded from the budget totals. The term is also used colloquially to refer to emergency funding or supplemental appropriations for war costs because these items have often been passed by the Congress without regard to the normal budget enforcement procedures. Despite the colloquial usage of the term off-budget, emergency aid and war costs are budgetary and specifically "on-budget," as that term is defined below; budgetary outlays and receipts reflect the costs of these provisions. In contrast, off-budget amounts are required by law to be recorded separately in the budget and non-budgetary transactions are not in the budget under any circumstances because they do not impose direct costs on the Treasury.

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, implementing a recommendation made by the President's Commission on Budget Concepts in 1967. It called for the budget to include the financial transactions of all of the Federal Government's programs and agencies.

Every year since 1971, however, at least one Federal entity that would otherwise be included in the budget has been declared to be off-budget by law. Such off-budget Federal entities are federally owned and controlled, but their transactions are excluded, by law, from the rest of the budget totals, which are also known as "on-budget" totals. When a Federal entity is off-budget by law, its receipts, budget authority, outlays, and surplus or deficit are separated from all other (on-budget) receipts, budget authority, outlays, and surplus or deficit. The budget reflects the legal distinction between on-budget entities and off-budget entities by showing outlays and receipts for both types of entities separately.

Although there is a legal distinction between on-budget and off-budget entities, there is no conceptual difference between the two. The off-budget Federal entities engage in the same kinds of governmental activities as the on-budget entities, and the programs of off-budget entities result in the same kind of outlays and receipts as on-budget entities. The "unified budget" reflects the conceptual similarity between on-budget and off-budget entities by showing combined totals of outlays and receipts for both types of entities.

The off-budget Federal entities currently consist of the Postal Service Fund and the two Social Security Trust Funds: Old-Age and Survivors Insurance and Disability Insurance. Social Security has been classified as off-budget since 1986 and the Postal Service Fund has been classified as off-budget since 1990.[2] A number of other entities that had been declared off-budget by law at different times before 1986 have been classified as on-budget by law since at least 1985.

Table 12–1 divides total Federal Government receipts, outlays, and the surplus or deficit between on-budget and off-budget amounts. Within this table, the Social Security and Postal Service transactions are classified as off-budget for all years in order to provide a consistent comparison over time. Entities that were off-budget at one time but are now on-budget are classified as on-budget for all years.

Because Social Security is the largest single program in the unified budget and is classified by law as off-budget, the off-budget accounts comprise a significant part of total Federal spending and receipts. In 2011, off-budget receipts are an estimated 26.3 percent of total receipts, and off-budget outlays are a smaller, but still significant, percentage of total outlays at 15.1 percent. The estimated unified budget deficit in 2011 is $1,267 billion—a $1,363

[1] Subsidy costs are explained in the section below on "Federal credit programs."

[2] See 42 U.S.C. § 911 and 39 U.S.C. § 2009a.

Table 12–1. COMPARISON OF TOTAL, ON-BUDGET, AND OFF-BUDGET 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
1980	517.1	403.9	113.2	590.9	477.0	113.9	–73.8	–73.1	–0.7
1981	599.3	469.1	130.2	678.2	543.0	135.3	–79.0	–73.9	–5.1
1982	617.8	474.3	143.5	745.7	594.9	150.9	–128.0	–120.6	–7.4
1983	600.6	453.2	147.3	808.4	660.9	147.4	–207.8	–207.7	–0.1
1984	666.4	500.4	166.1	851.8	685.6	166.2	–185.4	–185.3	–0.1
1985	734.0	547.9	186.2	946.3	769.4	176.9	–212.3	–221.5	9.2
1986	769.2	568.9	200.2	990.4	806.8	183.5	–221.2	–237.9	16.7
1987	854.3	640.9	213.4	1,004.0	809.2	194.8	–149.7	–168.4	18.6
1988	909.2	667.7	241.5	1,064.4	860.0	204.4	–155.2	–192.3	37.1
1989	991.1	727.4	263.7	1,143.7	932.8	210.9	–152.6	–205.4	52.8
1990	1,032.0	750.3	281.7	1,253.0	1,027.9	225.1	–221.0	–277.6	56.6
1991	1,055.0	761.1	293.9	1,324.2	1,082.5	241.7	–269.2	–321.4	52.2
1992	1,091.2	788.8	302.4	1,381.5	1,129.2	252.3	–290.3	–340.4	50.1
1993	1,154.3	842.4	311.9	1,409.4	1,142.8	266.6	–255.1	–300.4	45.3
1994	1,258.6	923.6	335.0	1,461.8	1,182.4	279.4	–203.2	–258.8	55.7
1995	1,351.8	1,000.7	351.1	1,515.8	1,227.1	288.7	–164.0	–226.4	62.4
1996	1,453.1	1,085.6	367.5	1,560.5	1,259.6	300.9	–107.4	–174.0	66.6
1997	1,579.2	1,187.2	392.0	1,601.1	1,290.5	310.6	–21.9	–103.2	81.4
1998	1,721.7	1,305.9	415.8	1,652.5	1,335.9	316.6	69.3	–29.9	99.2
1999	1,827.5	1,383.0	444.5	1,701.8	1,381.1	320.8	125.6	1.9	123.7
2000	2,025.2	1,544.6	480.6	1,789.0	1,458.2	330.8	236.2	86.4	149.8
2001	1,991.1	1,483.6	507.5	1,862.9	1,516.1	346.8	128.2	–32.4	160.7
2002	1,853.1	1,337.8	515.3	2,010.9	1,655.2	355.7	–157.8	–317.4	159.7
2003	1,782.3	1,258.5	523.8	2,159.9	1,796.9	363.0	–377.6	–538.4	160.8
2004	1,880.1	1,345.4	534.7	2,292.9	1,913.3	379.5	–412.7	–568.0	155.2
2005	2,153.6	1,576.1	577.5	2,472.0	2,069.8	402.2	–318.3	–493.6	175.3
2006	2,406.9	1,798.5	608.4	2,655.1	2,233.0	422.1	–248.2	–434.5	186.3
2007	2,568.0	1,932.9	635.1	2,728.7	2,275.1	453.6	–160.7	–342.2	181.5
2008	2,524.0	1,866.0	658.0	2,982.6	2,507.8	474.8	–458.6	–641.8	183.3
2009	2,105.0	1,451.0	654.0	3,517.7	3,000.7	517.0	–1,412.7	–1,549.7	137.0
2010 estimate	2,165.1	1,529.9	635.2	3,720.7	3,163.7	557.0	–1,555.6	–1,633.8	78.2
2011 estimate	2,567.2	1.893.1	674.1	3,833.9	3,255.7	578.2	–1,266.7	-1,362.6	95.9
2012 estimate	2,926.4	2,205.9	720.5	3,754.9	3,154.6	600.2	–828.5	-948.7	120.2
2013 estimate	3,188.1	2,422.4	765.7	3,915.4	3,285.5	629.9	–727.3	-863.1	135.8
2014 estimate	3,455.5	2,646.4	809.0	4,161.2	3,498.7	662.6	–705.8	–852.3	146.5
2015 estimate	3,633.7	2,777.7	855.9	4,385.5	3,687.7	697.9	–751.9	–909.9	158.1

[1] Off-budget transactions consist of the Social Security trust funds and the Postal Service fund.

billion on-budget deficit partly offset by a $96 billion off-budget surplus. The off-budget surplus consists entirely of the Social Security surplus.[3] Social Security had small deficits or surpluses from its inception through the early 1980s, but since the middle 1980s it has had a large and growing surplus. However, under present law, the surplus is eventually estimated to decline, turn into a deficit, and never reach balance again.

Non-Budgetary Activities

Some important Government activities are characterized as non-budgetary because they do not involve the direct allocation of resources by the Government. Some of the Government's major non-budgetary activities are discussed below. As noted below, some of these activities affect budget outlays or receipts even though they have components that are non-budgetary.[4]

Federal credit programs: budgetary and non-budgetary transactions.—Federal credit programs make direct loans or guarantee private loans. The Federal Credit Reform Act of 1990 changed how the costs of credit programs are recorded in the budget by defining as budgetary the "subsidy cost" of the credit programs (defined in the next paragraph) and classifying the other credit program cash flows as non-budgetary.

One way to view the budgetary and non-budgetary components of a credit program is to consider a portfolio of new direct loans made to a cohort of college students. The loan terms may include deferrals of interest while the students are in school, and some of the students will default on their loans; over time, the interest received on the loans may not be sufficient to recover the Government's expected losses. Under credit reform, the subsidy cost reflects the estimated lifetime cash flows to and from the Government (excluding administrative costs) discounted to the point of the loan disbursement. The present value of the net cash flows, or the subsidy cost, is recorded as an outlay when the loan is disbursed. In other words, the difference between the amount disbursed by the Government and the value of the loan assets the Government ultimately receives in return, the cash value of the students' promissory notes, is the subsidy cost. Because the loan assets have value, the remainder of the transaction (beyond the amount recorded as a subsidy) is simply an exchange of financial assets of equal value, and does not result in a cost to the Government or the taxpayer. That remaining portion of the loan transaction, the cash flows apart from the subsidies, is classified as non-budgetary.

Since the adoption of credit reform, the budget outlays of credit programs reflect only the subsidy costs of Government credit and show this cost when the credit assistance is provided, reflecting more accurately the cost of credit decisions.[5] This enables the budget to fulfill its purpose of being a financial plan for allocating resources among alternative uses by comparing the expected cost of credit programs with their 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.[6] Credit programs are discussed in more detail in Chapter 22 of this volume, "Credit and Insurance Programs."

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, and the Tribal trust funds). The largest deposit fund is the Government Securities Investment Fund, which is also known as the G Fund. It is one of several investment funds managed by the Federal Retirement Thrift Investment Board, as an agent, for Federal employees who participate in the Government's defined contribution retirement plan, the Thrift Savings Plan (which is similar to private-sector 401(k) plans). Because the G Fund assets, which are held by the Department of the Treasury, are the property of Federal employees and are held by the Government only in a fiduciary capacity, the transactions of the Fund are not transactions of the Government itself and are therefore non-budgetary.[7] For similar reasons, the budget excludes funds that are owned by Native American Indians, but held and managed by the Government in a fiduciary capacity.

Government-sponsored enterprises.—The Federal Government has chartered Government-sponsored en-

[3] The 2009 off-budget surplus reflects a $137.3 billion surplus for Social Security and a $0.3 billion deficit for the Postal Service. The estimated 2010 off-budget surplus reflects a $84.6 billion surplus for Social Security and a $6.4 billion deficit for the Postal Service, and the projected 2011 off-budget surplus reflects a $100.1 billion surplus for Social Security and a $4.2 billion deficit for the Postal Service.

[4] Until the 2011 Budget, the Securities Investor Protection Corporation (SIPC) was classified as non-budgetary. In the fall of 2009, the Congressional Budget Office, the Office of Management and Budget, and the Budget Committees of the Congress reviewed the non-budgetary status of SIPC and decided to reclassify it as budgetary. Chapter 11 of this volume, "Budget Concepts," provides a discussion of this decision.

[5] Both credit reform accounting and the earlier cash accounting of Federal credit programs would ultimately show the same costs for credit transactions. For example, cash accounting for direct loans would show the full disbursement of the loan as an outlay when it was made, and then later show the repayments of principal and interest as an offset to outlays. Over the life of the loan, only the net cost of the loan would ultimately be reflected in the budget. Credit accounting shows that same net cost, or subsidy, but shows that cost at the time the loan is made (adjusting the cash flows for the time-value of money); credit accounting therefore does not "omit" any costs from the budget.

[6] For more explanation of the budget concepts for direct loans and loan guarantees, see the sections on Federal credit and credit financing accounts in Chapter 11 of this volume, "Budget Concepts." The structure of credit reform is further explained in Chapter VIII.A of the *Budget of the United States Government, Fiscal Year 1992*, Part Two, pp. 223–226. 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. 142–144. Refinements and simplifications enacted by the Balanced Budget Act of 1997 or provided by later OMB guidance are explained in Chapter 8, "Underwriting Federal Credit and Insurance," *Analytical Perspectives, Budget of the United States Government, Fiscal Year 1999*, p. 170.

[7] The administrative functions of the Federal Retirement Thrift Investment Board are carried out by Government employees, and are, therefore, included in the budget.

terprises (GSEs) such as the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), the Federal Home Loan Banks, the Farm Credit System, and the Federal Agricultural Mortgage Corporation to provide financial intermediation for specified public purposes. Although Federally chartered to serve public-policy purposes, the GSEs are classified as non-budgetary and excluded from the Budget. This is because, except as discussed below with respect to Fannie Mac and Freddie Mac, they are privately owned and controlled. Estimates of the GSEs' activities are reported in a separate chapter of the *Budget Appendix,* and their activities are discussed in Chapter 22 of this volume, "Credit and Insurance Programs."

In September 2008, the director of the Federal Housing Finance Agency (FHFA)[8] placed Fannie Mae and Freddie Mac into conservatorship for the purpose of preserving the assets and restoring the solvency of these two GSEs. As conservator, FHFA has broad authority to direct the operations of these GSEs. However, these GSEs remain private companies with Boards of Directors and management rsponsible for their day-to-day operations.

This Budget continues to treat these two GSEs as non-budgetary private entities in conservatorship rather than as Government agencies. By contrast, the Congressional Budget Office (CBO) treats these GSEs as budgetary.

The two different treatments of these GSEs each include both budgetary and non-budgetary amounts. Under the approach in the Budget, all of the GSEs' transactions with the public are non-budgetary because the GSEs are not considered to be Government agencies. However, the payments from the U.S. Treasury to the GSEs are recorded as budgetary outlays and add to the budget deficit. Under CBO's approach, which treats these GSEs as Federal agencies, the subsidy costs, or expected losses over time, of the GSEs' past credit activities have already been recorded in CBO's budget estimates and the subsidy costs of future credit activities will be recorded when the activities occur. Lending and borrowing activities between the GSEs and the public apart from the subsidy costs are treated as non-budgetary, and Treasury cash payments to the GSEs are intragovernmental (transfers from Treasury to the GSEs) that net to zero in CBO's budget estimates.

Overall, both the Budget's accounting and CBO's accounting present the GSEs' losses as Government outlays, which therefore increase Government deficits. The two approaches, however, reflect the losses as budget costs at different times.[9] A further review of which approach better fits both legal considerations and goals of budgetary accounting is ongoing. Chapter 22 of this volume, "Credit and Insurance Programs," and the Summary Tables in the main Budget volume provide more information about the GSEs.

Regulation.—Federal Government regulation often requires the private sector or other levels of government to make expenditures for specified purposes, such as safety and pollution control. Although the budget reflects the Government's cost of conducting regulatory activities, the costs imposed on, and the benefits accruing to, the private sector as a result of regulation are treated as non-budgetary and not included in the budget. The Government's regulatory priorities and plans are described in the annual Regulatory Plan and the semi-annual Unified Agenda of Federal Regulatory and Deregulatory Actions.[10]

The estimated costs and benefits of Federal regulation have been published annually by the Office of Management and Budget (OMB) since 1997. The latest report was released in September 2009.[11] In this draft report, OMB indicates that the estimated annual benefits of Federal regulations it reviewed from October 1, 1998, to September 30, 2008, range from $126 billion to $663 billion, while the estimated annual costs range from $51 to $60 billion. In its report, OMB discusses the impact of Federal regulation on State, local, and tribal governments, and agency compliance with the Unfunded Mandates Reform Act of 1995. The costs and benefits of Federal regulation are also discussed in Chapter 9 of this volume, "Benefit-Cost Analysis."

Monetary policy.—As noted above, the budget is a financial plan for allocating resources by raising revenues and spending those revenues. As a fiscal policy tool, the budget is used by elected Government officials to promote economic growth and achieve other public policy objectives. Monetary policy is another tool that governments use to promote economic growth. In the United States, monetary policy is conducted by the Federal Reserve System, which is composed of a Board of Governors and 12 regional Federal Reserve Banks. The Federal Reserve Act provides that the goal of monetary policy is to "maintain long run growth of the monetary and credit aggregates commensurate with the economy's long run potential to increase production, so as to promote effectively the goals of maximum employment, stable prices, and moderate long-term interest rates."[12] The dual goals of full employment and price stability were reaffirmed by the Full Employment and Balanced Growth Act of 1978, also known as the Humphrey-Hawkins Act.[13]

[8] The Housing and Economic Recovery Act of 2008, enacted on July 30, 2008, created the FHFA as the new regulator for Fannie Mae, Freddie Mac, and the Federal Home Loan Banks. FHFA reflects the merger of the Office of Federal Housing Enterprise Oversight, the Federal Housing Finance Board, and the Department of Housing and Urban Development's Government-sponsored enterprise mission team.

[9] The two approaches would be the same over the long run only under the assumption that the Government maintains its current relationship with the two GSEs indefinitely and only if a consistent approach is used to measure the cost of risk.

[10] The most recent Regulatory Plan and introduction to the Unified Agenda were issued by the General Services Administration's Regulatory Information Service Center and were printed in the Federal Register of May 11, 2009. Both the Regulatory Plan and Unified Agenda are available on-line at www.reginfo.gov and at www.gpoaccess.gov.

[11] Office of Information and Regulatory Affairs, Office of Management and Budget, 2009 Draft Report to Congress on the Costs and Benefits of Federal Regulations and Unfunded Mandates on State, Local, and Tribal Entities (September 21, 2009). The Report is available at www.whitehouse.gov/omb/inforeg_regpol_reports_congress/.

[12] See 12 U.S.C. §225a.

[13] See 15 U.S.C. 3101 et seq.

By law, the Federal Reserve System is a self-financing entity that is independent of the Executive Branch and subject to only broad oversight by the Congress. Consistent with the recommendations of the 1967 President's Commission on Budget Concepts, the effects of monetary policy and the actions of the Federal Reserve System are, with one exception, non-budgetary. In other words, the actions the Federal Reserve takes to affect the economy, including the buying and selling of Treasury securities and other public and private-sector financial instruments, are not reflected as outlays or receipts. Although the relatively recent increase in the Federal Reserve's balance sheet in response to the financial crisis has had important macroeconomic consequences, it does not directly affect the Federal deficit.

The exception to the treatment of Federal Reserve transactions as non-budgetary involves excess earnings of the Federal Reserve System. The Federal Reserve System earns income from a variety of sources including interest on U.S. Government securities, foreign currency investments and loans to depository institutions, and fees for services (e.g., check clearing services) provided to depository institutions. After paying its expenses, the Federal Reserve System remits to the U.S. Treasury any excess income. This income, which is classified in the budget as a governmental receipt, was equal to $34 billion in 2009. The recent expansion of the Federal Reserve's balance sheet has increased its sources of income (and potential loss), which in turn has affected the Federal Reserve's excess income payment to the Treasury.

The Board of Governors is a Federal Government agency, but because of its independent status, its budget is not subject to Executive Branch review. Its budget is included in the *Budget Appendix* for informational purposes. The Federal Reserve Banks are subject to Board oversight and managed by boards of directors chosen by the Board of Governors and member banks, which include all national banks and state banks that choose to become members. The budgets of the regional Banks, although subject to approval by the Board of Governors, are not included in the *Budget Appendix*.

Indirect macroeconomic effects of Federal activity.—Government activity has many effects on the Nation's economy that extend beyond the amounts recorded in the budget. Government expenditures, taxation, tax expenditures, regulation, and trade policy can all affect the allocation of resources among private uses and income distribution among individuals. These effects, resulting indirectly from Federal activity, are generally not part of the budget, but the most important of them are discussed in this volume. For example, the effects of the American Recovery and Reinvestment Act of 2009 (ARRA), among other things, are discussed in Chapter 2 of this volume, "Economic Assumptions."

Credit market stabilization activity.—Since late 2007, the Federal Reserve System, Executive Branch agencies, and the GSEs Fannie Mae and Freddie Mac have engaged in a variety of activities designed to stabilize the financial markets and restore economic growth. The actions taken by the Federal Reserve System[14] are non-budgetary for reasons discussed above in the section on "Monetary policy." However, as also noted above, Federal Reserve actions may affect the System's earnings, which ultimately affect governmental receipts. The placement of Fannie Mae and Freddie Mac into conservatorship, discussed above in the section on "Government-sponsored enterprises," is not treated as affecting their non-budgetary status, so the GSEs' transactions with the public are not included in the 2011 Budget. However, as with other transactions between non-budgetary entities and the Government, the transactions of the GSEs with the Government, including all cash payments from the Treasury to the GSEs, are included in the budget.

Executive Branch activities in support of financial market stabilization include actions taken by the Department of the Treasury, the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), and the Federal Housing Finance Agency (FHFA). The Treasury activities include some programs that have already been or are in the process of being wound down, such as the Capital Assistance Program, the Guarantee Program for Money Market Funds, and the Supplementary Financing Program. In addition, the Treasury activities include a number of programs that continue to be necessary, such as the Capital Purchase Program, the Public-Private Investment Partnership program, and the Auto Industry Financing Program.[15] Actions by the FDIC include the Temporary Liquidity Guarantee Program and actions by the NCUA include the Temporary Corporate Credit Union Liquidity Guarantee Program, the Credit Union Homeowners Affordability Relief Program, and the Credit Union System Investment Program. Actions by the FHFA include the placement of the GSEs into conservatorship in 2008 and the subsequent and ongoing management of the GSEs. Chapter 4 of this volume, "Financial Stabilization Efforts and Their Budgetary Effects," discusses all Government efforts to stabilize the financial markets and restore economic growth.

As distinct from the activities of the Federal Reserve and the GSEs, the activities of the Department of the Treasury, the FDIC, and the NCUA are budgetary. Most of these activities, including all financial asset acquisitions, loans, and loan guarantees under the Troubled Asset Relief Program (TARP), are reported in the budget on a credit basis.[16] As discussed above in the section on

[14] Examples of Federal Reserve actions include the creation of the following liquidity facilities: the Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility, the Commercial Paper Funding Facility, the Money Market Investor Funding Facility, the Primary Dealer Credit Facility, the Term Asset-Backed Securities Loan Facility, the Term Auction Facility, and the Term Securities Lending Facility.

[15] These Treasury activities were authorized by TARP. Other Treasury activities, some of which were also authorized by TARP, include the Asset Guarantee Program, the Auto Supplier Support Program, the GSE Credit Facility, the Homeowner Affordability and Stability Plan, the Systemically Failing Institutions Program, the Targeted Investment Program, and the acquisition of GSE mortgage-backed securities.

[16] The Emergency Economic Stabilization Act (EESA) (§123(a)) pro-

"Federal credit programs," this means that outlays equal to the net present value of all future cash flows with the public are recorded when the transaction occurs. The rationale for recording financial asset purchases under TARP on a credit basis rather than on a cash basis is the same as the rationale, discussed above, for loans and loan guarantees generally: the Government's cost of purchasing a financial asset that is intended to be sold at some point in the future is not equal to the cash used to acquire the asset at the time of acquisition. Rather, the cost is equal to the present value of the cash outflows for acquiring the asset less the present value of cash inflows from holding and ultimately selling the asset.

The total budget impact of all of the credit market stabilization efforts undertaken by the Treasury, other Executive Branch agencies, the GSEs, and the Federal Reserve may not be known with certainty for several years. Nevertheless, actual and estimated outlays and receipts are included in the 2011 Budget. In addition, the actual and estimated impacts of credit market stabilization efforts on the debt held by the public are included in the 2011 Budget.[17]

vides the authority to record the costs of all troubled assets purchased (or guaranteed) under TARP in accordance with the Federal Credit Reform Act (FCRA). EESA further requires (in §123(b)) that the discount rate used for recording these costs reflect market risk, which is in contrast to the risk-free discount rate required under FCRA for calculating the costs of loans and loan guarantees not authorized by EESA.

[17] For an analysis of the Government's response to the financial crisis, see Chapter 4 of this volume, "Financial Stabilization Efforts and Their Budgetary Effects."

13. BUDGET PROCESS

We are emerging from an era of fiscal irresponsibility, in which the process by which budget decisions were made and the ways in which they were presented helped expand deficits by hundreds of billions of dollars per year. The President's first budget represented a break from these process and presentational choices, and this Budget continues on the new path. For instance, where the prior Administration turned its back on certain budget enforcement principles that had fostered surpluses during the 1990s, this Administration will reinstate and improve upon those rules. And where the prior Administration presented budgets and budget baselines that failed to reflect the year-to-year costs of, for example, overseas military operations, this Administration employs a baseline and presents a Budget that more accurately reflects the costs of current and proposed policy going into the future.

The President's budget reform proposals can be grouped into three categories: First, we will adopt certain changes in the budget process, such as a statutory Pay-As-You-Go rule and a proposal for an optional, fast-track procedure for Congress to consider certain rescission requests, that will together help to impose greater discipline on revenue and spending policies. Second, we have made several changes in the display of the budget, such as emphasizing the metric of "debt net of financial assets" and reflecting the up-front cost to the Government in its Troubled Asset Relief Program (TARP) transactions through net present value accounting, that offer a clearer window into the liabilities and costs that the Government has and will incur. In addition, we have adopted the approach of fully funding overseas military operations, to the extent their costs are knowable, in the regular appropriations bills rather than relying exclusively or primarily on supplemental appropriations. Moreover, we have shown the expected future levels of individual appropriations accounts rather than omitting this material entirely from the budget, as was done during the last five years of the prior Administration. Finally, we have presented a revised baseline, which includes a projection of the costs of major tax and spending policies currently in effect, such as relief from the growing scope of the Alternative Minimum Tax, even if those costs are scheduled to expire within the budget window. In addition, we include an allowance for the costs of possible future natural disasters. The improved baseline better captures the likely costs of operating the Federal Government under current policy going forward.

Taken together, these reforms generate a Budget that is more transparent, comprehensive, accurate, and realistic, and is thus a better guidepost for citizens and their representatives in making decisions about the key fiscal policy issues we confront as a Nation.

CHANGES IN THE BUDGET PROCESS

The Administration supports eight proposals that would supplement the budget process laid out in the Congressional Budget Act of 1974: a renewed statutory Pay-As-You-Go rule, a Fiscal Commission to identify policies to stabilize the debt-to-GDP ratio in the future, a Pay-As-You-Go review of potential administrative actions by Executive Branch agencies affecting entitlement programs, allocation adjustments that support the cost-efficient administration of mandatory programs and tax collection, incentives to encourage agencies to improve real property oversight, protection of appropriated funding for major disasters and emergencies, a limit on the use of advance appropriations for discretionary programs, and an option for the expedited consideration of certain rescission proposals.

Statutory Pay-As-You-Go

The Administration supports a statutory approach to the Pay-As-You-Go or PAYGO rule, to complement and reinforce the point-of-order constraints agreed to by the House and the Senate in 2007. On June 9, 2009, the President transmitted PAYGO legislation to Congress, and the House of Representatives adopted similar legislation, H.R. 2920, on July 22.

The PAYGO principle requires that legislation increasing mandatory spending must be fully offset, or "paid for," by legislation reducing mandatory spending or increasing revenues. Likewise, legislation reducing revenues must be fully offset by legislation raising revenues or reducing mandatory spending. In short, the net of all tax and mandatory spending legislation must be budget neutral.

Drawing closely on the PAYGO law enacted in 1990, the Administration's bill would enforce the requirement of budget neutrality by an automatic reduction or "sequestration" of selected mandatory programs if legislation is enacted that violates the PAYGO rule. If triggered, such a penalty would restore budget neutrality. But the real purpose of such a penalty is to discourage the enactment, or even the consideration, of legislation that would violate the PAYGO rule. During the 1990s, the rule was adhered to without a sequestration having to be employed. The fact that PAYGO sequestration did not have to be employed is a testament to the success of the PAYGO rule during that decade.

The Administration's PAYGO proposal differs in a few ways from the House and Senate PAYGO rules. First, the Administration believes that compliance with PAYGO is better measured relative to a baseline that makes budget projections based on current policies—policies in effect in 2009 or 2010—rather than on policies scheduled (but unlikely) to be in effect in later years (see the discussion of baselines in this section). Second, the Administration would enforce the statute by a year-end reckoning of the net costs of all tax or mandatory spending legislation, rather than enforcing the requirement bill by bill. This allows costs in one bill to be offset by savings in another. Third, the Administration would require the total cost of PAYGO legislation to be budget neutral in each year of the five years that the legislation would be in effect, rather than over a period of years. In contrast, the House and Senate rules each require budget neutrality only over a six-year and an 11-year period.

Fiscal Commission

The Administration supports the creation of a Fiscal Commission. The Fiscal Commission is charged with identifying policies to improve the fiscal situation in the medium term and to achieve fiscal sustainability over the long run. Specifically, the Commission is charged with balancing the budget excluding interest payments on the debt by 2015. The result is projected to stabilize the debt-to-GDP ratio at an acceptable level once the economy recovers. The magnitude and timing of the policy measures necessary to achieve this goal are subject to considerable uncertainty and will depend on the evolution of the economy. In addition, the Commission will examine policies to meaningfully improve the long-run fiscal outlook, including changes to address the growth of entitlement spending and the gap between the projected revenues and expenditures of the Federal Government.

Administrative PAYGO

The Administration will continue to review potential administrative actions by Executive Branch agencies affecting entitlement programs, as stated in a memorandum issued on May 23, 2005, by the Director of the Office of Management and Budget. This effectively establishes a PAYGO requirement for administrative actions involving mandatory spending programs. Exceptions to this requirement are only provided in extraordinary or compelling circumstances.

Program Integrity Funding

With billions of dollars being spent in programs such as Social Security, Medicare, and Medicaid, upon which so many Americans rely, it is important that they are run efficiently and effectively. The Administration will make significant investments in activities to ensure that taxpayer dollars will be spent correctly, expanding oversight activities in the largest benefit programs and increasing investments in tax compliance and enforcement activities.

Table 13–1. MANDATORY AND RECEIPT SAVINGS FROM DISCRETIONARY PROGRAM INTEGRITY BASE FUNDING AND ALLOCATION ADJUSTMENTS

(Budget authority in millions of dollars)

	2011-2015 Allocation Adjustments	Savings Achieved from Allocation Adjustments and Inflation Thereafter										10-Year Total
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
SSA Program Integrity:[1]												
Enforcement Base	1,528	374	–606	–1,247	–1,578	–1,885	–2,225	–2,452	–2,654	–2,986	–3,268	–18,527
Allocation Adjustment	3,953	–651	–2,347	–3,538	–4,315	–5,251	–6,536	–7,388	–8,165	–9,370	–10,277	–57,838
IRS Tax Enforcement:[2]												
Enforcement Base[3]	37,566	–50,000	–50,000	–50,000	–50,000	–50,000	–50,000	–50,000	–50,000	–50,000	–50,000	–500,000
Allocation Adjustment[4]	8,869	–385	–1,164	–2,355	–3,955	–6,015	–7,987	–9,238	–9,931	–10,378	–10,809	–62,217
Health Care Fraud and Abuse Control Program:												
Allocation Adjustment[5]	3,100	–740	–860	–910	–960	–1,000	–1,030	–1,050	–1,080	–1,110	–1,130	–9,870
Unemployment Insurance Improper Payments:[6]												
Enforcement Base	54	–35	–35	–36	–37	–40	–41	–41	–43	–45	–48	–401
Allocation Adjustment	325	–88	–184	–202	–222	–241	–254	–263	–272	–280	–290	–2,296

[1] This is based on SSA's Office of the Actuary estimates of savings. In the first year, the enforcement base shows a positive outlay. This is due to the fact that redeterminations of eligibility can uncover underpayment errors as well as overpayment errors. SSI recipients are more likely to initiate a redetermination if they believe there is an underpayment, and SSA completes these beneficiary-initiated redeterminations in the enforcement base. In addition, corrections for underpayments are realized more quickly than corrections for overpayment. The allocation adjustment does not show an outlay in the first year because SSA would target their allocation adjustment redetermination dollars to cases where an overpayment is suspected.

[2] Savings for IRS are revenue increases rather than spending reductions. They are shown as negatives for consistency in presentation.

[3] No official estimate for FY 2011 enforcement revenue has been produced at the time of publishing, so this figure is an approximation and included only for illustrative purposes.

[4] The Internal Revenue Service (IRS) allocation adjustment funds cost increases for existing enforcement initiatives and activities and new initiatives. The IRS enforcement program helps maintain the more than $2 trillion in taxes voluntarily paid each year. The cost increases will help maintain the base revenue while generating additional revenue through targeted program investments. The activities and new initiatives funded out of the allocation adjustment are estimated to yield more than $60 billion over 10 years. Aside from direct enforcement revenue, the deterrence impact of these activities suggests the potential for even greater savings.

[5] These data are based on estimates from the HHS Office of the Actuary for return on investment (ROI) from program integrity activities. The ROI is based on the discretionary allocations amount less the administrative costs for implementing the legislative and administrative program integrity proposals.

[6] The maximum UI benefit period is typically 26 weeks. As a result, preventing an ineligible individual from collecting UI benefits would save at most a half year of benefits.

The Administration supports initiatives related to ensuring that Federal agencies are responsible stewards of taxpayer resources and will work with Congress to that end. Specifically, the Administration is focused on the reduction of improper payments made to beneficiaries while ensuring access to important benefit programs. The Administration supports efforts to provide Federal agencies with the necessary resources and incentives to prevent, reduce, or recover improper payments (including fraudulent payments), as well as the authority to spend recovered improper payments for discretionary programs, and will work with Congress to accomplish these goals.

Discretionary Program Integrity Initiatives.—The Administration proposes significant increases in discretionary administrative program integrity activities at the Social Security Administration (SSA), the Department of Health and Human Services (HHS), the Department of Labor (DOL), and the Internal Revenue Service (IRS). The Administration proposes a multi-year strategy, which will permit the agencies to pay closer attention to the risk of improper payments, commensurate with the large and growing costs of the programs administered by these agencies, including Social Security, Medicare, Medicaid, and Unemployment Insurance (UI).

There is solid and rigorous evidence that these investments in administrative resources can significantly decrease the rate of improper payments and recoup many times their initial investment. For every $1 spent by SSA on a disability review, $10 is saved in erroneous payments. Similarly, for every $1 spent by HHS to fight health care fraud, approximately $1.55 is saved or averted, and the IRS enforcement activities recoup roughly $7 for every $1 spent. As shown in Table 13-1, the initial five-year investment of $16.2 billion for 2011 through 2015, if sustained by baseline inflation between 2016 and 2020, is estimated to result in more than $132 billion in lower spending and additional tax revenue over the next 10 years, with additional savings accruing after the 10-year period.

The Administration proposes to protect the dollars requested for these activities in the appropriations pro-

Table 13–2. DISCRETIONARY PROGRAM INTEGRITY BASE FUNDING AND ALLOCATION ADJUSTMENTS

(Budget authority in millions of dollars)

	2009 Actual	2010 Enacted	2011 Proposed	2012 Proposed	2013 Proposed	2014 Proposed	2015 Proposed
SSA Program Integrity:							
Enforcement Base [1]	264	273	283	294	305	317	329
Allocation Adjustments:							
BA	240	485	513	642	751	924	1,123
Outlays	240	485	513	642	751	924	1,123
IRS Tax Enforcement:							
Enforcement Base:	6,997	7,100	7,120	7,387	7,535	7,685	7,839
Enforcement Account	N/A	4,904	5,007	5,104	5,206	5,310	5,416
Operations Support Account	N/A	2,196	1,991	2,283	2,329	2,375	2,423
Allocation Adjustments:							
BA	490	890	1,115	1,357	1,724	2,105	2,568
Outlays	441	850	1,093	1,469	1,687	2,067	2,522
Health Care Fraud and Abuse Control Program:							
Enforcement Base (Mandatory)	1,161	1,173	1,173	1,173	1,173	1,173	1,173
Allocation Adjustments:							
BA	198	311	561	589	619	649	682
Outlays	198	311	561	589	619	649	682
Unemployment Insurance Improper Payments:							
Enforcement Base	10	10	10	11	11	11	11
Allocation Adjustments:							
BA	40	50	55	60	65	70	75
Outlays	34	49	54	59	64	69	74
TOTAL:							
Enforcement Base	8,432	8,556	8,586	8,865	9,024	9,186	9,352
Allocation Adjustments:							
BA	968	1,736	2,244	2,648	3,159	3,748	4,448
Outlays	913	1,695	2,221	2,760	3,121	3,710	4,401

[1] For 2009 through 2015, numbers reflect spending on Continuing Disability Reviews and SSI redeterminations. Limited funding in the 2010 allocation adjustment may also be available for asset verification processes, provided the activity is as cost-effective as SSI redeterminations.

cess through allocation adjustments, a mechanism that has been used by past administrations and Congresses. Allocation adjustments are increases in the ceiling or allocation for annual appropriations, but these increases are granted only if appropriations bills increase funding for the specified program integrity purposes above specified base levels. This budget mechanism will ensure that this funding will not supplant other Federal spending on these activities or be diverted to other purposes. The base level of funding assumed in each appropriations request and the allocation adjustment for each agency is listed in Table 13-2. The Administration's proposal assumes baseline inflation increases for the base level of funding for all ten years of the budget window and assumes funding for five years of allocation adjustments with baseline inflation increases allowed for that funding after the fifth year.

For the Social Security Administration, the $513 million allocation adjustment would allow SSA to conduct at least 360,000 Continuing Disability Reviews (CDRs) and at least 2.4 million Supplemental Security Income (SSI) redeterminations of eligibility in 2011. The funding provided for the Social Security Administration will enable the agency to work down a backlog of Continuing Disability Reviews, which determine whether an individual continues to qualify for Disability Insurance or Supplemental Security Income. The number of these reviews has fallen in recent years even as the Disability Insurance program has grown. In addition, up to $10 million of the allocation adjustment may be spent to continue implementing the Access to Financial Institutions initiative, which helps SSA identify individuals who have financial accounts exceeding the Supplemental Security Income resource limits. As a result of the allocation adjustment funding, SSA would recoup over $57.8 billion in savings in the Disability Insurance and Supplemental Security Income programs, with additional savings after the ten-year period, as estimated by SSA's Office of the Actuary.

SSA is required by law to conduct CDRs for all beneficiaries who are receiving Disability Insurance benefits, as well as all children under age 18 who are receiving Supplemental Security Income. SSI redeterminations are also required by law, but the frequency is not specified in statute. The baseline assumes the likely scenario for program integrity activities, given the baseline funding levels. The President's Budget shows the savings that would result from the increase in CDRs and redeterminations made possible by the program integrity allocation adjustment proposal.

As stated above, the return on investment (ROI) for CDRs is approximately 10 to 1 in lifetime program savings. The ROI for redeterminations is approximately 8 to 1. The savings from one year of program integrity activities are realized over multiple years because some CDRs identify that the beneficiary has medically improved and is capable of working, which may mean that they are no longer eligible to receive Disability Insurance (DI) or Supplemental Security Income (SSI) benefits. Redeterminations focus on an individual's eligibility for the means-tested SSI program and generally result in a revision to the individual's benefit level. However, the schedule of savings resulting from redeterminations will be different for the base funding and the allocation adjustment. This is because redeterminations of eligibility can uncover underpayment errors as well as overpayment errors. SSI recipients are more likely to initiate a redetermination of eligibility if they believe there is an underpayment error, and these recipient-initiated redeterminations are included in the base.

For the IRS, the $1,115 million allocation adjustment covers some cost increases for the base IRS enforcement program plus new and continuing investments in expanding and improving the effectiveness and efficiency of the IRS' overall tax enforcement program. As a result of these additional efforts, as well as the work done by base programs, the IRS will collect an estimated $50 to $60 billion in 2011 in direct enforcement revenue. The IRS estimates that work completed by the proposed new staff in 2011 will eventually yield another $720 million. Further, once these new staff are trained and become fully operational in 2013, the extra revenue they bring in each year will rise to $1,946 million, or roughly $9 in additional revenue for every $1 in administrative expense. However, this ROI estimate is likely understated because a portion of the new investment is directed towards efforts to improve the performance of existing staff and resources (such as new computers and better research) that are not reflected in the IRS' ROI calculation. More importantly, the ROI is understated because it does not reflect the effect enhanced enforcement has on deterring non-compliance, which helps to ensure the continued payment of well over $2 trillion in taxes voluntarily paid each year. Though this figure is not directly measured, research suggests it is at least three times as large as the direct effect on revenue, and possibly much greater.

The discretionary allocation adjustment of $561 million for Health Care Fraud and Abuse Control (HCFAC) activities is designed to expand the Health Care Fraud Prevention & Enforcement Action Team (HEAT) initiative, to provide resources to implement a robust set of administrative and legislative program integrity proposals, and to provide additional resources to identify and reduce improper payments in the Medicare, Medicaid, and CHIP programs. The funding would be allocated among CMS, the Health and Human Services Office of Inspector General, the Federal Bureau of Investigation, and Department of Justice to safeguard Medicare, Medicaid, and CHIP against fraud and abuse. This $561 million would generate approximately $740 million in savings in 2011, which would reflect recouping improper payments made to providers.

The 2011 Budget proposes a discretionary allocation adjustment of $55 million for the Department of Labor's (DOL) Unemployment Insurance (UI) State administrative grants program to reduce UI improper payments, a top management challenge identified by GAO and DOL's Inspector General. The proposal would expand a $10 million Reemployment and Eligibility Assessment initiative begun in 2005 to finance in-person interviews at One-Stop Career Centers to assess UI beneficiaries' need for job-finding services and their continued eligibility for benefits. The current $10 million effort results in a savings in UI benefit payments of $35 million. The request for additional funding for in-person reemployment and eligibility assessments of claimants of unemployment compensation builds upon the success of a number of States in reducing improper payments and speeding reemployment using these assessments. Because most unemployment claims are now filed by telephone or Internet, in-person assessments conducted in the One-Stop Career Centers can help determine the continued eligibility for benefits and the adequacy of work search, verify the identity of beneficiaries where there is suspicion of possible identity theft, and provide a referral to reemployment assistance to those who need additional help. The maximum UI benefit period is typically 26 weeks. As a result, preventing an ineligible individual from collecting UI benefits would save, at most, a half year of benefits. The two years of savings from the additional $55 million, totaling $88 million in 2011 and $122 million in 2012, reflect the fact that reemployment and eligibility assessments conducted late in the year affect individuals whose benefits would have continued into the subsequent fiscal year.

***Mandatory Program Integrity Initiatives*.**—Table 13-3 lays out the mandatory and receipt savings from other program integrity initiatives that are included in the 2011 Budget, beyond the expansion in staff resulting from the increases in discretionary funding discussed above. These savings total more than $20.3 billion over ten years and more than 80 percent of these savings would be scored as PAYGO offsets, because legislation granting agencies new methods to crack down on overpayments and combat fraud counts as PAYGO savings.

Expand CMS Program Integrity Authority.—The 2011 Budget includes new Medicare and Medicaid program integrity proposals to help prevent fraud and abuse before they occur; detect fraud and abuse as early as possible; and more comprehensively enforce penalties and other sanctions when fraud and abuse occur. These efforts will save approximately $13.1 billion over 10 years.

Unemployment Insurance Integrity Legislation.—Since 2006, the President's Budget has included a multi-part proposal to give States additional tools and resources to recover and prevent UI improper payments. The current proposal would:

- Strengthen States' incentives to recover UI benefit overpayments and employer contributions by permitting States to use a portion of recovered funds for the reduction of fraud and errors and detection of nonpayment of required contributions;
- Impose a penalty for UI fraud;
- Charge employers when their actions lead to overpayments;

Table 13–3. MANDATORY AND RECEIPT SAVINGS FROM OTHER PROGRAM INTEGRITY INITIATIVES

(Receipts and outlays in millions of dollars)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	10-year Total
Department of Health and Human Services:											
Expand CMS Program Integrity Authority	–109	–213	–1,121	–1,250	–1,418	–1,564	–1,660	–1,784	–1,912	–2,047	–13,079
Department of Labor:											
Implement Unemployment Insurance Integrity Legislation:											
Outlay impact:											
PAYGO	....	–151	–178	–135	–132	–130	–130	–133	–137	–141	–1,267
Non-PAYGO	....	–71	–146	–149	–153	–158	–164	–169	–174	–181	–1,365
Receipt impact:											
PAYGO[1]	....	–39	–40	–27	–32	–49	–72	19	–62	–73	–375
Non-PAYGO	....	–3	–2	11	36	124	247	–208	200	252	657
Department of the Treasury:											
Authorize post-levy due process (receipt effect)	–77	–115	–119	–124	–109	–113	–118	–122	–127	–132	–1,156
Increase levy authority to 100 percent for vendor payments (receipt effect)	–61	–87	–86	–90	–78	–82	–85	–88	–92	–96	–845
Social Security Administration:											
Windfall Elimination Provision/Government Pension Offset Enforcement Provision (non-PAYGO)	....	....	....	–172	–375	–492	–523	–478	–452	–417	–2,909
Total, Mandatory and Receipt Savings	–247	–679	–1,692	–1,936	–2,261	–2,464	–2,505	–2,963	–2,756	–2,835	–20,339
PAYGO Savings	–247	–605	–1,544	–1,626	–1,769	–1,938	–2,065	–2,108	–2,330	–2,489	–16,722
Non-PAYGO Savings	....	–74	–148	–310	–492	–526	–440	–855	–426	–346	–3,617

[1] Net of income offsets.

- Collect delinquent UI overpayments, uncollected employer contributions, and associated penalties and interest through offset of Federal tax refunds; and
- Include the date individuals start work in the information reported to the National Directory of New Hires to facilitate identification of fraudulent UI claims.

The 2011 Budget re-proposes the 2010 Budget's UI Financial Integrity legislation, but limits the use of the tax refund offset to improper payments for which the claimant is at fault. This change in approach from using the Treasury Offset Program (TOP) to recover all overpayments would avoid recoveries from families where the overpayment was not the worker's fault. States would be required to conduct additional screening prior to submitting a TOP request to Treasury. The combined revenue loss and the outlay savings associated with this proposal would reduce the deficit by nearly $2.4 billion over 10 years. Of the $2.6 billion outlay impact, approximately half would be PAYGO savings; the net revenue loss of almost $300 million represents more than $650 million in non-PAYGO costs and $375 million in PAYGO savings.

Improve Treasury Debt Collection and Increase Levy Authority.—The 2011 Budget includes two proposals to increase receipts from debt collection activities:

- *Authorize post-levy due process*.—Before the Treasury can issue a levy, it must provide the debtor with an opportunity for a hearing. Exemptions to this requirement exist in cases where the Treasury is offsetting a payment to collect delinquent employment taxes (P.L. 110-28), and when States offset refund payments to collect Federal tax debt. This proposal expands the existing exemptions to include cases where Treasury offsets a payment to collect delinquent income taxes from Federal vendors. As with the current exemption, the debtor will still be provided with an opportunity for a hearing after the levy has been applied. This proposal would result in PAYGO savings of nearly $1.2 billion over 10 years.
- *Technical correction to the 100 percent levy legislation*.—The Internal Revenue Code was amended by the American Jobs Creation Act of 2004 (P.L. 108-357), which sought to authorize a 100 percent levy of Federal vendor payments. But an imperfection had the unintended effect of limiting the levy to 15 percent. This proposal would correct the imperfection and, like the first proposal, allow Treasury to collect some of the sizable debt owed by Federal contractors. In 2007, the Government Accountability Office estimated that approximately 60,000 Federal contractors were delinquent on more than $7 billion in Federal taxes. This proposal would result in PAYGO savings of $845 million over 10 years.

Social Security Windfall Elimination Provision/Government Pension Offset Enforcement Provision.—The Budget re-proposes legislation that would improve reporting for non-covered pensions so that the Social Security Administration could enforce the offsets for non-covered employment, Windfall Elimination Provision (WEP), and Government Pension Offset (GPO). The proposal would require State and local governments to provide information on their non-covered pension payments to SSA so that the agency can apply the WEP and GPO adjustments. Under current law, the WEP and GPO adjustments are dependent on self-reported pension data and cannot be independently verified. This proposal would result in savings in the Old-Age, Survivors, and Disability Insurance program of almost $2.9 billion over 10 years, which would be scored as a non-PAYGO deficit impact because the program is off-budget.

Executive Order (EO) on Reducing Improper Payments.—Executive Order 13520 on Reducing Improper Payments and Eliminating Waste in Federal Programs intensifies agency efforts to eliminate errors (including waste, fraud, and abuse) in the major programs (i.e., those programs with the highest dollar value or majority of improper payments) administered by the Federal Government. There are three overarching Executive Order requirements:

1. Increase transparency and public participation;
2. Intensify agency accountability and coordination; and
3. Use incentives to improve contractor and state and local efforts in eliminating payment errors.

Among other things, the provisions of the Executive Order align with the President's program integrity initiatives by (1) ensuring that performance measures exist to assess (either annually or more frequently) whether these actions are reducing errors; (2) requiring agencies to submit a remediation plan when reduction targets for those programs with the high dollar value of improper payments are missed two consecutive years; and (3) initiating studies to recommend incentives for reducing error.

Expanding Data Matching Authority to Reduce Improper Payments.—Based on Federal agencies' 2009 improper payment reporting, approximately 35 percent (or $35 billion) of all payment errors were due to the inability to verify applicant information such as earnings, income, assets, or work status. This type of information is frequently available in data sources maintained by Federal agencies and third parties, but access to these sources are often limited due to legal, regulatory, or cost impediments. Under Executive Order 13520, Reducing Improper Payments and Eliminating Waste in Federal Programs, a working group will make recommendations on improving information sharing among agencies and programs to reduce payment errors, while enhancing beneficiaries' ability to access these Federal programs. The Administration will pursue opportunities to improve information sharing by developing or enhancing policy and guidance and developing legislative proposals to leverage available information in determining benefit eligibility.

Partnership Fund for Program Integrity Innovation.—The 2010 Budget included a new initiative to improve service delivery, payment accuracy, and administrative efficiency, while reducing access barriers and protecting beneficiaries of federal assistance programs administered by States or localities. The Partnership Fund will allow Federal, State, or local agencies to pilot new ideas in service delivery in a controlled environment with a comprehensive evaluation. Once a pilot is selected, funding will be transferred to the applicable Federal agency to administer the pilot. Successful initiatives could be expanded and used to inform further administrative or legislative action. The 2010 Consolidated Appropriations Act (P.L. 111-117) included $37.5 million for the Partnership Fund.

Incentivizing Real Property Oversight

The Administration is focused on improving the management of real property assets. It therefore supports initiatives to provide Federal agencies with incentives to dispose of unneeded Federal real property. One such incentive would allow all Federal agencies to retain the net proceeds from the sale of excess property. The legislative language to allow this is included in the government-wide general provisions in the *Appendix*. Under this proposal, Federal agencies could expend those funds for activities related to Federal real property capital improvements and disposal activities.

Disaster Relief Fund

The Administration requests discretionary budget authority of $1,950 million for FEMA in 2011 to provide Federal assistance in response to Presidentially-declared major disasters and emergencies. The Budget uses the five-year historical obligations for non-catastrophic events (those less than $500 million in estimated obligations) less the average of the five-year estimated recoveries to calculate this level. The rationale for this methodology is that large or catastrophic events are rare and would likely involve a supplemental or emergency appropriation. As a result of this assumption, obligations in response to large or catastrophic events are not included in the level of disaster relief. The Administration seeks to protect the Disaster Relief Fund (DRF) and prevent redirection of these funds for non-disaster purposes by proposing that the full DRF request be allocated to the Appropriations Committees in a separate category, available only for the specified purposes. Specifically, the Administration requests that the Budget Committees include in the 2011 budget resolution a provision that allows for an adjustment to their 302(a) allocations for the full DRF request. The terms of this adjustment would stipulate that the 302(a) allocations would not be increased unless the Appropriations bill provided for full funding for the DRF and the language included a provision preventing transfers.

Limit On Discretionary Advance Appropriations

An advance appropriation first becomes available for obligation one or more fiscal years beyond the year for which the appropriations act is passed. Budget authority is recorded in the year the funds become available for obligation, not in the year the appropriation is enacted.

There are legitimate policy reasons to use advance appropriations to fund programs. For example, funding for the Corporation for Public Broadcasting is customarily appropriated two years in advance. This gives the beneficiaries of this funding time to plan their broadcasting budgets before the broadcast season starts.

However, advance appropriations can also be used in situations that lack a programmatic justification, as a gimmick to make room for expanded funding within the funding allocations set under a congressional budget resolution. For example, some education grants are forward funded (available beginning July 1 of the fiscal year) to provide certainty of funding for an entire school year, since school years straddle Federal fiscal years. This funding is recorded in the budget year because the funding is first legally available in that fiscal year. However, more than $21.9 billion of this funding is advance appropriated (available beginning three months later, on October 1) rather than forward funded. Prior Congresses increased advance appropriations and decreased the amounts of forward funding as a gimmick to free up room in the budget year without affecting the total amount available for a coming school year. This gimmick works because the advance appropriation is not recorded in the budget year but rather the following fiscal year. But it works only in the year in which funds are switched from forward funding to advance appropriations; that is, it works only in years in which the amounts of advance appropriations for such "straddle" programs are increased.

To curtail this gimmick, which allows over-budget funding in the budget year and exerts pressure for increased funding in future years, congressional budget resolutions since the 2001 Resolution have set limits on the amount of advance appropriations. When the congressional limit equals the amount that had been advance appropriated in the most recent appropriations bill, there is no additional room to switch forward funding to advance appropriations, and so no room for this particular gimmick to operate in that year's budget.

The 2011 Budget includes $28,843 million in advance appropriations for 2012 and freezes them at this level in subsequent years. In this way, the Budget does not employ this potential gimmick. Moreover, the Administration supports limiting advance appropriations to the proposed level through the congressional budget resolution for 2011, similar to the limits included as section 402 and 424 of S. Con. Res. 13, the concurrent resolution on the budget for fiscal year 2010. Those limits applied only to the accounts explicitly specified in the joint explanatory statement of managers accompanying the budget resolution.

In order to account for the Administration's Elementary and Secondary Education Act reauthorization proposal, the 2011 Budget eliminates the $1,681 million advance appropriation that was previously in the School Improvement account (renamed the Education Improvement account) and replaces it with corresponding increases to advance appropriations in the accounts for Education for the Disadvantaged ($840 million, renamed Accelerating Achievement and Ensuring Equity) and Special Education ($841 million). Total advance appropriations in the Department of Education remain unchanged at $21,905 million.

In addition, the Administration would allow advance appropriations for the Corporation for Public Broadcasting, which is typically enacted two years in advance, and for Veterans Medical Care, as is now required by the Veterans Health Care Budget Reform and Transparency Act (P.L. 111-81). The advance appropriations funding level for the veterans medical care accounts (comprising Medical Services, Medical Support and Compliance, and Medical Facilities) is largely determined by the Health Care and Enrollment Projection model of the Department of Veterans Affairs. This model covers approximately 80 percent of the total medical care funding requirement. The remaining funding requirement is estimated based on other models and assumptions for services such as long-term care. To aid the General Accountability Office in meeting a requirement contained in P.L. 111-81 to develop a report on the adequacy of the Administration's advance appropriations request within 120 days of the release of the President's Budget, the Department of Veterans Affairs has included more detailed information in its Congressional Budget Justifications regarding the methodology used to determine the overall fiscal year 2012 VA medical care funding requirement.

For a detailed table of accounts that have received discretionary and mandatory advance appropriations since 2009 or for which the Budget requests advance appropriations for 2012 and beyond, please refer to the Advance Appropriation chapter that can be found at the end of the Budget *Appendix*.

Expedited Process For Considering Rescission Requests

The President and Congress can and do use the normal legislative process to consider requests for the rescission or cancellation of funds that were previously appropriated but have, for example, proven to be in excess of amounts actually needed or of lower-than-expected value. However, there would be a benefit to establishing the option of an additional procedure in those cases where the President finds a need for a rapid, up-or-down vote on a package of rescission proposals.

Under such a proposal, the President can choose to send a limited number of packages of rescission requests to Congress for fast-track procedure. If he chooses to send a package under this special procedure, then the rescission proposals can only reduce or eliminate funding for budget accounts, programs, projects, or activities; the President could not redirect funds or change their allowable uses. The House would be required to vote on that package as transmitted, without amendment, within a specified number of days. If the package passes the House, the Senate would consider the same package, again without amendment, within a limited time frame.

CHANGES IN BUDGET DISPLAY

The Budget and supporting material include a more insightful display of publicly held debt, the International Monetary Fund, Pell Grants, and surface transportation programs funded by the highway trust fund. It also continues the present-value display of transactions under the Troubled Assets Relief program (TARP).

Debt Held by the Public Net of Financial Assets.—In the Summary Tables included in the main *Budget* volume, Summary Tables S-1 and S-14 display both debt held by the public and debt held by the public net of financial assets. Borrowing from the public is normally a good approximation of the Federal demand on credit markets. However, it provides an incomplete picture of the financial condition of the Government and may misrepresent the net effect of federal activity on credit markets. Some transactions that increase the Federal debt also increase the financial assets held by the Government. For example, when the Government lends money to a private firm or individual, the Government acquires a financial asset that provides a stream of future payments of principal and interest. At the time the loan is made, debt held by the public reflects only Treasury's borrowing to finance the loan, failing to reflect the value of the loan asset acquired by the Government. In contrast, debt held by the public net of financial assets provides a more accurate measure of the Government's net financial position by including the value of loans and other financial assets held by the Government. This measure is especially useful during times, like the present, when the Government has borrowed large sums of money to address difficulties faced by the economy and financial markets. As shown in Summary Table S-14, a large share of the Government's current and recent borrowing has financed the purchase of financial assets, so that the increase in debt held by the public net of financial assets is noticeably smaller than the overall increase in debt held by the public. Likewise, while Federal borrowing reduces the amount of private saving that is available through financial markets for private-sector investment, Federal acquisition of financial assets has the opposite effect—it injects cash into financial markets. Thus, the change in debt net of financial assets can better indicate the effect of the Federal Government on the financial markets.

TARP transactions.—The President's Budget reflects costs for the Troubled Assets Relief Program (TARP) on a net present value basis, with adjustments to the discount rate for market risk, pursuant to the authority in the 2008 Emergency Economic Stabilization Act (EESA). Net present value budgeting for TARP equity purchases captures the lifetime expected net cost of the program up front, rather than reflecting the cash impact in each year. Programmatic and interest costs of a transaction sum to the same total over time whether they are shown on a present value basis or a cash basis; under neither approach do any costs to the Government disappear from the budget. The advantage of net present value scorekeeping in TARP and similar cases where financial assets are acquired is that the net costs to the Government appear at the time the transaction actually occurs. The requirement that the present-value estimate of TARP transactions also adjust for "market risk" means that the program cost will be shown as higher, and net interest expenditures will be shown as correspondingly lower, than if the Government's cost of borrowing were used to discount future cash flows to the present.

Full cash flows to and from the Government are still reported as a means of financing in the Budget and the Monthly Treasury Statement. The Budget would reflect much higher upfront costs and large offsetting receipts in subsequent years—producing a steeper trajectory of falling deficits—if TARP equity purchases had been shown on a cash basis. Such a cash portrayal would therefore have made it appear that the Administration was even more successful at bringing down deficits from year to year. But cash scoring for equity purchases, though perhaps advantageous for cosmetic reasons in this case, would not do as good a job as present value scoring in reflecting the expected costs of these transactions. Chapter 4, "Financial Stabilization Efforts and Their Budgetary Effects," contains the analysis outlined under EESA, including the cost of TARP activities with cash-based estimates for TARP transactions substituted for those same transactions reflected on a credit basis in the budget.

IMF quota subscription and increase in the New Arrangements to Borrow.—The United States participates in the IMF through a quota subscription. Financial transactions with the IMF are exchanges of monetary assets. When the IMF draws dollars from the U.S. quota, the United States simultaneously receives an equal, offsetting, Special Drawing Right (SDR)-denominated claim in the form of an increase in the U.S. reserve position in the IMF. The U.S. reserve position in the IMF increases when the United States transfers dollars to the IMF and decreases when the United States is repaid and the cash flows return to the Treasury. The U.S. reserve position is a liquid and interest-bearing claim on the IMF, which may be exchanged on demand for foreign exchange. These transactions are like bank deposits and withdrawals, where the government exchanges one type of financial asset (cash) for another (bank deposit) of equal face value.

The budgetary treatment of appropriations for IMF quotas has changed over time. Prior to 1981, the transactions were not included in the budget because they were viewed as exchanges of cash for a monetary asset (SDRs) of the same value. This was consistent with the scoring of other exchanges of monetary assets, such as deposits of cash in Treasury accounts at commercial banks. As a re-

ACQUISITION OF FINANCIAL ASSETS

There are a number of circumstances in which the Treasury disburses cash and receives financial assets in return. In some cases, these transactions are recognized as an exchange of financial assets and so are not considered budgetary transactions at all; rather, they are considered non-budgetary financing transactions. Purchasing gold, depositing Treasury operating cash in "tax and loan" accounts, or depositing cash with the Federal Reserve are examples of such transactions. In each case, borrowing from the public is higher than it would be if the transaction did not occur, but the extra borrowing does not represent extra spending or a higher deficit because the financial asset acquired by the Treasury fully offsets the liability of extra debt incurred by the Treasury.

Direct loans are a similar example; in those cases, the Treasury disburses cash (makes a direct loan) to a borrower (e.g., a student, farmer, small business, etc.) and receives in return a loan asset or IOU from the borrower. In most cases the risk of default (and perhaps an interest-rate differential) makes the loan asset worth less than the cash disbursed by the Treasury. The difference in value represents the loss, or cost, the Government is expected to incur on such transactions. Put differently, the difference in value represents a subsidy to the borrower. The Government measures the cost or subsidy by discounting to the present the estimated present and future cash flows related to the loan contract, and records the amount of subsidy as an outlay. Present-value scorekeeping is used precisely because it is a method of comparing the value of future cash flows with an equivalent amount of up-front cash. Chapter 11, "Budget Concepts" discusses this subject in more detail and Chapter 22, "Credit and Insurance," provides more information on credit programs.

Two other, similar examples are the Troubled Assets Relief Program (TARP) and the National Railroad Retirement Investment Trust. In each of these cases, the programs can acquire private-sector equities or equivalent financial instruments, and in each case, Congress legislated scorekeeping methods that do not show the purchase prices as an outlay.

Budget scorekeeping rules have not, however, fully incorporated the broad principle that the value of an acquired financial asset should be recorded as an offset against the cost of its acquisition. As a result, the cash paid to acquire stock in Fannie Mae and Freddie Mac has been recorded as a pure outlay (and increase in the deficit) with no recognition at the point of purchase that the stock has some positive, offsetting value. Rather, dividends projected to be paid by the two entities will appear as cash inflows and reduce the deficit in later years. Likewise, if and when that stock is later sold to the public, the cash received in return will look like a reduction in the deficit. Over time—and accounting for interest on the cash flows—present value or subsidy scorekeeping produces the same total effect on the deficit as cash scorekeeping. The former may be preferable, however, because it means that the Government records the full expected cost of a transaction up front, when it occurs. The same reasoning suggests that the use of the budget to allocate public resources would benefit from up-front or present-value scorekeeping.

For this reason, the Administration plans a comprehensive review of these types of transactions, with the goal of making the scorekeeping more consistent across the Government. Doing so may necessitate imposing controls or limits that may not now exist, so that the purchase of assets will occur only for the policy reasons and in the magnitude that the Government believes is appropriate.

sult of an agreement reached with the Congress in 1980, the budget began to record budget authority for the quotas, but did not record outlays because of the continuing view that the transactions were exchanges of monetary assets of equal value. This scoring convention continued to be applied through 2008.

The 2010 Budget proposed to change the scoring back to the pre-1981 practice of showing zero budget authority and outlays for proposed increases in the U.S. quota subscriptions to the IMF, and therefore excluded increases in the Government's quota subscription to the IMF from budget authority totals.

Negotiations between the Administration and the Congress resulted in a decision to score the transactions for the proposed 2009 increase as credit transactions under the Federal Credit Reform Act of 1990. The Supplemental Appropriations Act of 2009 (Public Law 111-32, Title XIV, International Monetary Programs) increased the IMF quota and specified that this increase was to be scored on a credit reform basis, but with an adjustment to the discount rate for market risk. Such a decision implicitly treats Treasury transactions with the IMF as involving an exchange of financial assets whose value is not necessarily equal.

The 2011 Budget reflects obligations and outlays for the quota increase provided by the 2009 Supplemental Appropriations Act, which has a total face value of approximately $8 billion, consistent with this scoring specification. The Budget shows $142 million for the total estimated subsidy cost associated with this increase, of which $51 million is estimated to be expended through 2020. It also reflects the total estimated subsidy cost of the $100 billion increase in the U.S. participation in the IMF New Arrangements to Borrow—an estimate of $0.3 billion, of which $45 million is estimated to be expended through 2020. The cash transactions between the U.S. Treasury and the IMF are treated as a means of financing, which do not affect the deficit (see the discussion of "Federal Credit" in Chapter 11, "Budget Concepts").

In contrast, for increases to the U.S. quota subscriptions made prior to the 2009 Supplemental Appropriations Act, the 2011 Budget continues to record interest received from the IMF on U.S. deposits as an offsetting receipt in the general fund of the Treasury. Treasury records outlays in the prior year for financial transactions with the IMF to the extent there is an unrealized loss in dollar terms and offsetting receipts to the extent there is an unrealized gain in dollar terms on the value of the interest-bearing portion of the U.S. quota actually held at the IMF in SDRs. Changes in the value of the portion of the U.S. quota held at Treasury rather than in the U.S. reserve position held at the IMF are recorded as a change in obligations.

Because IMF transactions have characteristics that do not fit well in credit reform constructs, the Administration is working with Congressional staff to explore options for scoring future increases to the U.S. quota subscriptions to the IMF by using an alternative to credit reform treatment, reflecting the estimated present-value cost to the Government of Treasury transactions with the IMF using probabilistic estimates.

Pell Grants.—The Administration requests that Pell Grants be converted to a mandatory program beginning in 2010 and that the current maximum award of $5,550 be increased by the CPI plus one percentage point in subsequent years. While the Pell Grant program functions much like an entitlement, the program is primarily funded through the annual appropriations process, where significant increases or decreases in demand need to be accounted for. The Budget's proposed changes will help ensure that the value of Pell Grants grows more in line with the growth in college costs, and will make Pell a true entitlement that students and families can count on to pay for these costs.

Table 13-4 helps illustrate the adjustments made to Pell Grant funding across the existing Student Financial Assistance account and the proposed Federal Pell Grants budget account to reflect the Administration's policy.

The Student Financial Assistance account includes the discretionary and mandatory baseline for Pell Grants. The discretionary baseline for the prior year and the current year includes all discretionary appropriations provided in those years, including a $15.6 billion appropriation included in the American Recovery and Reinvestment Act (ARRA) to help pay for Pell Grant program costs in both the 2009-2010 and 2010-2011 award years. The 2011 baseline, in accordance with the baseline rules in the Administration's PAYGO bill, supports the full cost of maintaining the $4,860 discretionary maximum award plus prior-year shortfalls. Specifically, the 2011 baseline of $35.1 billion reflects a $5.7 billion increase to account for higher than estimated program costs in the 2010-2011 award year and prior award years, and an $11.9 billion increase to pay for estimated program costs in the 2011-2012 award year. In addition to this change, the baseline reflects the reclassification of the Pell Grant Program from discretionary to mandatory. This reclassification is presented in budget tables, but is not broken out in Table 13–4.

Since Pell Grants are forward funded and its BA is available across two fiscal years, the Department of Education is able to carry funding shortfalls and surpluses forward into the next fiscal year. This means any additional 2010 appropriations would reduce the BA necessary in 2011 by a corresponding amount. Specifically, the total BA necessary to pay for Pell Grant program costs in 2010 and 2011 and cover all prior-year shortfalls is $52.6 billion, including $17.5 billion in 2010 and $35.1 billion in 2011. (This level excludes any ARRA funding used in 2010-2011.) If 2010 appropriations were increased by, for instance, $9 billion to $26.4 billion, the 2011 BA necessary to maintain a $4,860 award would decrease by the same amount, to $26.1 billion. The Department of Education would use these appropriations to first cover the $5.7 billion prior-year shortfall and would use the remainder to pay for 2011-2012 program costs.

To reflect the Administration's policy to convert Pell Grant to a mandatory program, the Student Financial Assistance account first zeros out the discretionary baseline amounts in 2010 and 2011. The Federal Pell Grants account then provides the indefinite appropriation necessary in 2010 and 2011 to fully pay for a $4,860 award in both years. Under this policy, the $5.7 billion necessary to pay for prior year funding shortfalls would be made available in 2010 rather than 2011, increasing 2010 BA needed to fund the current discretionary award to $23.2 billion. The 2011 BA necessary would then be reduced by the same amount, to $29.3 billion. These amounts are then increased by the existing mandatory BA provided by the College Cost Reduction and Access Act, and additional mandatory BA necessary to modify Pell eligibility and index Pell awards to CPI plus one percentage point.

Summary Tables S-3 through S-7 in the *Budget* also treat existing Pell Grant funding and expenditures for 2009 as mandatory. Classifying Pell spending consistently in all years in the baseline and the policy estimates makes it easier to understand the budget effect of the policy proposal, and also to interpret the total levels of year-by-year funding for discretionary and for mandatory programs.

Highway Trust Fund (HTF).—The authorization for Federal surface transportation programs, which was scheduled to expire on December 31, 2009, has been extended through February 29, 2010. Recognizing that surface transportation programs and the system for paying for them must be fundamentally reformed, the Administration has called for an additional extension until spring 2011, to give Congress and the Administration sufficient time to craft more comprehensive, long-term legislation.

To reflect the growing imbalance between projected HTF revenues and baseline spending in the most transparent manner, starting in FY 2012 the Budget shows funding from the HTF at only the level that can be supported by HTF revenues while maintaining positive annual cash balances in the trust fund. The additional funding for HTF programs needed to maintain the program at baseline levels is shown as discretionary budget authority from the General Fund. Specifically, as shown in Table 13-5, for 2012 the Budget includes $6 billion in obligation limitation and $37 billion in discretionary budget authority for the Federal-Aid Highways program. This approach is used for both highway and transit programs over the 10-year budget horizon. Again, this presentation does not represent the ultimate funding levels or budgeting approach that the Administration and Congress necessarily should or will adopt for the long-term reauthorization. Rather, its purpose is to accurately depict the condition of the HTF and recognize that, under current law, main-

Table 13–4. PELL GRANT ADJUSTMENTS
(Budget authority in millions of dollars)

	2009	2010	2011
Pell Grant BA in Student Financial Assistance Account, 91-0200-X-1-502:			
Discretionary appropriation	17,288	17,495	17,495
Recovery Act, discretionary appropriation	15,640		
Shortfall for prior award years			5,740
2011/2012 increase in program cost			11,869
Current discretionary award, $4,860	32,928	17,495	35,104
(Non-add) BA to fund $4,860, 2010 and 2011 combined			52,599
Recovery Act, mandatory appropriation	643	831	
Existing mandatory appropriation, CCRAA	2,090	3,030	3,090
Current Pell Grant baseline	35,661	21,356	38,194
Convert current Pell program to entitlement in Federal Pell Grants	---	-21,356	-38,194
Total, Pell Grants, Student Financial Assistance	35,661	---	---
Pell Grant BA in Federal Pell Grants Account, 91-0208-4-1-502:			
Current discretionary award, $4,860		17,495	35,104
Provide permanent, indefinite appropriation for Pell Grants		5,740	-5,740
Subtotal, Current Discretionary Award, $4,860	---	23,235	29,364
(Non-add) BA to fund $4,860, 2010 and 2011 combined			52,599
Existing mandatory appropriation, CCRAA and Recovery Act		3,861	3,090
Increase and index maximum awards		723	2,424
Total, Pell Grants, Federal Pell Grants	---	27,819	34,878
Grand Total, Pell Grants, 2011 Budget	35,661	27,819	34,878
Memorandum—Program Cost in Program Year:			
Program Cost of $4,860 (non-add)	25,437	28,060	29,364
Total Program Cost (non-add)	28,252	32,321	34,878

Table 13–5. HIGHWAY TRUST FUND ESTIMATES [1]
(In billions of dollars)

	2009	2010	2011	2012	2013	2014	2015
Highways:							
Obligation Limitation	42	42	43	6	41	36	36
General Fund Budget Authority	....	....	....	37	3	9	9
Total resources , Highways	42	42	43	43	44	45	46
Transit:							
Obligation Limitation	8	8	9	1	3	5	5
General Fund Budget Authority	....	....	....	8	6	4	4
Total resources , Transit	8	8	9	9	9	9	9

[1] Assumes the Highway Trust Fund will be provided additional appropriations from the General Fund during 2010 and 2011. Starting in 2012, both highway and transit obligation limitations are set at levels that ensure trust fund outlays are supported by current law revenues to the trust fund.

taining baseline spending will require support from the General Fund.

IMPROVED DEFINITION OF BASELINE

The Administration also suggests improving a few of the concepts used in formulating baseline projections to make the resulting product more useful to the public and to policymakers. Because the baseline sometimes plays a part in budget enforcement (as when PAYGO legislation is measured relative to a baseline), these suggestions would both improve the display of budget material and improve the budget process.

For years the baseline used by Congress has followed the definition contained in section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 as amended, often referred to as the Budget Enforcement Act (BEA) baseline. However, the BEA baseline does not accurately reflect a continuation of current policy. Both last year and this year, the Administration has built its budget proposals starting from a baseline that adjusts the BEA baseline to better represent current policy, and recommends that Congress, the Congressional Budget Office, and the public use such a baseline in their own analyses as well. The deficit impacts of the adjustments to the BEA baseline are summarized in Summary Table S-7 of the *Budget*. The adjustments are described below. Further detail about the adjusted baseline is provided in Chapter 26, "Current Services Estimates," of this document.

Fully fund Pell Grant maximum award and shift from discretionary to mandatory.—The baseline used by the Administration makes two adjustments for the Pell Grant program. First, the baseline reflects the amounts necessary to fully fund the maximum award. Second, the baseline reflects the reclassification of projected Pell Grants from discretionary to mandatory. In 2010, the baseline includes mandatory budget authority for Pell Grants equal to the amounts that are necessary to fully fund a maximum Pell Grant award of $5,550. Currently, the costs for the first $4,860 of the Pell Grant award would be classified as discretionary because the FY 2010 appropriation Act for the Department of Education sets and funds the maximum award at this level, while the College Cost Reduction and Access Act (CCRAA) increases the 2010 award to $5,550. The resulting outlays are also classified as mandatory. In 2011 and future years, the baseline includes mandatory budget authority equal to the amount needed to fund the Pell Grant at $4,860, plus an add-on funded by the CCRAA. This is consistent with the treatment of the Federal Pell Grant program in the Administration's PAYGO legislation. The policy estimates reflect the baseline costs described above plus the expansion in benefits that is proposed by the Administration; the Administration proposes that the maximum award grows in each year after FY 2010 by the CPI plus one percentage point. The amounts for FY 2012 are also shown as mandatory, for comparability.

The reclassification simply makes it easier to understand the budgetary impact of the policy of increasing the maximum award and the costs associated with that increase.

Adjustments to reflect current policies.—In recent years, Congress has repeatedly extended provisions of law that have a large deficit impact or signaled its intention that a provision be extended when it enacted it for a limited number of years. The Administration's baseline assumes extension of these policies to represent the policies previously in place: continuing the 2001 and 2003 tax cuts, extending and indexing for inflation the 2009 parameters of the Alternative Minimum Tax, and accounting for additional expected Medicare physician payments.

Disaster and Other "Emergency" Costs.—Because the BEA baseline extends all appropriations already enacted for the year in progress, it can be subject to huge swings as a result of funding enacted as an emergency or supplemental requirement. At times, the BEA baseline extends large one-time emergency appropriations out for the next 10 years; at other times it extends very little. The current policy baseline includes adjustments to account for these swings. Specifically, the Administration's baseline projection of current policies includes an allowance for "disaster costs." This entry reflects the fact that major natural or man-made disasters are likely to occur at some point during the remainder of 2010 and in subsequent years—major earthquakes, hurricanes, catastrophic floods, infrastructure collapses, and so on. Obviously, both the timing and amounts are unknowable in advance. In addition to the inclusion of this entry in the baseline, the Administration includes the same allowance in its Budget.

The baseline and budget figures are not a "reserve fund," nor are they a request for discretionary budget authority or congressional legislation of any kind. [1] Instead, they are placeholders that represent at least a down payment on potential future emergency needs. Consequently, the placeholder for major disaster costs is not included in the request for $1,320 billion in discretionary budgetary resources for FY 2011. In addition, the 2011 request includes amounts that can be reasonably budgeted to cover the ongoing and inevitable costs of programs that fund natural disasters.

Including a down payment for the costs of potential major disasters makes the budget totals more honest and realistic. Baselines likewise would be more meaningful if they did *not* project forward whatever disaster costs happen to have occurred in the current year. Rather, baselines should replace the projection of actual current-year costs—which might be unusually low or unusually high—with plausible estimates of future costs. That is, baselines should remove any projection of non-recurring or one-time emergency disaster costs, consistent with the inclusion of an allowance for such costs. In the 2010 appropriations bills, Congress did not need to enact any non-recurring, emergency disaster funding, but that is no reason to believe the nation would be as fortunate in future years.

Pay raises.—The baseline projection of current policy modifies the BEA baseline growth rates to remove an erroneous overstatement of the cost of the annual pay raise for Federal employees. The BEA baseline rules presume that Federal pay raises take effect on October 1, at the start of each fiscal year, when in fact, the effective date for pay raises is now permanently set by law as the first pay period in January. This causes the BEA baseline to overstate the cost of providing a constant level of services.

[1] If a major disaster occurs, Federal assistance is likely to be granted in the form of discretionary appropriations, automatic and legislated increases in mandatory programs, and in some cases tax relief. The summary tables show the allowance for disaster costs within the outlay totals for convenience.

FEDERAL RECEIPTS

14. GOVERNMENTAL RECEIPTS

After years of tax policies that have disproportionately benefited high-income Americans and corporations, the country has been left with a tax code that is unbalanced and insufficient to meet national needs. The Administration's agenda represents a change in course, providing tax relief to working American families while asking corporations and high-income families making more than $250,000 to pay more after the economy recovers from the effects of the recent recession.

Within a month of taking office, the Administration took action to jumpstart the economy and provide immediate tax relief to 95 percent of working American families. The Department of the Treasury estimates that as of the end of December 2009, tax reductions (including refundable tax credits) provided in the American Recovery and Reinvestment Act (ARRA) total $99 billion.[1]

The Budget proposes to continue tax relief to middle class families by, for instance, expanding the tax credit for those with dependent care expenses and increasing educational opportunity. It does this while rebalancing the tax code by allowing the top ordinary income tax rates to return to what they were during most of the 1990s for families making more than $250,000 and eliminating subsidies and loopholes that benefit only narrow and often well-funded interest groups, such as oil companies. Further, the Budget will impose a fee on the largest financial institutions to offset the costs of the Troubled Asset Relief Program (TARP) and ensure that support provided to the financial sector through TARP does not add to the national debt. The Budget will also reform the international tax laws by reducing incentives for U.S.-based multinational corporations to invest abroad rather than in the United States and propose enforcement measures that will cut into the gap between what is owed under the tax law and what is paid.

ESTIMATES OF GOVERNMENTAL RECEIPTS

Governmental receipts (on-budget and off-budget) are taxes and other collections from the public that result from the exercise of the Federal Government's sovereign or governmental powers. The difference between governmental receipts and outlays is the surplus or deficit.

The Federal Government also collects income from the public from market-oriented activities. Collections from these activities, which are subtracted from gross outlays, rather than added to taxes and other governmental re-

[1] The tax reduction estimates are based on the Department of the Treasury Office of Tax Analysis (OTA) tax simulation model for the effect of the ARRA tax provisions. The OTA will not have comprehensive data on the 2009 tax filings until later in 2010.

Table 14–1. GOVERNMENTAL RECEIPTS BY SOURCE—SUMMARY

(In billions of dollars)

	2009 Actual	Estimate 2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Individual income taxes	915.3	935.8	1,121.3	1,326.0	1,468.4	1,603.9	1,733.5	1,856.3	1,980.1	2,101.8	2,222.7	2,338.3
Corporation income taxes	138.2	156.7	296.9	366.4	393.5	444.8	411.1	449.3	462.6	472.9	485.5	502.1
Social insurance and retirement receipts	890.9	875.8	935.1	1,004.9	1,070.2	1,132.2	1,194.6	1,266.9	1,321.3	1,378.8	1,435.8	1,488.8
(On-budget)	(236.9)	(240.6)	(261.0)	(284.4)	(304.5)	(323.2)	(338.7)	(355.5)	(366.9)	(379.3)	(391.7)	(404.7)
(Off-budget)	(654.0)	(635.2)	(674.1)	(720.5)	(765.7)	(809.0)	(855.9)	(911.4)	(954.4)	(999.6)	(1,044.1)	(1,084.1)
Excise taxes	62.5	73.2	74.3	81.1	85.0	86.5	87.8	89.1	90.0	90.5	91.0	91.8
Estate and gift taxes	23.5	17.0	25.0	22.5	23.6	25.6	27.6	29.8	32.1	34.6	37.2	39.9
Customs duties	22.5	23.8	27.4	31.8	34.8	36.9	39.3	41.8	44.1	46.5	49.3	52.0
Miscellaneous receipts	52.1	94.8	96.1	84.2	76.7	70.1	65.7	68.0	70.7	73.2	75.6	77.8
Health insurance reform	....	....	16.0	17.5	39.0	57.5	74.0	86.0	93.0	101.0	109.5	119.0
Jobs initiatives	....	-12.0	-25.0	-8.0	-3.0	-2.0	....	....	....	....	....	....
Total receipts	**2,105.0**	**2,165.1**	**2,567.2**	**2,926.4**	**3,188.1**	**3,455.5**	**3,633.7**	**3,887.2**	**4,094.0**	**4,299.3**	**4,506.5**	**4,709.8**
(On-budget)	(1,451.0)	(1,529.9)	(1,893.1)	(2,205.9)	(2,422.4)	(2,646.4)	(2,777.7)	(2,975.8)	(3,139.6)	(3,299.7)	(3,462.4)	(3,625.7)
(Off-budget)	(654.0)	(635.2)	(674.1)	(720.5)	(765.7)	(809.0)	(855.9)	(911.4)	(954.4)	(999.6)	(1,044.1)	(1,084.1)
Total receipts as a percentage of GDP	14.8	14.8	16.8	18.1	18.6	19.0	18.9	19.3	19.4	19.5	19.5	19.6

ceipts, are discussed in Chapter 15, "Offsetting Collections and Offsetting Receipts," in this volume.

Total governmental receipts (hereafter referred to as "receipts") are estimated to be $2,165.1 billion in 2010, an increase of $60.1 billion or 2.9 percent from 2009. The estimated increase in 2010 is partly attributable to the growth in personal income and corporate profits as the economy begins to recover from the recession. These sources of income affect payroll taxes and individual and corporation income taxes, the three largest sources of receipts. Increases in deposits of earnings by the Federal Reserve System, which are classified as miscellaneous receipts, also contribute to the growth in 2010 receipts relative to 2009. Overall, receipts in 2010 are estimated to be 14.8 percent of Gross Domestic Product (GDP), the same as in 2009 (the lowest share since 1950, when receipts were 14.4 percent of GDP).

As the economy continues to recover from the recession, receipts are estimated to rise to $2,567.2 billion in 2011, an increase of $402.1 billion or 18.6 percent relative to 2010. Receipts are projected to grow at an average annual rate of 9.1 percent between 2011 and 2015, rising to $3,633.7 billion. Receipts are projected to rise to $4,709.8 billion in 2020, growing at an average annual rate of 5.3 percent between 2015 and 2020. This growth is largely due to assumed increases in incomes resulting from both real economic growth and inflation. The Administration's proposals to restore balance to the tax code, to close loopholes, and to eliminate subsidies to special interests contribute to the growth in receipts, beginning in 2011.

As a share of GDP, receipts are projected to increase from 14.8 percent in 2010 to 16.8 percent in 2011, and to rise to 19.6 percent in 2020. However, as a share of GDP, receipts would still be lower than in 2000, when the receipts share of GDP reached 20.6 percent.

LEGISLATION ENACTED IN 2009 THAT AFFECTS GOVERNMENTAL RECEIPTS

In one of his first official acts, President Obama signed into law the reauthorization of the Children's Health Insurance Program (CHIP) on February 4, 2009. This Act provided the support, options and incentives for States to provide coverage for an additional four million children on average in CHIP and Medicaid who were previously uninsured. Shortly thereafter, on February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009, an ambitious effort to stimulate the economy. The provisions of this Act have provided a direct fiscal boost to help lift the Nation from the most significant economic crisis since the Great Depression and have laid the foundation for further economic growth. The Worker, Homeownership, and Business Assistance Act of 2009, which was signed into law by President Obama on November 6, 2009, built on the successes of ARRA by helping to spur job creation and providing much needed support for workers who are struggling to find jobs. Other legislation signed by President Obama since taking office in January 2009 extended the authority to collect taxes that fund the Airport and Airway Trust Fund, extended the ban on imports from Burma, and extended several tax provisions that were scheduled to expire on December 31, 2009.

The major provisions of these Acts that affect receipts are described below. [2]

CHILDREN'S HEALTH INSURANCE PROGRAM REAUTHORIZATION ACT OF 2009

Increase excise tax rates on tobacco products and make administrative improvements.—Tobacco products (cigars, cigarettes, cigarette papers and tubes, snuff, chewing tobacco, pipe tobacco and roll-your-own tobacco) manufactured in the United States or imported into the United States are subject to Federal excise taxes. This Act increased the Federal excise tax on cigarettes, which was 39 cents per pack under prior law, to $1.01 per pack; excise taxes on other tobacco products were increased in a generally proportionate manner. The definition of "roll-your-own tobacco" was expanded to include any tobacco used for making cigars, or for use as wrappers for making cigars. In addition, a tax was imposed on floor stocks of tobacco products (other than certain cigars and cigarette papers and tubes), reduced by a $500 tax credit. These changes in tobacco excise taxes were effective for articles removed from the factory or released from customs custody after March 31, 2009.

Strengthen regulatory and enforcement authority.—This Act also strengthened regulatory and enforcement authority over the production and importation of tobacco by: (1) subjecting manufacturers and importers of "processed tobacco" to current law permit, inventory, reporting, and recordkeeping requirements; (2) broadening the authority of the Department of the Treasury to deny, suspend, and revoke tobacco permits for holders that fail to comply with the tax code and related regulations; (3) clarifying that the three-year statute of limitations for assessment of taxes applies to taxes on imported alcohol, tobacco products, and cigarette papers and tubes; (4) imposing a tax on the unlawful manufacture of tobacco products and cigarette papers and tubes; and (5) making certain tax return information related to civil actions against tobacco companies available to the Department of Justice. These changes generally were effective on February 4, 2009.

Modify the timing of estimated tax payments by corporations.—Corporations generally are required to pay their income tax liability in quarterly estimated payments. For corporations that keep their accounts on a

[2] In the discussions of enacted legislation, years referred to are calendar years, unless otherwise noted.

calendar year basis, these payments are due on or before April 15, June 15, September 15 and December 15. If these dates fall on a holiday or weekend, payment is due on the next business day. This Act increased the estimated tax payments due in July through September of 2013 by corporations with assets of at least $1 billion from 120 percent of the amount otherwise due to 120.5 percent of the amount otherwise due. For corporations affected by this provision, the next required estimated tax payment is reduced accordingly.

AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009

Tax Relief for Individuals and Families

Increase and extend the alternative minimum tax (AMT) exemption amounts.—A temporary provision of prior law increased the AMT exemption amounts to $46,200 for single taxpayers, $69,950 for married taxpayers filing a joint return and surviving spouses, and $34,975 for married taxpayers filing a separate return and for estates and trusts. These temporary increases were effective for taxable years beginning after December 31, 2007, and before January 1, 2009. This Act increased the AMT exemption amounts, effective for taxable years beginning after December 31, 2008, and before January 1, 2010, to $46,700 for single taxpayers, $70,950 for married taxpayers filing a joint return and surviving spouses, and $35,475 for married taxpayers filing a separate return and for estates and trusts.

Extend AMT relief for nonrefundable personal credits.—Under a temporary provision of prior law, taxpayers were permitted to offset both the regular tax and the AMT with nonrefundable personal tax credits, effective for taxable years beginning before January 1, 2009. This Act extended minimum tax relief for nonrefundable personal tax credits for one year, to apply to taxable years beginning before January 1, 2010. The extension does not apply to the child credit, the saver's credit, the earned income tax credit (EITC), or the adoption credit, which were provided AMT relief through December 31, 2010, under the 2001 tax cut. The refundable portion of the child credit and the earned income tax credit are also allowed against the AMT through December 31, 2010. In addition, the extension does not apply to the residential energy efficient property credit or the new qualified plug-in electric drive motor vehicle credit, both of which are allowed against the AMT under prior law.

Provide making work pay tax credit.—A refundable tax credit equal to 6.2 percent of earned income, up to a maximum of $400 for working single taxpayers and $800 for working married taxpayers filing a joint return, was provided under this Act for taxable years 2009 and 2010. The credit is phased out at a rate of 2 percent for taxpayers with modified adjusted gross income (AGI) in excess of $75,000 ($150,000 for married taxpayers filing a joint return). Payments are made to each possession of the United States with a mirror tax system (U.S. Virgin Islands, Guam, and the Commonwealth of the Northern Mariana Islands) in an amount equal to the loss in receipts to that possession attributable to the credit provided in this Act. Payments are made to each possession that does not have a mirror tax system (Puerto Rico and American Samoa) in an amount estimated by the Department of the Treasury as being equal to the aggregate credits that would have been allowed to residents of that possession if a mirror tax system had been in effect.

Increase the EITC.—The EITC generally equals a specified percentage of earned income, up to a maximum dollar amount, that is reduced by the product of a specified phase-out rate and the amount of earned income or AGI, if greater, in excess of a specified income threshold. Three separate credit schedules apply, depending on whether the eligible taxpayer has no, one, or more than one qualifying child. Under prior law, for taxable year 2009, taxpayers with more than one qualifying child were provided a credit of 40 percent on up to $12,570 in earnings, for a maximum credit of $5,028. The credit was reduced at the rate of 21.06 percent of earnings in excess of $16,420 for single taxpayers ($19,540 for married taxpayers filing a joint return). Effective for taxable years 2009 and 2010, this Act increased the credit percentage for families with three or more qualifying children to 45 percent, thereby creating a fourth credit schedule with a maximum credit of $5,657. This Act also provided marriage penalty relief to married couples filing a joint return (regardless of the number of qualifying children) by increasing the income thresholds for the phaseout of the EITC to $5,000 above the income thresholds for the phaseout for other taxpayers for 2009, and indexed this amount for 2010.

Increase refundable portion of the child tax credit.—Taxpayers are allowed a nonrefundable tax credit of up to $1,000 for each qualifying child under the age of 17. The credit is reduced by $50 for each $1,000 (or fraction thereof) of modified AGI over $75,000 for single taxpayers ($110,000 for married taxpayers filing a joint return). If the credit exceeds the taxpayer's individual income tax liability, the taxpayer is eligible for a refundable credit (the additional child credit) equal to the lesser of: (1) 15 percent of earned income in excess of a threshold dollar amount ($12,550 for 2009), indexed annually for inflation; or (2) any child credit unclaimed due to insufficient tax liability. Taxpayers with three or more qualifying children may determine the additional child credit using an alternative formula if this results in a larger credit. Under this Act, effective for taxable years 2009 and 2010, the refundable tax credit was increased by reducing the threshold dollar amount to $3,000.

Provide American opportunity tax credit.—Taxpayers are allowed a nonrefundable tax credit of up to $1,800 (for 2009) per eligible student per year for qualified tuition and related expenses paid for the first two years of the student's post-secondary education in a degree or certificate program. Students must attend at least half time to be eligible for the credit. This credit, called the Hope Scholarship Credit, is equal to 100 percent of the first $1,200 in qualified tuition and related expenses and 50 percent of the next $1,200 of qualified tuition and related expenses for 2009; these amounts are indexed annually for inflation and rounded down to the next lowest multiple of $100. The credit is phased out ratably for single taxpayers with modified AGI between $50,000 and $60,000 ($100,000 and $120,000 for married taxpayers filing a joint return) for 2009. The income thresholds for these phase-out ranges are indexed annually for inflation, with the amount rounded down to the next lowest multiple of $1,000.

ARRA created the American opportunity tax credit to replace the Hope Scholarship Credit for taxable years 2009 and 2010. The new tax credit is partially refundable, has a higher maximum credit amount, is available for the first four years of postsecondary education, and has higher phase-out limits. The American opportunity tax credit provides taxpayers a credit of up to $2,500 per eligible student per year for qualified tuition and related expenses (expanded to include course materials) paid for each of the first four years of the student's post-secondary education in a degree or certificate program. The credit is equal to 100 percent of the first $2,000 in qualified tuition and related expenses, and 25 percent of the next $2,000 of qualified tuition and related expenses. In addition, generally 40 percent of the otherwise allowable credit is refundable. The credit is phased out ratably for single taxpayers with modified AGI between $80,000 and $90,000 ($160,000 and $180,000 for married taxpayers filing a joint return).

Extend and modify the refundable tax credit for first-time homebuyers.—A temporary provision of prior law provided a refundable tax credit to first-time homebuyers who purchased a home after April 8, 2008, and before July 1, 2009, without regard to whether or not there was a binding contract to purchase prior to April 9, 2008. A first-time homebuyer is an individual who had no ownership interest in a principal residence in the United States during the three-year period prior to the purchase of the home to which the credit applies. The credit, which is equal to 10 percent of the purchase price of the home, up to a maximum credit of $7,500, is phased out for taxpayers with modified AGI between $75,000 and $95,000 ($150,000 and $170,000 for married taxpayers filing a joint return). Taxpayers receiving the credit must repay the amount received in equal installments over a 15-year period beginning two years after the purchase of the home. This Act extended the credit to apply to qualifying home purchases before December 1, 2009, waived the recapture of the credit for qualifying home purchases after December 31, 2008, and before December 1, 2009, and increased the maximum credit to $8,000.[3]

[3] The Worker, Homeownership and Business Assistance Act of 2009 extended the deadline to May 1, 2010, for a binding contract and made some other modifications.

Exclude a portion of unemployment compensation from taxation.—Unemployment compensation received under the laws of the United States or a State is subject to individual income tax under current law. Under this Act, for taxable year 2009, a taxpayer may exclude up to $2,400 of such compensation from gross income for Federal individual income tax purposes.

Provide an additional deduction for taxes on the purchase of certain motor vehicles.—Taxpayers who itemize deductions are allowed to elect to deduct State and local general sales taxes in lieu of State and local income taxes. If a taxpayer itemizes deductions and elects to deduct State and local general sales taxes, the taxpayer may substantiate the sales taxes paid with receipts or may deduct an amount determined from Internal Revenue Service (IRS) tables plus the amount of general State and local sales taxes paid on the purchase of a motor vehicle, boat or certain other items. Taxpayers who claim the standard deduction or who itemize deductions and deduct State and local income taxes are not allowed to deduct State and local taxes paid on the purchase of a motor vehicle. Under this Act, taxpayers who claim the standard deduction or itemize deductions, but elect to deduct State and local income taxes, instead of general sales taxes, are also allowed to deduct State and local sales or excise taxes paid or accrued on the purchase of a qualified motor vehicle after February 16, 2009, and before January 1, 2010. A qualified motor vehicle is a passenger automobile, light truck or motorcycle that has a gross vehicle weight rating of not more than 8,500 pounds, or a motor home acquired for use by the taxpayer, the original use of which commences with the taxpayer. The deduction is limited to the tax on up to $49,500 of the purchase price and is phased out for single taxpayers with modified AGI over $125,000 ($250,000 for married taxpayers filing a joint return).

Provide assistance for COBRA continuation coverage.—Certain group health plans are required to offer qualified beneficiaries the opportunity to continue to participate in the group health plan for a specified period of time after the occurrence of certain events that otherwise would have terminated such participation. Qualified beneficiaries may be required to pay a premium for continuation coverage. The continuation coverage rules, which were enacted in the Consolidated Omnibus Budget Reconciliation Act of 1985, are often referred to as "COBRA." Under ARRA, qualified beneficiaries electing COBRA continuation coverage as a result of an involuntary termination occurring on or after September 1, 2008, and before January 1, 2010, are provided a premium subsidy for up to nine months of COBRA continuation coverage.[4] The subsidy is 65 percent of the premium for a period of coverage; the qualified beneficiary electing COBRA continuation coverage is responsible for the remaining 35 percent. Single taxpayers with modified AGI in excess

[4] The Department of Defense Appropriations Act, FY 2010, extended premium assistance coverage to qualified individuals who are involuntarily terminated between January 1, 2010, and February 28, 2010, and extended the duration of the subsidy from nine months to fifteen months.

of $145,000 ($290,000 for married taxpayers filing a joint return) do not qualify for the subsidy. A special sixty-day election period is provided to individuals who did not have a COBRA election in effect as of February 17, 2009, but would otherwise be eligible for the premium subsidy. The entity to which premiums are payable is reimbursed by the amount of the premium for COBRA continuation coverage that is not paid on account of the premium subsidy. These entities treat the reimbursement as a credit against the employee income tax withholding and the employee and employer social security tax liability otherwise deposited in the Treasury. To the extent that the amount of the reimbursement exceeds the amount of the entity's liability for these taxes, the entity is reimbursed directly by the Treasury. Transfers of social security tax liability to the social security trust funds are not affected by the credits.

Tax Incentives for Business

Extend temporary bonus depreciation for certain property.—Taxpayers are allowed to recover the cost of certain property used in a trade or business or for the production of income through annual depreciation deductions. The amount of the allowable depreciation deduction for a taxable year is generally determined under the modified accelerated cost recovery system (MACRS), which assigns applicable recovery periods and depreciation methods to different types of property. Under temporary provisions of prior laws, an additional first-year depreciation deduction equal to 50 percent of the adjusted basis of the property was provided for qualifying property acquired and placed in service after December 31, 2007, and before January 1, 2009. Qualifying property included tangible property that had a recovery period not exceeding 20 years, purchased computer software, water utility property and qualified leasehold improvement property. A one-year extension of the placed-in-service date, through calendar year 2009, was provided for certain longer-lived property and certain transportation property. Corporations otherwise eligible for additional first-year depreciation were allowed to elect to claim additional research or AMT tax credits in lieu of the additional first-year depreciation deduction for qualified property placed in service after March 31, 2008, and before January 1, 2009. This Act extended the additional first-year depreciation deduction for one year, to apply to qualifying property acquired after calendar year 2007 and before calendar year 2010, and placed in service in calendar year 2009 (through 2010 for certain longer-lived and transportation property). The election to claim additional research or AMT tax credits in lieu of the additional first-year depreciation was also extended for one year.

Extend temporary increase in expensing for small business.—Under a temporary provision expiring in 2011, business taxpayers were allowed to expense up to $125,000 in annual investment expenditures for qualifying property (including off-the-shelf computer software) placed in service in taxable years beginning in 2007. The maximum amount that could be expensed was reduced by the amount by which the taxpayer's cost of qualifying property exceeded $500,000. Both the deduction and annual investment limits were indexed annually for inflation, effective for taxable years beginning after 2007 and before 2011. Another temporary provision of prior law increased the expensing and annual investment limits to $250,000 and $800,000, respectively, effective for taxable years beginning in 2008. This Act extended the $250,000 deduction and $800,000 annual investment limits for one year, through taxable years beginning in 2009.

Allow five-year carryback of net operating losses (NOLs).—In general, an NOL may be carried back two years and carried forward twenty years to offset taxable income in such years. However, different rules apply with respect to NOLs arising in certain circumstances. This Act provided eligible small businesses (businesses meeting a $15 million gross receipts test) the election to increase the carryback period for applicable NOLs from two years to any whole number of years elected by the taxpayer that is more than two and less than six. An applicable NOL is the taxpayer's NOL for any taxable year ending in 2008, or, if elected by the taxpayer, the NOL for any taxable year beginning in 2008. However, any election may be made only with respect to one taxable year.

Clarify and modify regulations related to limitations on certain built-in losses following an ownership change.—The extent to which a "loss corporation" may offset taxable income in taxable years after an "ownership change" by net operating losses, certain built-in losses, and deductions attributable to taxable years prior to the ownership change is limited under current law. This Act repealed prospectively a notice issued by the Department of the Treasury in 2008 that liberalized these rules with respect to an ownership change by a bank. This Act also provided an exception from the application of the limitation in the case of an ownership change that occurs after February 17, 2009, pursuant to a restructuring plan required under a loan agreement or commitment for a line of credit entered into with the Department of the Treasury under the Emergency Economic Stabilization Act of 2008.

Allow deferral of certain income from the discharge of indebtedness.—Gross income generally includes income realized by a debtor from the discharge of indebtedness, subject to certain exceptions. In cases involving discharges of indebtedness that are excluded from gross income under the exceptions to the general rule, taxpayers generally are required to reduce certain tax attributes by the amount of the discharge of indebtedness. The amount of discharge of indebtedness generally equals the excess of the adjusted issue price of the indebtedness being satisfied over the amount paid (or deemed paid) to satisfy such indebtedness. This rule generally applies to: (1) the acquisition by the debtor of its debt instrument in exchange for cash; (2) the issuance of a debt instrument by the debtor in satisfaction of its indebtedness, including a modification of indebtedness that is treated as an exchange (a debt-for-debt exchange); (3) the transfer by a debtor corporation of stock, or a debtor partnership of a capital or profits interest in such partnership, in satisfaction of its indebtedness (an equity-for-debt exchange); and (4) the acquisition by a debtor corporation of its indebtedness from a shareholder as a contribution to capital. This Act allowed a taxpayer to elect to defer the recognition of income from the cancellation of indebtedness associated with the "reacquisition" of "an applicable debt instrument" after December 31, 2008, and before January 1, 2011. Income deferred pursuant to the election must be included in the gross income of the taxpayer ratably in the five taxable years beginning with: (1) the fifth taxable year following the taxable year in which the repurchase occurs, for repurchases in 2009; and (2) the fourth taxable year following the taxable year in which the repurchase occurs, for repurchases in 2010. Additionally, the debtor's original issue discount deductions are delayed to prevent a mismatch in timing between income recognition and deductions.

Suspend applicable high-yield debt obligation rules.—The applicable high-yield debt obligation (AHYDO) rules defer or deny interest deductions on certain debt instruments. This Act generally suspended the application of the AHYDO rules for any debt instrument issued during the period beginning on September 1, 2008, and ending on December 31, 2009, in exchange (including an exchange resulting from a modification of the debt instrument) for an obligation that is not an AHYDO. This Act also provided the Department of the Treasury with the authority to extend the suspension or provide other types of relief from the AHYDO rules.

Reduce capital gains taxation on small businesses.—Current law provides a 50-percent exclusion (60-percent exclusion for certain empowerment zones) from tax for capital gains realized on the sale of certain small business stock held for more than five years. The amount of gain eligible for the exclusion is limited to the greater of $10 million or ten times the taxpayer's basis in the stock. The exclusion is limited to investments of individuals and not the investments of a corporation. This Act increased the exclusion to 75 percent, effective for stock issued after February 17, 2009, and before January 1, 2011.

Modify other provisions regarding the taxation of businesses.—Other provisions in this Act affecting businesses: (1) modified the amount of estimated tax payments by small businesses for any taxable year beginning in 2009; (2) temporarily expanded the targeted groups eligible for the work opportunity tax credit to include unemployed veterans and disconnected youth who begin work in taxable years 2009 and 2010; (3) provided a temporary exemption from tax on built-in gains of S corporations recognized during taxable years 2009 and 2010 if the seventh taxable year of the recognition period preceded such taxable year; and (4) temporarily liberalized the eligibility requirements for tax-exempt small issue bonds for manufacturing facilities issued after February 17, 2009, and before January 1, 2011, to include certain high-technology facilities and certain functionally related and subordinate facilities.

Relief for State and Local Governments

Modify tax-exempt interest expense allocation rules for financial institutions.—Under current law, a deduction generally is not allowed for interest expenses incurred by a financial institution to purchase obligations the interest on which is exempt from tax. The amount of interest disallowed is an amount that bears the same ratio to such interest expense as the taxpayer's average adjusted bases of tax-exempt obligations acquired after August 7, 1986, bears to the average adjusted bases for all assets of the taxpayer. This rule does not apply to "qualified tax-exempt obligations;" instead, as is described below, only 20 percent of the interest expense allocable to "qualified tax-exempt obligations" is disallowed. A "qualified tax-exempt obligation" is a tax-exempt obligation that: (1) is issued after August 7, 1986, by a qualified small issuer (one that reasonably anticipates that the amount of tax-exempt obligations that it will issue during the year will be $10 million or less); (2) is not a private activity bond; and (3) is designated by the issuer as qualifying for the exception from the general rule. The amount allowable as a deduction with respect to any financial institution preference item is reduced by 20 percent. Financial institution preference items include interest on debt to carry tax-exempt obligations acquired after December 31, 1982, and before August 8, 1986; because qualified tax-exempt obligations are treated as if they were acquired on August 7, 1986, under current law, the amount allowable as a deduction by a financial institution with respect to interest incurred to carry a qualified tax-exempt obligation is reduced by 20 percent. Effective for tax-exempt obligations issued after December 31, 2008, and before January 1, 2011, and held by a financial institution, this Act provided that: (1) such obligations held in an amount not to exceed 2 percent of the adjusted basis of the financial institution's assets would not be taken into account for purposes of determining the portion of the financial institution's interest expenses subject to the pro rata interest disallowance rule; (2) such obligations would be treated as preference items, thereby reducing the amount allowable as a deduction with respect to interest incurred to carry such obligations by 20 percent; and (3) the annual limit for qualified small issuers would be increased from $10 million to $30 million.

Authorize the issuance of qualified school construction bonds.—This Act created a new category of taxable tax credit bonds, called qualified school construction bonds, which provide a Federal subsidy through tax credits to investors in an amount equal to 100 percent of the interest on eligible bonds. All of the proceeds from the issuance of such bonds must be used for the construction, rehabilitation, or repair of a public school facility or for the acquisition of land on which such a bond-financed facility is to be constructed. Up to $11 billion in qualified school construction bonds may be issued in each year, 2009 and 2010.

Extend and expand the issuance of qualified zone academy bonds.—Under prior law, State and local governments were allowed to issue taxable tax credit bonds, called qualified zone academy bonds, which provided a Federal subsidy through tax credits to investors in an amount equal to 100 percent of the interest on the bonds. This authorization was for $400 million in each calendar year, 1998 through 2009. At least 95 percent of the proceeds of such bonds were required to be used for teacher and other personnel training, purchases of equipment, curriculum development, or renovations and repairs at a qualified zone academy. This Act provided that an additional $1.4 billion in qualified zone academy bonds could be issued in each of calendar year 2009 and 2010.

Authorize the issuance of build America bonds.—This Act allowed State and local governments to issue two types of taxable tax credit bonds in 2009 and 2010, called build America bonds, with Federal subsidies for a portion of the borrowing costs. One type of build America bond provides a Federal tax credit to investors equal to 35 percent of the interest payable by the issuer of the bond (net of the tax credit), which represents a Federal subsidy of approximately 25 percent of the total borrowing cost. This type of build America bond may be issued for any purpose for which governmental tax-exempt bonds (excluding private activity bonds) can be issued under current law. The credit, which is included in gross income, is allowed against the regular tax and the AMT. Unused credits may be carried forward to succeeding taxable years. A second type of build America bond provides a refundable credit or direct payment from the Department of the Treasury to eligible State or local government issuers equal to 35 percent of the total interest payable to investors on eligible taxable bonds. This second type of build America bond may be used to finance only capital expenditures.

Authorize the issuance of recovery zone economic development bonds and recovery zone facility bonds.—This Act allowed State and local governments to issue recovery zone economic development bonds and recovery zone facility bonds, which are two new types of tax-preferred bonds. Recovery zone economic development bonds are a modified type of taxable build America bond that are eligible for a deeper Federal subsidy in the form of a refundable credit or direct payment to State and local government issuers in an amount equal to 45 percent of the interest payable on the bond. Recovery zone facility bonds are a modified type of tax-exempt private activity bond. Nationwide, up to $10 billion of recovery zone economic development bonds and up to $15 billion of recovery zone facility bonds may be issued in 2009 and 2010. This total authorization is allocated among States and localities based on relative declines in employment. The proceeds of recovery zone economic development bonds must be used for purposes of promoting development or other economic activity in a recovery zone, including capital expenditures paid or incurred with respect to property located in such zones and expenditures for public infrastructure and construction of public facilities located in such zones. At least 95 percent of the proceeds of recovery zone facility bonds must be used for specific types of recovery zone property. Areas designated by the issuer as recovery zones must have significant poverty, unemployment, general distress, or home foreclosures; be any area for which a designation as an empowerment zone or renewal community is in effect; or be economically distressed by reason of the closure or realignment of a military installation pursuant to the Defense Base Closure and Realignment Act of 1990.

Modify the new markets tax credit.—The new markets tax credit is provided for qualified equity investments made to acquire stock in a corporation or a capital interest in a partnership that is a qualified community development entity. A credit of 5 percent is provided to the investor for the first three years of investment. The credit increases to 6 percent for the next four years. Under prior law, the maximum amount of annual qualifying equity investment is capped at $2.0 billion for calendar years 2004 and 2005, and $3.5 billion for calendar years 2006 through 2009. This Act increased the cap on annual qualifying investment to $5 billion for 2008 and 2009.

Provide other relief for State and local governments.—This Act also: (1) provided that tax-exempt interest on certain private activity bonds issued in 2009 and 2010 is not an item of tax preference for purposes of the AMT; (2) modified the speed requirement for high-speed intercity rail facility bonds; (3) allowed Indian tribal governments to issue $2 billion in tribal economic development bonds; (4) provided procedures for the pass-through of credits on tax credit bonds held by regulated investment companies; and (5) delayed for one year the withholding of tax on certain payments to government contractors.

Energy Incentives

Extend the tax credit for energy produced from certain renewable sources.—Taxpayers are allowed a tax credit for electricity produced from wind, closed-loop biomass, open-loop biomass, geothermal energy, solar energy, small irrigation power, municipal solid waste, qualified hydropower, and marine and hydrokinetic renewable energy at qualified facilities (the renewable electricity production credit). The credit rate is 1.5 cents per kilowatt hour for electricity produced from wind, closed-loop biomass, geothermal, and solar power, and 0.75 cents per kilowatt hour for electricity produced from open-loop biomass, small irrigation power, municipal solid waste, qualified hydropower, and marine and hydrokinetic renewable energy (both rates are adjusted for inflation since 1992). To qualify for the credit, electricity generally must be produced at qualified facilities placed in service by a specific date and must be sold by the taxpayer to an unrelated person. This Act extended the placed-in-service date for: (1) qualified facilities producing electricity from closed-loop biomass, open-loop biomass, geothermal energy, municipal solid waste, and qualified hydropower for three years through December 31, 2013; (2) qualified wind facilities for three years through December 31, 2012; and (3) qualified marine and hydrokinetic renewable energy facilities for two years through December 31, 2013.

Modify business energy credit.—A nonrefundable tax credit is allowed for certain qualifying energy property placed in service by a taxpayer (the energy credit). Qualifying energy property includes solar energy property, fuel cell power plants, microturbines, geothermal power production property, geothermal heat pump property, small wind energy property and combined heat and power system property. Depending on the type of property placed in service, the credit rate may be 10 or 30 percent of the property's basis, and the credit may be limited by an annual cap. This Act repealed a prior law rule that reduced the basis of property for purposes of the credit computation when the property was financed by subsidized energy financing or with proceeds from private activity bonds. This Act also eliminated the prior law rule limiting the credit with respect to small wind energy property to $4,000 per year.

This Act also allowed taxpayers to elect to treat certain qualified facilities as qualifying energy property eligible for a credit equal to 30 percent of the property's basis. The facilities eligible for this treatment are facilities that would otherwise qualify for the tax credit for electricity produced from wind, closed-loop biomass, open-loop biomass, geothermal energy, small irrigation power, municipal solid waste, qualified hydropower, and marine and hydrokinetic renewable energy. A taxpayer making the election with respect to a facility may not claim the renewable electricity production credit for electricity produced at the facility. This Act also allowed taxpayers to elect to receive a grant from the Department of the Treasury in lieu of the energy credit or the renewable electricity production credit for these facilities and for other qualifying energy property. The election and grants are available for renewable power facilities placed in service in 2009 and 2010 and are also available if construction began during 2009 and 2010 for wind facilities placed in service before 2013 and other renewable power facilities placed in service before 2014. Grants are available for qualifying energy property other than renewable power facilities if the property is placed in service during 2009 or 2010, or if construction began during 2009 or 2010 and the property is placed in service before 2017.

Extend and modify the credit for nonbusiness energy property.—Under prior law, a nonrefundable 10-percent credit was provided for the purchase of qualified energy efficiency improvements (insulation, exterior windows and doors, roofs) to existing homes located in the United States and owned and used by the taxpayer as the taxpayer's principal residence. Specified credits also were provided: (1) $50 for each qualified advanced main air circulating fan; (2) $150 for each qualified natural gas, propane, or oil furnace or hot water boiler; and (3) $300 for each item of qualified energy efficient property (any of the following meeting specified standards: an electric heat pump; an electric heat pump water heater; a central air conditioner; a natural gas, propane, or oil water heater; and biomass fuel property). These credits, which applied to expenditures after December 31, 2008, for property placed in service after December 31, 2008, and before January 1, 2010, were subject to an aggregate lifetime cap of $500 for each taxpayer with respect to a specific dwelling; no more than $200 of the credits could be attributable to expenditures on windows. This Act: (1) increased the credit rate to 30 percent and expanded it to apply to the energy property otherwise eligible for the $50, $150 and $300 credits of prior law; (2) extended the credits for one year, to apply to property purchased and placed in service prior to January 1, 2011; (3) replaced the $500 lifetime cap ($200 for windows) with an aggregate cap of $1,500 for property placed in service during the period 2009 through 2010; (4) modified the efficiency standards for qualifying property; and (5) eliminated the rule that reduced the credit for property purchased with subsidized energy financing.

Modify credits for alternative fuel and plug-in electric drive motor vehicles.—A tax credit (the alternative motor vehicle credit) is provided for each new qualified fuel cell, hybrid, advanced lean burn technology and alternative fuel vehicle placed in service by the taxpayer. The credit varies depending on the weight class of the vehicle, the type of technology used, the amount by which the vehicle exceeds fuel economy standards, and, in some cases, the estimated lifetime fuel savings of the vehicle. The credit is available for vehicles purchased after 2005 and, under prior law, was scheduled to expire after 2009, 2010 or 2014, depending on the type of vehicle. In addition, the credit for hybrid and advanced lean burn technology vehicles phases out with respect to a manufacturer's vehicles after the manufacturer has sold at least 60,000 of those vehicles.

A credit also is available for each qualified plug-in electric drive motor vehicle (a vehicle that has at least four wheels, is manufactured for use on public roads, meets certain emissions standards, draws propulsion using a traction battery with at least four kilowatt-hours of capacity, and is capable of being recharged from an external source of electricity) placed in service. Under prior law, the base amount of the credit for plug-in electric drive motor vehicles was $2,500, plus $417 for each kilowatt-hour of battery capacity in excess of four kilowatt-hours. The maximum credit varied by weight of the vehicle, ranging from $7,500 for a vehicle weighing less than 10,000 pounds to $15,000 for a vehicle weighing more than 26,000 pounds. Under prior law, the credit was scheduled to phase out over the four calendar quarters beginning in the second quarter following the quarter in which a total of 250,000 credit-eligible vehicles were sold for use in the United States; in addition, the credit was not available for purchases after December 31, 2014.

This Act modified the alternative motor vehicle credit by making it a personal credit allowed against the AMT, effective for taxable years beginning after December 31, 2008. This Act also made the following modifications to the plug-in electric drive motor vehicle credit, effective for vehicles acquired after December 31, 2009: (1) the credit was capped at $7,500 per vehicle, regardless of the weight of the vehicle; (2) the credit was eliminated for low-speed vehicles and vehicles weighing 14,000 pounds or more; and (3) the prior law phaseout after the sale of 250,000 credit-eligible vehicles was replaced with separate phaseouts for each manufacturer, with the phaseout for each manufacturer's vehicles beginning after the sale of 200,000 of the manufacturer's credit-eligible vehicles. In addition, this Act provided: (1) a new 10-percent credit capped at $2,500 per vehicle for low-speed vehicles, motorcycles, and three-wheeled vehicles purchased after February 17, 2009, and before January 1, 2012; and (2) a new 10-percent credit capped at $4,000 per vehicle for the cost of converting any motor vehicle into a qualified plug-in electric drive motor vehicle that is placed in service after February 17, 2009, and before January 1, 2012.

Provide a credit for investment in qualified property used in a qualified advanced energy manufacturing project.—This Act provided a 30-percent credit for investment in eligible property used in a qualified advanced energy manufacturing project. A qualified advanced energy manufacturing project re-equips, expands, or establishes a manufacturing facility for the production of: (1) property designed to be used to produce energy from the sun, wind, geothermal deposits, or other renewable resources; (2) fuel cells, microturbines, or an energy storage system for use with electric or hybrid-electric motor vehicles; (3) electric grids to support the transmission of intermittent sources of renewable energy, including the storage of such energy; (4) property designed to capture and sequester carbon dioxide; (5) property designed to refine or blend renewable fuels (excluding fossil fuels) or to produce energy conservation technologies; (6) new qualified plug-in electric drive motor vehicles or components that are designed specifically for use with such vehicles; or (7) other advanced energy property designed to reduce greenhouse gas emissions as may be determined by the Department of the Treasury. Eligible property must be depreciable (or amortizable) property used in a qualified advanced energy project and does not include property designed to manufacture equipment for use in the refining or blending of any transportation fuel other than renewable fuels. The credit is available only for projects certified by the Department of the Treasury (in consultation with the Department of Energy). The total amount of credits certified by the Department of the Treasury may not exceed $2.3 billion. The Department of the Treasury is required to establish a certification program no later than 180 days after February 17, 2009.

Provide other incentives for energy.—This Act also: (1) removed the prior law caps on the credit for the purchase of residential solar hot water, geothermal, and wind property and eliminated the reduction in credits for property using subsidized energy financing; (2) temporarily increased the rate for the credit for alternative fuel vehicle refueling property to 50 percent (except for hydrogen refueling property) and increased the maximum credit per taxable year per location to $50,000 for qualified business property ($200,000 for qualified hydrogen refueling property) and to $2,000 for nonbusiness property; and (3) equalized tax-free transit and parking benefits through 2010, setting both at $230 in 2009.

This Act also authorized the issuance of: (1) an additional $1.6 billion of taxable tax credit bonds, called new clean renewable energy bonds, which are used to finance qualified renewable energy facilities; and (2) an additional $2.4 billion of taxable tax credit bonds, called qualified energy conservation bonds, which are used to finance qualified energy conservation purposes and, as clarified by this Act, may be used to make loans and grants for capital expenditures to implement green community programs. Both types of bonds provide a Federal subsidy through tax credits to investors equal to 70 percent of the interest on the bond.

FEDERAL AVIATION ADMINISTRATION EXTENSION ACT OF 2009

This Act, which was signed into law by President Obama on March 30, 2009, extended the authority to collect taxes that fund the Airport and Airway Trust Fund through September 30, 2009. These taxes had been scheduled to expire after March 31, 2009, under prior law.

A JOINT RESOLUTION APPROVING THE RENEWAL OF IMPORT RESTRICTIONS CONTAINED IN THE BURMESE FREEDOM AND DEMOCRACY ACT OF 2003, AND FOR OTHER PURPOSES

This Act, which was signed into law by President Obama on July 28, 2009, extended for one year, through July 28, 2010, the ban on all imports from Burma, including a ban on imports of certain gemstones originating from Burma and on jewelry containing such gemstones.

Corporations generally are required to pay their income tax liability in quarterly estimated payments. For corporations that keep their accounts on a calendar year basis, these payments are due on or before April 15, June 15, September 15 and December 15. If these dates fall on a holiday or weekend, payment is due on the next business day. This Act repealed all previously enacted adjustments of estimated tax payments due in July through September by corporations with assets of at least $1 billion, applicable to 2010, 2011 and 2013. In addition, estimated tax payments due in July through September by corporations with assets of at least $1 billion were increased to 100.25 percent of the amount otherwise due in 2014. For corporations affected by this provision, the next required estimated tax payment is reduced accordingly.

FISCAL YEAR 2010 FEDERAL AVIATION ADMINISTRATION EXTENSION ACT

This Act, which was signed into law by President Obama on October 1, 2009, extended the authority to collect taxes that fund the Airport and Airway Trust Fund through December 31, 2009. These taxes had been scheduled to expire after September 30, 2009, under prior law.

WORKER, HOMEOWNERSHIP, AND BUSINESS ASSISTANCE ACT OF 2009

Extend and modify the refundable tax credit for first-time homebuyers.—Temporary provisions of ARRA and, before that, the Housing and Economic Recovery Act of 2008, provided a refundable tax credit to first-time homebuyers who purchased a home after April 8, 2008, and before December 1, 2009. A first-time homebuyer is an individual who had no ownership interest in a principal residence in the United States during the three-year period prior to the purchase of the home to which the credit applies. The credit, which is equal to 10 percent of the purchase price of the home, up to a maximum credit of $8,000, is phased out for taxpayers with modified AGI between $75,000 and $95,000 ($150,000 and $170,000 for married taxpayers filing a joint return). This Act extended the credit to apply to qualifying home purchases after November 30, 2009, and before May 1, 2010 (July 1, 2010, provided a binding written contract is entered into before May 1, 2010, to close on the purchase before July 1, 2010). This Act also created a new tax credit, equal to 10 percent of the purchase price of the home, up to a maximum credit of $6,500, for existing homeowners who purchase a subsequent primary residence after October 1, 2009, and before May 1, 2010. An existing homeowner is an individual who has maintained the same principal residence in the United States for any five-consecutive-year period during the eight-year period ending on the date of the purchase of the subsequent principal residence to which the credit applies. Effective for qualifying purchases after October 1, 2009, this Act also: (1) limited the credits to residences with a purchase price less than or equal to $800,000; (2) increased the income threshold for the phaseout of the credits to modified AGI of $125,000 for single taxpayers and $225,000 for married taxpayers filing a joint return; (3) required that in order to qualify for the first-time homebuyer credit the taxpayer and/or the taxpayer's spouse must be at least 18 years of age; (4) required that a properly executed copy of the settlement statement used to complete the purchase be attached to the taxpayer's tax return; and (5) clarified that certain transactions within a family do not qualify for the credit. This Act also provided the IRS with mathematical error authority to reject fraudulent or inappropriately claimed credits prior to refund, effective for tax returns filed for taxable years ending on or after April 9, 2008.

Expand temporary five-year carryback of net operating losses (NOLs).—In general, an NOL may be carried back two years and carried forward twenty years to offset taxable income in such years. However, different rules apply with respect to NOLs arising in certain circumstances. A temporary provision of ARRA provided eligible small businesses (businesses meeting a $15 million gross receipts test) the election to increase the carryback period to any whole number of years elected by the taxpayer that is more than two and less than six, for NOLs for any taxable year beginning or ending in 2008. However, any election may be made only with respect to one year. This Act expanded the temporary provision of ARRA provided to eligible small businesses to apply to any business with an NOL for any taxable year beginning or ending in 2008 or 2009. Any election may be made only with respect to one taxable year; however, any small business that made a timely election under the temporary provision of prior law to carry back its applicable 2008 NOL is also allowed to carry back a 2009 NOL in accordance with the provisions of this Act. This Act also limited the amount of an NOL that may be carried back to the fifth taxable year preceding the loss year to 50 percent of taxable income for such taxable year (except in the case of an applicable 2008 NOL of an eligible small business). The amount of the NOL otherwise carried back to taxable years subsequent to such fifth taxable year is adjusted to take into account the 50-percent limitation. The provision generally does not apply to: (1) the Federal National Mortgage Association; (2) the Federal Home Loan Mortgage Corporation; (3) any taxpayer in which the Federal Government acquired before November 6, 2009, pursuant to the Emergency Economic Stabilization Act of 2008, an equity interest or any warrant (or other right) to acquire an equity interest; or (4) any taxpayer that receives after November 6, 2009, funds from the Federal Government in exchange for an equity interest or any warrant (or other right) to acquire an equity interest pursuant to the Emergency Economic Stabilization Act of 2008, unless the funds are received by a financial institution pursuant to a program to increase the availability of credit to small businesses.

Expand the exclusion from gross income of payments received under the Department of Defense Homeowners Assistance Program (HAP).—Certain employees and members of the Armed forces receive payments from HAP to offset the adverse effects on housing values that result from a military base realignment or closure. Under prior law, payments received under HAP, as in effect on November 11, 2003, generally are excluded from gross income for individual income tax and social security and Medicare payroll tax purposes. The excludable amount is limited to the reduction in the fair market value of the property. The HAP program was expanded under ARRA. This Act expanded the exclusion from gross income to apply to HAP payments made after February 17, 2009, the date of enactment of ARRA.

Delay implementation of the world-wide interest allocation rules.—Subject to various limitations, U.S. taxpayers may credit foreign taxes paid or accrued against U.S. tax on foreign-source income. The American Jobs Creation Act of 2004 made several changes to the foreign tax credit rules, including a modification to the interest expense allocation rules. One provision of that Act permitted taxpayers a one-time election to use an alternative method for allocating their interest expenses between U.S.-source and foreign-source income (“worldwide affiliated group election”), effective for taxable years beginning after December 31, 2008. The Housing and Economic Recovery Act of 2008 delayed the effective date of the election for two years, so that it would apply to taxable years beginning after December 31, 2010, and provided a special phase-in rule for the first year the election is in effect. This Act delayed the effective date of the election for an additional seven years, so that it would apply to taxable years beginning after December 31, 2017, and repealed the special phase-in rule for the first year the election is in effect.

Extend unemployment insurance surtax.—Under prior law, the net Federal unemployment tax on employers was scheduled to drop from 0.8 percent to 0.6 percent with respect to wages paid after December 31, 2009. This Act extended the 0.8 percent rate through June 30, 2011.

Modify the timing of estimated tax payments by corporations.—Corporations generally are required to pay their income tax liability in quarterly estimated payments. For corporations that keep their accounts on a calendar year basis, these payments are due on or before April 15, June 15, September 15 and December 15. If these dates fall on a holiday or weekend, payment is due on the next business day. This Act increased the estimated tax payments due in July through September of 2014 by corporations with assets of at least $1 billion to 133.25 percent of the amount otherwise due. For corporations affected by this provision, the next required estimated tax payment is reduced accordingly.

Increase the penalty for failure to file partnership or S corporation returns.—Under prior law, the penalty for failure to file either a partnership or S corporation return was $89 per partner or shareholder, for each month or fraction of a month that the failure continued, up to a maximum of 12 months. The penalty applied to returns required to be filed for taxable years beginning after December 31, 2008. This Act increased the penalty for failure to file either a partnership or S corporation return to $195 per partner or shareholder, effective for returns required to be filed for taxable years beginning after December 31, 2009.

Expand electronic filing by return preparers.—Effective for tax returns filed after December 31, 2010, “specified tax return preparers” are required to file electronically income tax returns of individuals, estates and trusts. Specified tax return preparers are all return preparers except those who neither prepare nor reasonably expect to prepare ten or more returns in a calendar year.

FISCAL YEAR 2010 FEDERAL AVIATION ADMINISTRATION EXTENSION ACT, PART II

This Act, which was signed into law by President Obama on December 16, 2009, extended the authority to collect taxes that fund the Airport and Airway Trust Fund through March 31, 2010. These taxes had been scheduled to expire after December 31, 2009, under prior law.

DEPARTMENT OF DEFENSE APPROPRIATIONS ACT, FY 2010

This Act, which was signed into law by President Obama on December 19, 2009, provided funding for the Department of Defense military programs and extended various expiring programs. The major provisions of this Act that affected receipts extended and increased the COBRA health insurance premium assistance program, which was enacted in ARRA and scheduled to expire with respect to qualified individuals involuntarily terminated after December 31, 2009. These provisions extended premium assistance coverage to qualified individuals who are involuntarily terminated between January 1, 2010, and February 28, 2010, and extended the duration of the subsidy from nine months to fifteen months.

TO EXTEND THE GENERALIZED SYSTEM OF PREFERENCES AND THE ANDEAN TRADE PREFERENCE ACT, AND FOR OTHER PURPOSES

This Act, which was signed into law by President Obama on December 28, 2009, extended both the Andean Trade Preference Act for Colombia, Ecuador and Peru and the Generalized System of Preferences through December 31, 2010. This Act also increased the estimated tax payments due in July through September of 2014 by corporations with assets of at least $1 billion to 134.75 percent of the amount otherwise due. For corporations affected by this provision, the next required estimated tax payment is reduced accordingly.

ADJUSTMENTS TO THE BUDGET ENFORCEMENT ACT (BEA) BASELINE TO REFLECT CURRENT POLICY

An important step in addressing the Nation’s fiscal problems is to be upfront about them – and to establish an honest baseline that measures where we are before new policies are enacted. This Budget does so by adjusting the BEA baseline to reflect the true cost of the current policy path. The BEA baseline, which is commonly used in budgeting and is defined in a now expired statute, reflects, with some exceptions, the projected receipts level under current law. But under current law, relief from the AMT expired at the end of 2009, causing millions of Americans to begin paying this additional tax. Congress has repeatedly taken action to extend AMT relief, sometimes after it has expired, as would be the case now. Furthermore, the 2001 and 2003 tax cuts would expire entirely at the end of 2010. These expirations were not written into law for policy reasons; instead, they reflect decisions made to artificially reduce the cost estimates of AMT relief and the 2001 and 2003 tax cuts to fit these policies within certain budget process rules. Because of this, the BEA's "current law" baseline is not an accurate reflection of what it would mean to continue forward with current policies. This Budget uses an adjusted baseline that continues AMT relief and the 2001 and 2003 tax cuts, so as to project future receipts under current policy and to better measure the effects of the Administration's proposed policy changes.

Index to inflation the 2009 parameters of the AMT as enacted in the American Recovery and Reinvestment Act of 2009.—The Administration's baseline projection of current policy reflects annual indexation of the AMT exemption amounts in effect for taxable year 2009 ($46,700 for single taxpayers, $70,950 for married taxpayers filing a joint return and surviving spouses, and $35,475 for married taxpayers filing a separate return and for estates and trusts); the income thresholds for the 28-percent AMT rate ($87,500 for married taxpayers filing a separate return and $175,000 for all other taxpayers); and the income thresholds for the phaseout of the exemption amounts ($150,000 for married taxpayers filing a joint return and surviving spouses, $112,500 for single taxpayers, and $75,000 for married taxpayers filing a separate return). The baseline projection of current policy also extends AMT relief for nonrefundable personal credits.

Continue the 2001 and 2003 tax cuts.—Most of the tax reductions enacted in 2001 and 2003 expire on December 31, 2010. This includes reductions in marginal tax rates, marriage penalty relief, expansions in the child tax credit, increases in small business expensing, preferential rates for capital gains and dividends, and reduction and repeal of estate and gift taxes. The Administration's baseline projection of current policy continues all of these expiring provisions (as amended by subsequent legislation),[5] except for repeal of estate and generation-skipping transfer taxes. Estate and gift taxes are assumed to be extended at parameters in effect for calendar year 2009 (a top rate of 45 percent and an exemption amount of $3.5 million).

PROPOSALS

The Administration proposes to restore balance to the tax code by providing tax cuts to working families, returning to the pre-2001 ordinary income tax rates for families making more than a quarter of a million dollars a year, closing loopholes, and eliminating subsidies to special interests. Extensions of certain provisions, including those directed toward boosting investment and economic recovery, are also proposed. These proposals are described below.

Temporary Recovery Measures

Extend making work pay tax credit.—A refundable tax credit equal to 6.2 percent of earned income, up to a maximum of $400 for working single taxpayers and $800 for working married taxpayers filing a joint return, was provided for taxable years 2009 and 2010 under ARRA. The credit is phased out at a rate of 2 percent of modified AGI in excess of $75,000 ($150,000 for married taxpayers filing a joint return). Payments were made to each possession of the United States with a mirror tax system (U.S. Virgin Islands, Guam, and the Commonwealth of the Northern Mariana Islands) in an amount equal to the loss in receipts to that possession attributable to the credit provided in this Act. Payments were made to each possession that does not have a mirror tax system (Puerto Rico and American Samoa) in an amount estimated by the Department of the Treasury as being equal to the aggregate credits that would have been allowed to residents of that possession if a mirror tax system had been in effect. The Administration proposes to extend the credit for one year, through taxable year 2011.

Receipt effect of providing $250 Economic Recovery Payments.—The Administration proposes to provide a $250 Economic Recovery Payment in 2010 to each adult eligible ($500 to a married couple where both spouses are eligible) for social security, railroad retirement, veteran's compensation or pension, or Supplemental Security Income (SSI) benefits (excluding individuals who receive SSI while in a Medicaid institution). The Administration also proposes to provide a $250 refundable tax credit to Federal, State and local government retirees who are not eligible for social security benefits. Retirees who are employed and eligible for the making work pay tax credit will have their making work pay tax credit reduced (but not below zero) by the amount of the recovery payment and refundable tax credit.

Extend COBRA health insurance premium assistance.—Under current law, COBRA health insurance premium assistance is scheduled to expire with respect to qualified individuals involuntarily terminated after February 28, 2010. Individuals are eligible for assistance for up to 15 months. The Administration proposes to extend the provision in order to allow qualified individuals involuntarily terminated before January 1, 2011 to be eligible for assistance. The duration of the assistance period for qualified individuals who are involuntarily terminated after February 28, 2010 would be twelve months.

[5] Consistent with treatment of the tax cuts in the Administration's statutory pay-as-you-go (PAYGO) proposal, the Budget, in the current policy baseline, assumes continuation of the 2001 and 2003 tax cuts as amended through June 2009, when the PAYGO legislation was introduced. Among other changes, this continues two amendments made to these tax cuts in ARRA and subsequent to the Administration taking office. These two amendments expand child tax credit refundability and the earned income tax credit for married couples.

Table 14–2. ADJUSTMENTS TO THE BUDGET ENFORCEMENT ACT (BEA) BASELINE ESTIMATES OF GOVERNMENTAL RECEIPTS TO REFLECT CURRENT POLICY

(In billions of dollars)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2011-15	2011-20
BEA baseline receipts	2,230.7	2,781.8	3,069.0	3,308.1	3,581.1	3,760.1	4,018.1	4,234.8	4,452.1	4,670.6	4,885.4	16,500.2	38,761.1
Adjustments to reflect current policy:													
Index to inflation the 2009 parameters of the AMT as enacted in the American Recovery and Reinvestment Act	–13.0	–64.1	–32.4	–37.9	–45.1	–53.2	–62.5	–72.5	–84.0	–96.8	–110.3	–232.7	–658.8
Continue the 2001 and 2003 tax cuts:													
Dividends tax rate structure	–2.3	–22.9	–4.1	–12.4	–21.5	–26.6	–27.6	–28.6	–29.4	–29.9	–30.2	–87.5	–233.3
Capital gains tax rate structure	–0.9	–7.7	–1.5	–4.9	–9.4	–12.3	–13.3	–14.2	–15.1	–16.0	–16.8	–35.9	–111.2
Expensing for small businesses	....	–3.2	–5.6	–4.4	–3.5	–2.8	–2.3	–2.0	–1.9	–1.8	–1.8	–19.5	–29.2
Marginal individual income tax rate reductions	....	–87.2	–137.6	–149.9	–162.1	–173.8	–185.5	–197.2	–208.7	–220.2	–231.9	–710.5	–1,753.9
Child tax credit [1]	....	–3.2	–13.0	–13.1	–13.2	–13.5	–13.7	–13.9	–14.0	–14.0	–14.0	–56.0	–125.7
Marriage penalty relief [1]	....	–15.6	–25.3	–26.9	–28.8	–30.7	–32.3	–33.9	–35.6	–37.0	–38.4	–38.4	–304.5
Education incentives	*	–0.7	–1.4	–1.4	–1.5	–1.6	–1.7	–1.7	–1.8	–1.9	–2.0	–6.6	–15.7
Other incentives for families and children	*	–0.4	–0.9	–0.9	–0.9	–0.9	–1.0	–1.0	–1.0	–1.0	–1.0	–4.1	–9.1
Estate, generation-skipping transfer taxes, and gift taxes at 2009 parameters	–2.0	6.2	–18.9	–23.7	–26.0	–28.1	–30.2	–32.2	–34.3	–36.5	–38.8	–90.4	–262.4
Subtotal, continue the 2001 and 2003 tax cuts	–5.1	–134.8	–208.1	–237.6	–266.9	–290.3	–307.6	–324.7	–341.7	–358.3	–374.9	–1,137.7	–2,844.9
Total, adjustments to reflect current policy	–18.1	–198.8	–240.5	–275.5	–312.0	–343.6	–370.1	–397.2	–425.7	–455.1	–485.1	–1,370.4	–3,503.7
Baseline projection of current policy receipts	2,212.6	2,583.0	2,828.5	3,032.7	3,269.1	3,416.6	3,648.0	3,837.6	4,026.4	4,215.5	4,400.2	15,129.8	35,257.5

* $50 million or less.

[1] This provision affects both receipts and outlays. Only the receipt effect is shown here. The outlay effects are listed below:

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2011–15	2011–20
Child tax credit	....	0.8	24.8	24.5	24.5	24.2	24.1	23.9	24.0	24.0	24.1	98.7	218.8
Marriage penalty relief	....	–0.6	4.1	3.9	3.8	3.7	3.7	3.6	3.6	3.6	3.7	14.9	33.1
Total, outlay effects of adjustments to reflect current policy	....	0.2	28.8	28.5	28.3	27.9	27.7	27.5	27.6	27.7	27.8	113.6	251.9

Provide additional tax credits for investment in qualified property used in a qualified advanced energy manufacturing project.—ARRA provided a 30-percent credit for investment in eligible property used in a qualified advanced energy manufacturing project. A qualified advanced energy manufacturing project re-equips, expands, or establishes a manufacturing facility for the production of: (1) property designed to be used to produce energy from the sun, wind, geothermal deposits, or other renewable resources; (2) fuel cells, microturbines, or an energy storage system for use with electric or hybrid-electric motor vehicles; (3) electric grids to support the transmission of intermittent sources of renewable energy, including the storage of such energy; (4) property designed to capture and sequester carbon dioxide; (5) property designed to refine or blend renewable fuels (excluding fossil fuels) or to produce energy conservation technologies; (6) new qualified plug-in electric drive motor vehicles or components that are designed specifically for use with such vehicles; or (7) other advanced energy property designed to reduce greenhouse gas emissions as may be determined by the Department of the Treasury. Eligible property must be depreciable (or amortizable) property used in a qualified advanced energy project and does not include property designed to manufacture equipment for use in the refining or blending of any transportation fuel other than renewable fuels. The credit is available only for projects certified by the Department of the Treasury (in consultation with the Department of Energy); the total amount of credits certified may not exceed $2.3 billion. The Administration proposes to provide an additional $5 billion in credits, thereby increasing the total amount of credits certified by the Department of the Treasury to $7.3 billion.

Extend temporary increase in expensing for small businesses.—Under a temporary provision expiring in 2011, business taxpayers were allowed to expense up to $125,000 in annual investment expenditures for qualifying property (including off-the-shelf computer software) placed in service in taxable years beginning in 2007. The maximum amount that could be expensed was reduced by the amount by which the taxpayer's cost of qualifying property exceeded $500,000. Both the deduction and annual investment limits were indexed annually for inflation, effective for taxable years beginning after 2007 and before 2011. Another temporary provision of prior law increased the expensing and annual investment limits to $250,000 and $800,000, respectively, effective for taxable years beginning in 2008 and 2009. The Administration proposes to extend the $250,000 expensing and $800,000 annual investment limits for one year, through taxable years beginning in 2010.

Extend temporary bonus depreciation for certain property.—Under a temporary provision of ARRA described above, an additional first-year depreciation deduction equal to 50 percent of the adjusted basis of the property was provided for qualifying property acquired after calendar year 2007 and before calendar year 2010, and placed in service in calendar year 2009 (through 2010 for certain longer-lived and transportation property). Corporations otherwise eligible for additional first-year depreciation were allowed to elect to claim additional research or AMT tax credits in lieu of the additional first-year depreciation deduction for qualified property. The Administration proposes to extend, for an additional year, the bonus depreciation provision and the election to claim additional research or AMT tax credits in lieu of the additional first-year depreciation. The proposal would apply to qualifying property acquired after calendar year 2007 and before calendar year 2011, and placed in service in calendar year 2010 (through 2011 for certain longer-lived and transportation property).

Extend option for cash assistance to States in lieu of housing tax credits.—The Administration proposes to allow States to elect cash assistance in lieu of low-income housing tax credits (LIHTC) for 2010 to finance certain low-income residential rental properties. The cash assistance for each State could not exceed an election amount equal to 85 percent of the product of ten and the sum of the State's: (1) unused housing credit ceiling for 2009; (2) returns to the State during 2010 of credit allocations (other than credit allocations derived, directly or indirectly, under section 1400N(c) of the Code) made by the State in a prior year; (3) 40 percent of the State's 2010 per capita authority: and (4) 40 percent of the State's share of the 2010 national pool allocation, if any. States would be required to use the cash assistance by December 31, 2012, to finance the construction or rehabilitation (including acquisition) of qualified low-income housing projects generally subject to the same rental requirements and recapture rules as properties financed with LIHTC. The Department of the Treasury would be provided additional authority to ensure that the cash assistance is used in compliance with LIHTC rules.

Tax Cuts for Families and Individuals

Expand EITC.—The EITC generally equals a specified percentage of earned income, up to a maximum dollar amount, that is reduced by the product of a specified phase-out rate and the amount of earned income or AGI, if greater, in excess of a specified income threshold. Three separate credit schedules apply, depending on whether the eligible taxpayer has no, one, or more than one qualifying child. Under prior law, for taxable year 2009, taxpayers with more than one qualifying child were provided a credit of 40 percent on up to $12,570 in earnings, for a maximum credit of $5,028. The credit was reduced at the rate of 21.06 percent of earnings in excess of $16,420 for single taxpayers ($19,540 for married taxpayers filing a joint return). Effective for taxable years 2009 and 2010, ARRA increased the credit percentage for families with three or more qualifying children to 45 percent, thereby creating a fourth credit schedule with a maximum credit of $5,657. ARRA also increased the income thresholds for the phaseout of the EITC for married taxpayers filing a joint return to $5,000 above the threshold for single taxpayers. Effective for taxable years beginning after December 31, 2010, the Administration proposes to permanently extend the 45-percent credit percentage for families with three or more qualifying children.[6]

Expand child and dependent care tax credit.—Taxpayers with child or dependent care expenses who are working or looking for work are eligible for a nonrefundable tax credit that partially offsets these expenses. Married couples are only eligible if they file a joint return and either both spouses are working or looking for work, or if one spouse is working or looking for work and the other is attending school full-time. To qualify for this benefit, the child and dependent care expenses must be for either a child under age 13 when the care was provided or a disabled dependent of any age with the same place of abode as the taxpayer. Any allowable credit is reduced by the aggregate amount excluded from income under a dependent care assistance program. Eligible taxpayers may claim the credit for up to 35 percent of up to $3,000 in eligible expenses for one child or dependent and up to $6,000 in eligible expenses for more than one child or dependent. The percentage of expenses for which a credit may be taken decreases at a rate of one percent for every $2,000 of AGI over $15,000 until the percentage of expenses reaches 20 percent (at incomes above $43,000). There are no further income limits. The income phasedown and the credit are not indexed for inflation. The proposal would increase the beginning of the phasedown to $85,000 (and thus, the end of the phasedown range to $113,000) but is otherwise unchanged. The proposal would be effective for tax years beginning after December 31, 2010.

Provide for automatic enrollment in IRAs and double the tax credit for small employer plan start-up costs.—The Administration proposes to encourage saving and increase participation in retirement savings arrangements by requiring employers that do not currently offer a retirement plan to offer their employees automatic enrollment in an IRA, effective for taxable years beginning after December 31, 2011. Small employers (those with ten or fewer employees) and employers in existence for less than two years would be exempt. An employee not providing a written participation election would be enrolled at a default rate of three percent of the employee's compensation in a Roth IRA. Employees

[6] As described in footnote 5, the current policy baseline assumes extension of the 2001 and 2003 tax cuts as amended through June 2009. ARRA's EITC expansion for married couples is such an amendment and so its continuation is already included in the Administration's current policy baseline.

would always have the option of opting out, opting for a lower or higher contribution within the IRA limits, or opting for a traditional IRA. Employers that offer an automatic IRA (including those that are not required to do so) would be entitled to a temporary business tax credit of $25 per participating employee up to a total of $250 per year for two years. Contributions by employees to automatic payroll-deposit IRAs would qualify for the saver's credit (to the extent the contributor and the contributions otherwise qualified).

Under current law, small employers (those with no more than 100 employees) that adopt a new qualified retirement or SIMPLE plan are entitled to a temporary business tax credit equal to 50 percent of the employer's expenses of establishing or administering the plan including expenses of retirement-related employee education with respect to the plan. The credit is limited to a maximum of $500 per year for three years. In conjunction with the automatic IRA proposal, to encourage employers not currently sponsoring a qualified retirement plan or SIMPLE to do so, the Administration proposes to double this tax credit to a maximum of $1,000 per year for three years, effective for taxable years beginning after December 31, 2011.

Expand saver's credit.—Under current law, taxpayers age 18 or older who are not dependents or full-time students may receive a nonrefundable credit (the saver's credit) on up to $2,000 of their compensation contributed to employer-sponsored qualified retirement plans and IRAs. The credit ranges between 10 and 50 percent of the amount contributed, depending on the taxpayer's filing status and AGI (adjusted for inflation). In determining the credit, qualified contributions are reduced by distributions from qualified plans and IRAs during the current tax year, the two preceding tax years, and the following year, up to the due date of the return, including extensions. Effective for taxable years beginning after December 31, 2010, the Administration proposes to modify the existing credit by: (1) making it refundable; and (2) converting it to a 50-percent match on up to $500 in qualified retirement savings per individual ($1,000 per married couple filing a joint return) per year (indexed annually for inflation beginning with taxable year 2012). The match could be deposited in the account to which the individual contributed. The proposal would increase the eligibility income threshold so that the amount of savings that could be matched would phase out at a rate of five percent for AGI in excess of $32,500 for single taxpayers and $65,000 for married taxpayers filing a joint return (so that the credit would be fully phased out for married taxpayers filing jointly with AGI of $85,000); the increased AGI thresholds would be indexed annually for inflation beginning with taxable year 2012.

Extend American opportunity tax credit.—ARRA created the American opportunity tax credit to replace the Hope Scholarship Credit for taxable years 2009 and 2010. The American opportunity tax credit provides taxpayers a credit of up to $2,500 per eligible student per year for qualified tuition and related expenses (expanded to include course materials) paid for each of the first four years of the student's post-secondary education in a degree or certification program. The student must be enrolled at least half-time to receive the credit. The credit is equal to 100 percent of the first $2,000 in qualified tuition and related expenses, and 25 percent of the next $2,000 of qualified tuition and related expenses. In addition, generally 40 percent of the otherwise allowable credit is refundable. The credit is phased out ratably for single taxpayers with modified AGI between $80,000 and $90,000 ($160,000 and $180,000 for married taxpayers filing a joint return). Unlike the Hope Scholarship Credit, the new tax credit is partially refundable, has a higher maximum credit amount, is available for the first four years of postsecondary education, and has higher phase-out limits.

The Administration proposes to permanently extend the American opportunity tax credit and index the expense amounts and phase-out limits, effective for taxable years beginning after December 31, 2010.

Tax Cuts for Businesses

Eliminate capital gains taxation on small businesses.—Current law provides a 50-percent exclusion from tax for capital gains realized on the sale of certain small business stock held for more than five years. The amount of gain eligible for the exclusion is limited to the greater of $10 million or ten times the taxpayer's basis in the stock. The exclusion is limited to the investments of individuals and not the investments of a corporation. Effective for stock issued after February 17, 2009, and before January 1, 2011, ARRA increased the exclusion to 75 percent. The Administration proposes to increase the exclusion to 100 percent, effective for qualified small business stock issued after February 17, 2009. Reporting requirements would be tightened to improve compliance.

Make research and experimentation (R&E) tax credit permanent.—A tax credit of 20 percent is provided for qualified research and experimentation expenditures generally above a base amount. An alternative simplified credit of 14 percent above a base amount is also provided. These tax credits, which expired with respect to expenditures paid or incurred in taxable years beginning after December 31, 2009, are proposed to be permanently extended.

Remove cell phones from listed property.—Taxpayers generally are allowed a deduction for ordinary and necessary expenses paid or incurred in carrying on a trade or business. However, with respect to "listed property," the deduction may be limited or disallowed. Included in listed property are any cellular telephone and other similar telecommunications equipment. Under current law, deductions are disallowed for listed property unless the taxpayer substantiates: (1) the amount of such expense or other item; (2) the use of the listed property; (3) the business purpose of the expense or other item; and

(4) the business relationship to the taxpayer of persons using the listed property. If the listed property is not used predominantly for business purposes (or if not properly substantiated), annual depreciation deductions (and any small business expensing deduction) are limited. In addition, to the extent that an employee uses a business cell phone (or other listed property) for personal purposes, the fair market value of such usage is includable as a fringe benefit in the employee's gross income and wages (with the included amount generally deductible by the employer). The Administration recognizes that the substantiation requirements of current law with respect to cell phones, which have become a ubiquitous device for doing business, are excessively burdensome for employers, employees, and the IRS. Accordingly, the Administration proposes that cell phones (or other similar telecommunications equipment) no longer be classified as listed property, effectively removing the requirement of strict substantiation of use and the limitation on depreciation deductions. In addition, the fair market value of personal use of a cell phone (or other similar telecommunications equipment) provided primarily for business purposes would be excluded from gross income.

Continue Certain Expiring Provisions Through Calendar Year 2011

A number of temporary tax provisions that have been routinely extended are scheduled to expire before December 31, 2011. The Administration proposes to extend a number of these provisions through December 31, 2011. These provisions include the optional deduction for State and local general sales taxes, Subpart F "active financing" and "look-through" exceptions, the exclusion from unrelated business income of certain payments to controlling exempt organizations, the modified recovery period for qualified leasehold improvements and qualified restaurant property, incentives for empowerment and community renewal zones, and several trade agreements, including the Generalized System of Preferences and the Caribbean Basin Initiative. In accordance with the President's agreement at the G-20 Summit in Pittsburgh to phase out subsidies for fossil fuels, temporary incentives provided for the production of fossil fuels would be allowed to expire as scheduled under current law.

Other Revenue Changes and Loophole Closers

Reform treatment of financial institutions and products.—The Administration proposes to impose a fee on large financial institutions and close tax loopholes in the taxation of financial institutions and products through a series of legislative reforms in tax laws as described below:

Impose a financial crisis responsibility fee.— The Administration proposes to impose a fee on firms with assets in excess of $50 billion for banks, thrifts, bank holding companies, insurance and other companies that own depository institutions on the date of announcement, and broker-dealers. The fee would be approximately 15 basis points applied to the firm's covered liabilities (generally, liabilities less assessable deposits in the case of a bank).

Require accrual of income on forward sale of corporate stock.—A corporation generally does not recognize gain or loss on the issuance or repurchase of its own stock. Thus, a corporation does not recognize gain or loss when it issues its stock in the future pursuant to a contract that entitles the corporation to receive a specified amount of consideration when the contract settles (typically referred to as a forward contract). A corporation does, however, recognize interest income upon the current sale of any stock (including its own) for a payment to be received in the future. The only difference between a corporate issuer's current sale of its stock for deferred payment and an issuer's forward sale of the same stock is the timing of the stock issuance. In a current sale, the stock is issued at the inception of the transaction, whereas in a forward sale the stock is issued at the time the deferred payment is received. In both cases, a portion of the deferred payment economically compensates the corporation for the time value of deferring the payment. It is inappropriate to treat these two transactions differently. The Administration proposes to require a corporation that enters into a forward contract to sell its own stock to treat a portion of the payment received when the stock is issued as a payment of interest.

Require ordinary treatment of income from day-to-day dealer activities for certain dealers of equity options and commodities.—Under current law, certain dealers in securities, equity options, commodities, and commodities derivatives treat the income from section 1256 contracts entered into in their capacity as a dealer as generating 60 percent long-term capital gain (or loss) and 40 percent short-term capital gain (or loss). Dealers in other types of property uniformly treat the income generated by their dealer activities as ordinary income. There is no reason to treat dealers in different types of property differently. The Administration's proposal would therefore require dealers in securities, equity options, commodities, and commodities derivatives to treat the income (or loss) from their dealer activities as ordinary in character.

Modify the definition of "control" for purposes of section 249.—In general, if a corporation repurchases a debt instrument that is convertible into its stock, or into stock of a corporation in control of, or controlled by, the corporation, section 249 may disallow or limit the issuer's deduction for any premium paid to repurchase the debt instrument. For this purpose, "control" is determined by reference to section 368(c), which encompasses only direct relationships (e.g., a parent corporation and its wholly-owned, first tier subsidiary). The definition of "control" in section 249 is narrow and has allowed the limitation in section 249 to be too easily avoided. Indirect control relationships (e.g., a parent corporation and a second-tier subsidiary) present the same economic identity of interests as direct control relationships and should be treated in a similar manner. The Administration proposes to amend the definition of "control" in section 249(b)(2) by referencing the definition of a controlled group in section 1563(a)(1), which includes indirect control relationships.

Reinstate Superfund taxes.—The Administration proposes to reinstate the taxes that were deposited in the Hazardous Substance Superfund prior to their expiration on December 31, 1995. These taxes, which contributed to financing the cleanup of the nation's highest risk hazardous waste sites, are proposed to be reinstated beginning in 2011, with an expiration in 2020. The proposed taxes include the following: (1) an excise tax of 9.7 cents per barrel on crude oil and imported petroleum products; (2) an excise tax on hazardous chemicals listed in section 4661 of the Code at rates that vary from 22 cents to $4.87 per ton; (3) an excise tax on imported substances that use listed hazardous chemicals as a feedstock (in an amount equivalent to the tax that would have been imposed on domestic production); and (4) a corporate environmental income tax imposed at a rate of 0.12 percent on the amount by which the modified AMT income of a corporation exceeds $2 million.

Make unemployment insurance surtax permanent.—The net Federal unemployment tax on employers is scheduled to drop from 0.8 percent to 0.6 percent with respect to wages paid after June 30, 2011. The 0.8 percent rate is proposed to be extended permanently.

Repeal last-in, first-out (LIFO) method of accounting for inventories.—Under the LIFO method of accounting for inventories, it is assumed that the cost of the items of inventory that are sold is equal to the cost of the items of inventory that were most recently purchased or produced. The Administration proposes to repeal the use of the LIFO accounting method for Federal tax purposes, effective for taxable years beginning after December 31, 2011. Assuming inventory costs rise over time, taxpayers required to change from the LIFO method under the proposal generally would experience a permanent reduction in their deductions for cost of goods sold and a corresponding increase in their annual taxable income as older, cheaper inventory is taken into account in computing taxable income. Taxpayers required to change from the LIFO method also would be required to report their beginning-of-year inventory at its first-in, first-out (FIFO) value in the year of change, causing a one-time increase in taxable income that would be recognized ratably over ten years.

Repeal gain limitation for dividends received in reorganization exchanges.—A limitation on recognition of gain for certain qualified corporate reorganizations (section 356(a)(1)) can result in distributions of property with minimal U.S. tax consequences. The proposal would repeal this limitation in reorganization transactions in which the acquiring corporation is either domestic or foreign and the shareholder's exchange has the effect of the distribution of a dividend (within the meaning of section 356(a)(2)).

Reform U.S international tax system.—The Administration proposes to reduce incentives for U.S.-based multinational corporations to invest abroad rather than in the United States and also to target tax avoidance and evasion through a series of legislative reforms and enforcement measures, as described below:

Defer deduction of interest expense related to deferred income.—Under current law, a taxpayer that incurs interest expense properly allocable and apportioned to foreign-source income may be able to deduct that expense even if some or all of the foreign-source income is not subject to current U.S. taxation. To provide greater matching of the timing of interest expense deductions and recognition of associated income, the proposal would defer the deduction of interest expense properly allocable and apportioned to foreign-source income to the extent the U.S. taxation of such income is deferred.

Reform foreign tax credit.—Under the proposal, a taxpayer would be required to determine foreign tax credits from the receipt of a dividend from a foreign subsidiary on a consolidated basis for all its foreign subsidiaries. Foreign tax credits from the receipt of a dividend from a foreign subsidiary would be based on the consolidated earnings and profits and foreign taxes of all the taxpayer's foreign subsidiaries. In addition, the proposal would adopt a matching rule to prevent the separation of foreign taxes and associated foreign income.

Tax currently excess returns associated with transfers of intangibles offshore.—The IRS has broad authority to allocate income among commonly controlled businesses under section 482. Notwithstanding the transfer pricing rules, there is evidence of income shifting offshore, including through transfers of intangible rights to subsidiaries that bear little or no foreign income tax. Under the proposal, if a U.S. person transfers an intangible to a related controlled foreign corporation (CFC) in circumstances that demonstrate excessive income shifting from the U.S., then an amount equal to the excessive return would be treated as subpart F income.

Limit shifting of income through intangible property transfers.—The definition of intangible property for purposes of the special rules relating to transfers of intangibles by a U.S. person to a foreign corporation (section 367(d)) and the allocation of income and deductions among taxpayers (section 482) would be clarified to prevent inappropriate shifting of income outside the United States. The proposal would also clarify the appropriate method for valuing intangibles transferred to foreign corporations.

Disallow the deduction for excess non-taxed reinsurance premiums paid to affiliates.—Under the proposal, a U.S. non-life insurance company would be denied a deduction for certain excessive non-taxed reinsurance premiums paid to affiliates.

Limit earnings stripping by expatriated entities.—Under the proposal, the rules that limit the deductibility of interest paid to related persons subject to low or no U.S. tax on that interest would be amended to prevent inverted companies from using foreign-related-party and certain guaranteed debt to reduce inappropriately their U.S. tax liability.

Repeal 80/20 company rules.—Under current law, if a U.S. corporation derives at least 80 percent of its gross income from an active foreign business (commonly referred to as an "80/20 company") during a three-year testing period, then all or a portion of the interest and dividends paid by the 80/20 company are not subject to U.S. withholding tax. Because the rules that apply to 80/20 companies are subject to manipulation, they are proposed to be repealed.

Prevent avoidance of dividend withholding taxes.—Income earned by foreign persons with respect to equity swaps that reference U.S. equities would be treated as arising from U.S. sources to the extent that the income is determined to be attributable to dividends paid by a domestic corporation. This proposal would also ensure that economically equivalent transactions are subject to similar tax treatment and prevent avoidance of dividend withholding taxes by reforming the existing rules applicable to substitute dividends in a securities loan or a sale-repurchase transaction.

Modify tax rules for dual capacity taxpayers.—The foreign tax credit rules that apply to taxpayers that are subject to a foreign levy and that also receive (directly or indirectly) a specific economic benefit from the levying country (so-called "dual capacity" taxpayers) would be tightened.

Combat under-reporting of income through use of accounts and entities in offshore jurisdictions.—For too long, some American have evaded their taxpaying responsibilities by hiding unreported income in a foreign bank account, trust, or corporation. To reduce such evasion, the Administration proposes a series of measures to strengthen the information reporting and withholding systems that support U.S. taxation of income earned or held through offshore accounts or entities.

Reform treatment of insurance companies and products.—The Administration proposes to reform the taxation of insurance companies and products through a series of legislative changes in domestic tax laws as described below:

Modify rules that apply to sales of life insurance contracts.—The seller of a life insurance contract generally must report as taxable income the difference between the amount received from the buyer and the adjusted basis for the contract. When death benefits are received under the contract, the buyer is taxed on the excess of those benefits over the amounts paid for the contract, unless an exception to a "transfer-for-value rule" applies. Information reporting may not always be required in circumstances involving the purchase of a life insurance contract. In response to the growth in the number and size of life settlement transactions, the proposal would expand information reporting on the sale of life insurance contracts and the payment of death benefits on contracts that were sold, and would modify the "transfer-for-value" exceptions to prevent purchasers of policies from avoiding tax on death benefits that are received.

Modify dividends-received deduction for life insurance company separate accounts.—Under current law, a life insurance company is required to "prorate" its net investment income between a company's share and a policyholder's share. The result of this proration is used to limit the funding of tax-deductible reserve increases with tax-preferred income, such as certain corporate dividends and tax-exempt interest. The complexity of this regime has generated significant controversy between life insurance companies and the IRS, particularly with regard to the dividends-received deduction for such companies' separate accounts. In some cases, the existing regime produces a company's share that exceeds the company's actual economic interest in the underlying income. The proposal would modify this regime to ensure that the benefits enjoyed by the company are more consistent with the company's actual economic interest in the underlying income.

Expand pro rata interest expense disallowance for corporate-owned life insurance (COLI).—The interest deductions of a business other than an insurance company are reduced to the extent the interest is allocable to unborrowed policy cash values on life insurance and annuity contracts. The purpose of this pro rata disallowance is to prevent the deduction of interest expense that is allocable to inside buildup that is either tax-deferred or not taxed at all. A similar disallowance applies with regard to reserve deductions of an insurance company. A current-law exception to this rule applies to contracts covering the lives of officers, directors and employees. Under the proposal, the exception for officers, directors and employees would be repealed unless those individuals are also 20-percent owners of the business that is the owner or beneficiary of the contracts. Thus, purchases of life insurance by small businesses and other taxpayers that depend heavily on the services of a 20-percent owner would be unaffected, but the funding of deductible interest expenses with tax-exempt or tax-deferred inside buildup would be curtailed.

Permit partial annuitization of a nonqualified annuity contract.—A taxpayer who receives amounts under an annuity contract "as an annuity" is generally allowed to recover the investment in the contract ratably as payments are received. In contrast, a taxpayer who receives amounts under an annuity contract but not as an annuity (for example, as a lump-sum) is taxed on an income-first basis. Applying the income-first rule to the annuitization of only a portion of an annuity contract front-loads the reporting of income on a stream of payments and thus may discourage taxpayers from accessing funds that are needed such as for retirement. Under the proposal, the partial annuitization of a nonqualified annuity contract would be entitled to the same treatment as a complete annuitization of the contract.

Eliminate fossil fuel tax preferences.—Current law provides a number of credits and deductions that are targeted towards certain oil, gas and coal activities. In accordance with the President's agreement at the G-20 Summit in Pittsburgh to phase out subsidies for fossil fuels so that we can transition to a 21st century energy economy, the Administration proposes to repeal a number of tax preferences available for fossil fuels. The following tax preferences available for oil and gas activities are proposed to be repealed beginning in 2011: (1) the enhanced oil recovery credit for eligible costs attributable to a qualified enhanced oil recovery project; (2) the credit for oil and gas produced from marginal wells; (3) the expensing of intangible drilling costs; (4) the deduction for costs paid or incurred for any tertiary injectant used as part of a tertiary recovery method; (5) the exception to passive loss limitations provided to working interests in oil and natural gas properties; (6) the use of percentage depletion with respect to oil and gas wells; (7) the ability to claim the domestic manufacturing deduction against income derived from the production of oil and gas; and (8) two-year amortization of independent producer's geological and geophysical expenditures, instead allowing amortization over the same seven-year period as for integrated oil and gas producers. The following tax preferences available for coal activities are proposed to be repealed beginning in 2011: (1) expensing of exploration and development costs; (2) percentage depletion for hard mineral fossil fuels; (3) capital gains treatment for royalties; and (4) the ability to claim the domestic manufacturing deduction against income derived from the production of coal and other hard mineral fossil fuels.

Tax carried (profits) interests as ordinary income.—A partnership does not pay income tax; instead, the income or loss and associated character flows through to the partners who must include such items on their individual income tax return. Certain partners receive a partnership interest, typically an interest in future profits, in exchange for services (commonly referred to as a "carried interest"). Current law taxes the recipient of a carried interest on the value at the time granted, which may be based on the value the partner would receive if the partnership were liquidated immediately (for example, the value of an interest only in future profits would be zero). Because the partners, including partners who provide services, reflect their share of partnership items on their tax return in accordance with the character of the income at the partnership level, long-term capital gains and qualifying dividends attributable to carried interest may be taxed at a maximum 15-percent rate (the maximum tax rate on capital gains) rather than at ordinary income tax rates. The Administration proposes to designate any carried interest as a "services partnership interest" (SPI) and to tax a partner's share of an SPI that is not attributable to invested capital as ordinary income, regardless of the character of the income at the partnership level. In addition, the partner would be required to pay self-employment taxes on such income, and the gain recognized on the sale of an SPI that is not attributable to invested capital would generally be taxed as ordinary income, not as capital gain. However, any allocation of income or gain attributable to invested capital on the part of the partner would be taxed as ordinary income or capital gain based on its character to the partnership and any gain realized on a sale of the interest attributable to such partner's invested capital would be treated as capital gain or ordinary income as provided under current law.

Modify cellulosic biofuel producer credit.—Current law provides an income tax credit for cellulosic biofuel that is produced by the taxpayer. The credit is available (with certain exceptions for nonbusiness use) for all cellulosic biofuel sold or used by the producer. Cellulosic biofuel is defined as any liquid fuel that (i) is produced from any lignocellulosic or hemicellulosic matter that is available on a renewable or recurring basis and (ii) meets the registration requirements for fuels and fuel additives established by the Environmental Protection Agency under section 211 of the Clean Air Act (EPA registration requirements). Liquid byproducts derived from the processing of paper or pulp (known as black liquor when derived from the kraft process) are produced from lignocellulosic or hemicellulosic matter available on a renewable or recurring basis. Thus, any such liquid byproducts that meet the EPA registration requirements would qualify as cellulosic biofuel and, to the extent so qualifying, could result in substantial revenue losses and a windfall to the paper industry. The Administration proposes to exclude from the definition of cellulosic biofuel any fuels that (i) are more than 4 percent (by weight) water or sediment in any combination, or (ii) have an ash content of more than 1 percent (by weight). This change would exclude black liquor from eligibility for the credit. The change would be effective on the date of enactment.

Eliminate advanced EITC.—Under current law, taxpayers eligible for the refundable EITC who have one or more qualifying children may elect to receive advanced payment of the credit through their employer. Since advance payments have been unpopular among eligible taxpayers and since recent research shows evidence of extensive non-compliance by employers and workers, the Administration proposes that effective for taxable years beginning after December 31, 2010, taxpayers would no longer be able to receive an advance against their expected EITC through their employer. Taxpayers with positive tax liability could, however, continue to receive any nonrefundable portion of the EITC during the year by adjusting their withholding.

Deny deduction for punitive damages.—The Administration proposes to deny tax deductions for punitive damages paid or incurred by a taxpayer, whether upon a judgment or in settlement of a claim. Where the liability for punitive damages is covered by insurance, such damages paid or incurred by the insurer would be included in the gross income of the insured person. This proposal would apply to damages paid or incurred after December 31, 2011.

Repeal lower-of-cost-or-market inventory accounting method.—The Administration proposes to prohibit the use of the lower-of-cost-or-market and subnormal goods methods of inventory accounting, which currently allow certain taxpayers to take cost-of-goods-sold deductions on certain merchandise before the merchandise is sold. The proposed prohibition would be effective for taxable years beginning after twelve months from the date of enactment, and any resulting income inclusion would be recognized over a four-year period.

Reduce the tax gap and make reforms.—The tax gap generally is the difference between the amount owed under the tax law and the amount actually paid on time. The Administration proposes to help reduce the tax gap through a number of legislative proposals that would expand information reporting, improve compliance by businesses, strengthen tax administration, and expand penalties. The Administration also proposes to make certain reforms in domestic tax laws to close loopholes in estate and gift taxation. The proposals to reduce the tax gap and make reforms are described below:

Expand information reporting.—The Administration proposes to expand information reporting, as described below:

Require information reporting on payments to corporations.—Generally, a taxpayer making payments to a recipient aggregating to $600 or more for services or determinable gains in the course of a trade or business in a calendar year is required to send an information return to the IRS setting forth the amount, as well as name and address of the recipient of the payment (generally on Form 1099). Under a longstanding regulatory regime, payments to corporations are generally excepted from this information reporting requirement. This exception has created compliance issues. Because this exception has been in place for many years and because Congress, during that time period, has made numerous changes to the information reporting rules, elimination of the exception should be made by legislative change. Accordingly, the Administration proposes that a business would be required to file an information return for payments for services or for determinable gains aggregating to $600 or more in a calendar year to a corporation (except a tax-exempt corporation).

Require information reporting for rental property expense payments.—The Administration proposes to subject recipients of rental income from real estate to the same information reporting requirements applicable to taxpayers engaged in a trade or business. Under the proposal, recipients of rental income making payments of $600 or more to a service provider such as a plumber, painter or accountant in the course of earning rental income would be required to send an information return to the IRS and to the service provider. Exceptions to the reporting requirement would be made for particularly burdensome situations, such as for taxpayers (including members of the military) who rent their principal residence on a temporary basis, or for those who receive only small amounts of rental income per year.

Require information reporting for private separate accounts of life insurance companies.—Earnings from direct investments in assets generally result in taxable income to the holder, whereas investment in comparable assets through a separate account of a life insurance company generally gives rise to tax-free or tax-deferred income. This favorable tax treatment is unavailable if the policyholder has so much control over the investments in the account that the policyholder, rather than the company, should be treated as the owner of those investments. The proposal would require information reporting with regard to each life insurance or annuity contract whose investment in a separate account represents at least 10 percent of the value of the account.

Require a certified Taxpayer Identification Number (TIN) from contractors and allow certain withholding.—Currently, withholding is not required or permitted for payments to contractors. Since contractors are not subject to withholding, they may be required to make quarterly payment of estimated income taxes and self-employment (SECA) taxes near the end of each calendar quarter. An optional withholding method for contractors would reduce the burdens of having to make quarterly payments, would help contractors automatically set aside funds for tax payments, and would help increase compliance. Under the Administration's proposal, a contractor receiving payments of $600 or more in a calendar year from a particular business would be required to furnish to the business the contractor's certified Taxpayer Identification Number (TIN). A business would be required to verify the contractor's TIN with the IRS, which would be authorized to disclose, solely for this purpose, whether the certified TIN-name combination matches IRS records. Contractors receiving payments of $600 or more in a calendar year from a particular business could require the business to withhold a flat rate percentage of their gross payments.

Require increased information reporting for certain government payments for property and services.—Generally, a taxpayer making payments aggregating to $600 or more for services or determinable gains in the course of a trade or business in a calendar year is required to send an information return to the IRS (except if the recipient is a corporation) setting forth the amount, as well as the name and address of the recipient of the payment (generally on Form 1099). The Administration proposes additional legislation authorizing the IRS and Department of the Treasury to promulgate regulations requiring information reporting on all non-wage payments by Federal, State and local governments to procure property and services.

Increase information return penalties.—Generally, compliance increases significantly with respect to amounts reported on information returns. To help ensure compliance with information return filing obligations, the Administration proposes to increase the penalties imposed under current law for failing to file information returns. The proposal would also provide that every five years the penalty amounts would be adjusted to account for inflation.

Improve compliance by businesses.—The Administration proposes to improve compliance by businesses, as described below:

Require greater electronic filing of returns.—Generally, compliance increases when taxpayers are required to provide better information to the IRS in usable form. The Administration proposes that regulatory authority be granted to the Department of the Treasury to require that information returns be filed electronically. Also, corporations and partnerships with assets of $10 million or more that are required to file Schedule M-3 would be required to file their tax returns electronically. In the case of certain other large taxpayers not required to file Schedule M-3 (such as exempt organizations), the regulatory authority to require electronic filing would allow reduction of the current threshold of filing 250 or more returns during a calendar year.

Implement standards clarifying when employee leasing companies can be held liable for their clients' Federal employment taxes.—Under present law, there is often uncertainty whether an employee leasing company or its client is liable for unpaid Federal employment taxes arising with respect to wages paid to the client's workers. Providing standards for when an employee leasing company and its clients will be held liable for Federal employment taxes will facilitate the assessment, payment, and collection of those taxes and will preclude taxpayers who have control over withholding and payment of those taxes from denying liability when the taxes are not paid. Under the proposal, standards would be set forth for holding employee leasing companies jointly and severally liable with their clients for Federal employment taxes. The proposal would also provide standards for holding employee leasing companies solely liable for such taxes if they meet specified requirements.

Increase certainty with respect to worker classification.—Under current law, worker classification as an employee or as a self-employed person (independent contractor) is generally based on a common-law test for determining whether an employment relationship exists. Under a special provision (section 530 of the Revenue Act of 1978), a service recipient may treat a worker who may actually be an employee as an independent contractor for Federal employment tax purposes if, among other things, the service recipient has a reasonable basis for treating the worker as an independent contractor. If a service recipient meets the requirements of this special provision with respect to a class of workers, the IRS is prohibited from reclassifying the workers as employees, even prospectively. The special provision also prohibits the IRS from issuing generally applicable guidance about the proper classification of workers. The Administration proposes to permit the IRS to issue generally applicable guidance about the proper classification of workers and to permit the IRS to require prospective reclassification of workers who are currently misclassified and whose reclassification is prohibited under the special provision. Penalties would be waived for service recipients with only a small number of employees and a small number of misclassified workers, if the service recipient had consistently filed all required information returns reporting all payments to all misclassified workers and the service recipient agreed to prospective reclassification of misclassified workers. It is anticipated that after enactment new enforcement activity would focus mainly on obtaining the proper worker classification prospectively, since in many cases the proper classification of workers may not be clear. The proposal would be effective upon enactment, but the prospective reclassification for those covered by the special provision would not be effective until the first calendar year beginning at least one year after the date of enactment.

Strengthen tax administration.—The Administration proposes to strengthen tax administration, as described below:

Codify "economic substance" doctrine.—The economic substance doctrine is a judicial rather than statutory tax doctrine that has been used by the IRS and applied by the courts for many years to disallow tax benefits from transactions that do not meaningfully change a taxpayer's economic position, even if the transactions technically comply with the Tax Code. The Administration proposes to create a new provision in the Tax Code clarifying that a transaction must have both objective economic substance and a business purpose to satisfy the judicial economic substance doctrine. The new provision would address what constitutes objective economic effects and a substantial nontax business purpose. A 30-percent penalty would be imposed on any understatement of tax resulting from a transaction lacking economic substance, even when the taxpayer has reasonable cause for the understatement. The penalty would be reduced to 20 percent for transactions that are adequately disclosed on the tax return or in a statement attached to the return. These proposed changes would be effective for transactions entered into after the date of enactment.

Allow assessment of criminal restitution as tax.—Court-ordered restitution in criminal tax cases cannot be assessed as a tax, which prevents the IRS from using its existing assessment systems to collect and enforce the restitution obligation. This leads to unnecessary duplication of efforts, delays, and confusion in the administration of court-ordered restitution. The budget proposal would allow the IRS and Department of the Treasury to immediately assess, without issuing a statutory notice of deficiency, and collect as a tax debt court-ordered restitution.

Revise offer-in-compromise application rules.—Current law provides that the IRS may compromise any civil or criminal case arising under the internal revenue laws prior to a referral to the Department of Justice for prosecution or defense. In 2006, a provision was enacted to require taxpayers to make certain nonrefundable payments with any initial offer-in-compromise of a tax case. Requiring nonrefundable payments with an offer-in-compromise may substantially reduce access to the offer-in-compromise program. Reducing access to the offer-in-compromise program makes it more difficult and costly for the IRS to obtain the collectable portion of existing tax liabilities. Accordingly, the Administration proposes eliminating the requirements that an initial offer-in-compromise include a nonrefundable payment of any portion of the taxpayer's offer.

Expand IRS access to information in the National Directory of New Hires for tax administration purposes.—Employment data are useful to the IRS in administering a wide range of tax provisions, including verifying taxpayer claims and identifying levy sources. Currently, the IRS may obtain employment and unemployment data on a State-by-State basis, which is a costly and time-consuming process. Under the Administration's proposals, the Social Security Act would be amended to expand IRS access to the National Directory of New Hires (NDNH) data for general tax administration purposes, including data matching, verification of taxpayer claims during return processing, preparation of substitute returns for non-compliant taxpayers, and identification of levy sources. Data obtained by the IRS from the NDNH would be protected by existing taxpayer privacy law, including civil and criminal sanctions.

Make repeated willful failure to file a tax return a felony.—Current law provides that willful failure to file a tax return is a misdemeanor punishable by a term of imprisonment for not more than one year, a fine of not more than $25,000 ($100,000 in the case of a corporation), or both. The Administration would modify this rule such that any person who willfully fails to file tax returns in any three years within any five consecutive year period, if the aggregated tax liability for such period is at least $50,000, would be subject to a new aggravated failure to file criminal penalty. The proposal would classify such failure as a felony and, upon conviction, impose a fine of not more than $250,000 ($500,000 in the case of a corporation) or imprisonment for not more than five years, or both.

Facilitate tax compliance with local jurisdictions.—Although Federal tax returns and return information (FTI) generally are confidential, the IRS and Treasury Department may share FTI with States as well as certain local government entities that are treated as States for this purpose. IRS and Treasury compliance activity, especially with respect to alcohol, tobacco and fuel excise taxes, may necessitate information sharing with Indian Tribal Governments (ITGs). The Administration's proposal would specify that ITGs that impose alcohol, tobacco, or fuel excise taxes, or income or wage taxes, would be treated as States for purposes of information sharing to the extent necessary for ITG tax administration. The ITG that receives FTI would be required to safeguard it according to prescribed protocols.

Extend statute of limitations where State adjustment affects Federal tax liability.—In general, additional Federal tax liabilities in the form of tax, interest, penalties and additions to tax must be assessed by the IRS within three years after the date a return is filed. Pursuant to agreement, the IRS and State and local revenue agencies exchange reports of adjustments made through examination so that corresponding adjustments can be made by each taxing authority. The general statute of limitations for assessment of Federal tax liabilities serves as a barrier to the effective use by the IRS of State and local tax adjustment reports when the reports are provided by the State or local revenue agency to the IRS with little time remaining for assessments to be made at the federal level. The Administration therefore proposes an additional exception to the general three-year statute of limitations for assessment of Federal tax liability resulting from adjustments to State or local tax liability. The statute of limitations would be extended only with respect to the increase in Federal tax attributable to the State or local tax adjustment. The statute of limitations would not be further extended if the taxpayer files additional amended returns for the same tax periods as the initial amended return or the IRS receives additional information from the State or local revenue agency under an information sharing agreement.

Improve investigative disclosure statute.—Generally, tax return information is confidential, unless a specific exception in the Tax Code applies. In the case of tax administration, the Tax Code permits Treasury and IRS officers and employees to disclose return information to the extent necessary to obtain information not otherwise reasonably available, in the course of an audit or investigation, as prescribed by regulation. Treasury regulations effective since 2003 state that the term "necessary" in this context does not mean essential or indispensable, but rather appropriate and helpful in obtaining the information sought. Determining if an investigative disclosure is "necessary" is inherently factual, leading to inconsistent opinions by the courts. Eliminating this uncertainty from the statute would facilitate investigations by IRS officers and employees, while setting forth clear guidance for taxpayers, thus enhancing compliance with the Tax Code. Under the Administration's proposal, the taxpayer privacy law would be clarified by stating that it does not prohibit Treasury and IRS officers and employees from identifying themselves, their organizational affiliation, and the nature and subject of an investigation, when contacting third parties in connection with a civil or criminal tax investigation.

Expand penalties.—The Administration proposes to expand penalties, as described below:

Clarify the bad check penalty applies to electronic checks and other payment forms.—The Tax Code imposes a penalty on any taxpayer who attempts to satisfy a tax liability with a check or money order that is not duly paid. Taxpayers use a variety of commercially acceptable instruments to pay tax liabilities, but only two types of instruments are covered by the Code's bad check penalty: checks and money orders. The proposal would expand the bad check penalty to cover all commercially acceptable instruments of payment that are not duly paid.

Impose a penalty on failure to comply with electronic filing requirements.—Certain corporations and tax-exempt organizations (including certain charitable trusts and private foundations) are required to file their returns electronically. Although there are additions to tax for the failure to file returns, there is no specific penalty in the Tax Code for a failure to comply with a requirement to file electronically. Electronic filing increases efficiency of tax administration because the provision of tax return information in an electronic form enables the IRS to focus audit activities where they can have the greatest impact. This also assists taxpayers where the need for audit is reduced. The Administration is proposing an assessable penalty for a failure to comply with a requirement of electronic (or other machine-readable) format for a return that is filed. The amount of the penalty would be $25,000 for a corporation or $5,000 for a tax-exempt organization.

Modify estate and gift tax valuation discounts and make other reforms.—The Administration proposes to close loopholes in estate and gift taxation, as described below:

Require consistency in value for transfer and income tax purposes.—Current law provides generally that the basis of property inherited from a decedent is the property's fair market value at the decedent's death, and of property received by gift is the donor's adjusted basis in the property, increased by the gift tax paid on the transfer. A special limitation applies if the property subsequently is sold by the donee at a loss. Although these are generally the same standards used to determine the value subject to estate or gift tax, there is no explicit consistency rule that would require the recipient of the property to use the value used for estate or gift tax purposes as the recipient's basis in that property. The Administration proposes to require that, for decedents dying and gifts made after December 31 of the year of enactment, the recipient's basis generally must equal (but in no event may exceed) the value of the property for estate or gift tax purposes, and a reporting requirement would be imposed on the decedent's executor or the donee to provide the necessary information to both the recipient and the IRS. The proposal also would grant regulatory authority for the development of rules to govern situations in which this general rule would not be appropriate.

Modify rules on valuation discounts.—Current law provides that the fair market value for estate and gift tax purposes of certain interests transferred intrafamily is to be determined without taking into consideration certain "applicable restrictions" that would otherwise justify discounts for lack of marketability and control in the determination of that value. Judicial decisions and the enactment of new statutes in most states, in effect, have made these rules inapplicable in many situations that were intended to be subject to those rules. In addition, additional arrangements have been identified which purport to reduce the value of the taxable transfer for transfer tax purposes, without reducing the economic value to the recipient of the transferred interest. The Administration proposes to create an additional category of "disregarded restrictions" that also would be ignored in valuing certain transferred interests. Those interests would be valued instead by assuming the applicability of certain assumptions to be specified in regulations. Disregarded restrictions would include limitations on a holder's right to liquidate that holder's interest that are more restrictive than a standard to be identified in regulations, and any limitation on a transferee's ability to be admitted as a full partner or holder of an equity interest in the entity. The proposal would include additional rules to support the implementation of the proposal, and would include a grant of appropriate regulatory authority.

Require a minimum term for grantor retained annuity trusts (GRATs).—Current law provides that the value of the remainder interest in a GRAT for gift tax purposes is determined by deducting the present value of the annuity to be paid during the GRAT term from the fair market value of the property contributed to the GRAT. If the grantor of the GRAT dies during that term, the portion of the trust assets needed to produce the annuity is included in the grantor's gross estate for estate tax purposes. In practice, grantors commonly use brief GRAT terms (often of less than two years) and significant annuities to minimize both the risk of estate tax inclusion and the value of the remainder for gift tax purposes. The Administration proposes to require that, for all trusts created after the date of enactment, the GRAT must have a minimum term of ten years, the value of the remainder at the creation of the trust must be greater than zero, and the annuity must not decrease during the GRAT term.

Upper-Income Tax Provisions

Upper-income tax provisions dedicated to deficit reduction.—The Administration proposes to allow many of the 2001 and 2003 tax cuts for those making more than $250,000 per year to expire, as scheduled, at the end of 2010. The additional revenues would be devoted to deficit reduction:[7]

Expand the 28-percent rate and reinstate the 36-percent and 39.6-percent rates for those taxpayers with income over $250,000 (married filing a joint return) and $200,000 (single).—The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) split the 15-percent statutory individual income tax rate bracket of prior law into two tax rate brackets of 10 and 15 percent, and replaced the four remaining statutory individual income tax rate brackets of 28, 31, 36 and 39.6 percent with statutory tax rate brackets of 25, 28, 33 and 35 percent. When the tax rate brackets provided under EGTRRA expire on December 31, 2010, the Administration proposes to extend the tax rate brackets of 10, 15, 25 and 28 percent; to eliminate the tax rate brackets of 33 and 35 percent; and to reinstate the prior law tax rate brackets of 36 and 39.6 percent. These rate increases would apply to married taxpayers filing a joint return with income over $250,000 (at 2009 levels) and to single taxpayers with income over $200,000. The 28-percent tax rate bracket would be expanded so that taxpayers earning less than these amounts would not see their taxes rise as a result of the increased tax rate brackets.

Reinstate the personal exemption phaseout and limitation on itemized deductions for those taxpayers with income over $250,000 (married filing a joint return) and $200,000 (single).—Prior to the enactment of EGTRRA, the deduction for personal exemptions for the taxpayer and his or her dependents was phased out for taxpayers with AGI in excess of certain thresholds. In addition, the amount of otherwise allowable itemized deductions (other than medical expenses, investment interest, theft and casualty losses, and wagering losses) was reduced by three percent of AGI in excess of certain thresholds, but not by more than 80 percent. EGTRRA phased in the repeal of the phaseout of personal exemptions and the limitation on itemized deductions over a five-year period, 2006 through 2010. The Administration proposes to reinstate the limitations on personal exemptions and itemized deductions for married taxpayers filing joint returns with income over $250,000 (at 2009 levels) and for single taxpayers with income over $200,000, effective for taxable years beginning after December 31, 2010.

Impose a 20-percent tax rate on capital gains and dividends for those taxpayers with income over $250,000 (married filing a joint return) and $200,000 (single).—Under the Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA), the maximum tax rate on long-term capital gains was reduced from 20 percent to 15 percent for taxpayers in individual income tax rate brackets exceeding 15 percent, and from 10 percent to 5 percent (zero beginning in 2008) for lower-income taxpayers. JGTRRA also reduced the maximum tax rate on qualified dividends received by an individual shareholder to 15 percent for taxpayers in individual income tax rate brackets above 15 percent and to 5 percent (zero beginning in 2008) for lower-income taxpayers. Dividends had been taxed as ordinary income under prior law. The Administration proposes to increase the tax rate on qualified dividends and long-term capital gains to 20 percent for married taxpayers filing a joint return with income over $250,000 (at 2009 levels) and for single taxpayers with income over $200,000. The proposal would be effective for taxable years beginning after December 31, 2010. All other taxpayers would be taxed at the rates in effect in 2009.

Limit the tax rate at which itemized deductions reduce tax liability to 28 percent.—The Administration proposes to limit the tax rate at which high-income taxpayers can take itemized deductions to a maximum of 28 percent, affecting only married taxpayers filing a joint return with income over $250,000 (at 2009 levels) and single taxpayers with income over $200,000. The proposed limitation would be effective for taxable years beginning after December 31, 2010.

User Fees

Support capital investment in the inland waterways.—In 1986, the Congress provided that commercial traffic on the inland waterways would be responsible for 50 percent of the capital costs of the locks and dams and of the other features that make barge transportation possible on the inland waterways. The current ex-

[7] Under the Administration's statutory PAYGO proposal, savings from allowing many of the 2001 and 2003 tax cuts for those making more than $250,000 to expire after 2010 are not counted as PAYGO savings. The additional revenues, therefore, cannot be used to pay for other polices under the PAYGO rules but, instead, must be devoted to deficit reduction.

cise tax of 20 cents per gallon on diesel fuel used in inland waterways commerce does not produce the revenue needed to cover the required 50 percent of these costs. The Budget proposes to replace the fuel tax with a new funding mechanism that raises the needed revenue in a way that is more efficient and more equitable than the fuel tax. It will preserve the landmark cost-sharing reform established by the Congress in 1986, while supporting inland waterways construction, replacement, expansion, and rehabilitation work.

Increase fees for Migratory Bird Hunting and Conservation Stamps.—Federal Migratory Bird Hunting and Conservation Stamps, commonly known as "Duck Stamps," were originally created in 1934 as the Federal licenses required for hunting migratory waterfowl. Today, ninety-eight percent of the receipts generated from the sale of these stamps ($15 per stamp per year) are used to acquire important migratory bird breeding areas, migration resting places, and wintering areas. The land and water interest located and acquired with the Duck Stamp funds establish or add to existing migratory bird refuges and waterfowl production areas. The price of the Duck Stamp has not increased since 1991; however, the cost of land and water has increased significantly over the past 18 years. The Administration proposes to increase these fees to $25 per stamp per year, effective beginning in 2011.

Change retention policy for consular fees.—The Administration proposes to change retention policy for user fees related to passports, visas, and consular services. Additional details are provided in Chapter 15, "Offsetting Collections and Offsetting Receipts," in this volume.

Trade Initiatives

Promote trade.—The Obama Administration is committed to opening markets for American producers. As a part of this effort, the Administration is working with Members of Congress and stakeholders to address outstanding issues and move forward on pending trade agreements with Panama, Colombia, and South Korea. The Administration also looks forward to working with Congress in an effort to reform U.S. preference programs. Additionally, in 2009 the President announced his intention to establish Reconstruction Opportunity Zones (ROZs) in Afghanistan and the border regions of Pakistan as part of the Administration's broader counterterrorism strategy. The Administration will work closely with Congress and private sector stakeholders to implement these important trade initiatives.

Other Initiatives

Extend and modify the New Markets tax credit.—The new markets tax credit (NMTC) is a 39 percent credit for qualified equity investments made in qualified community development entities that are held for a period of seven years. The NMTC provisions expired at the end of 2009. The Administration proposes to extend the NMTC through 2011, with an allocation amount of $5 billion for each of 2010 and 2011. The proposal would also permit the NMTC to offset AMT liability.

Reform and extend build America bonds.—ARRA created the build America bond program as an optional borrowing alternative for State and local governments on taxable bonds issued in 2009 and 2010 to finance new investments in governmental capital projects. Under the current program, the Department of the Treasury makes direct subsidy payments (called "refundable tax credits") to State and local governmental issuers in a subsidy amount equal to 35 percent of the coupon interest on the bonds. The Administration proposes to make the successful build America bond program permanent in a way designed to be approximately revenue neutral in comparison to the Federal tax cost from traditional tax-exempt bonds. The Administration also proposes to expand the build America bond program beyond new investments in governmental capital projects to include certain additional uses for which State and local governments may use tax-exempt bonds under existing law. The proposed modifications to the build America bond program would be effective for bonds issued beginning in 2011.

Restructure assistance to New York City, provide tax incentives for transportation infrastructure—Some of the tax benefits that were provided to New York following the attacks of September 11, 2001, likely will not be usable in the form in which they were originally provided. State and local officials in New York have concluded that improvements to transportation infrastructure and connectivity in the Liberty Zone would have a greater impact on recovery and continued development than would some of the existing tax incentives. The Administration proposes to provide tax credits to New York State and New York City for expenditures relating to the construction or improvement of transportation infrastructure in or connecting to the New York Liberty Zone. New York State and New York City each would be eligible for a tax credit for expenditures relating to the construction or improvement of transportation infrastructure in or connecting to the New York Liberty Zone. The tax credit would be allowed in each year from 2011 to 2020, inclusive, subject to an annual limit of $200 million (for a total of $2 billion in tax credits), and would be divided evenly between the State and the City. Any unused credits below the annual limit would be added to the $200 million annual limit for the following year, including years after 2020. Similarly, any expenditures that exceeded the limit would be carried forward and subtracted from the annual limit in the following year. The credit would be allowed against any payments (other than payments of excise taxes and social security and Medicare payroll taxes) made by the City and State under any provision of the Tax Code, including income tax withholding.

Implement unemployment insurance integrity legislation.—The Administration has a multi-part proposal to strengthen the financial integrity of the unemployment insurance (UI) system and to encourage the early reemployment of UI beneficiaries. The Administration's proposal will boost States' ability to recover benefit overpayments and deter tax evasion schemes by permitting them to use a portion of recovered funds to expand enforcement efforts in these areas, including identification of misclassified employees. In addition, the proposal would require States to impose a monetary penalty on UI benefit fraud, which would be used to reduce overpayments; require States to charge employers found to be at fault when their actions lead to overpayments; expand collection of delinquent UI overpayments and employer taxes through garnishment of Federal tax refunds; and improve the accuracy of hiring data in the National Directory of New Hires, which would reduce benefit overpayments. These efforts to strengthen the financial integrity of the UI system and encourage early reemployment of UI beneficiaries will keep State UI taxes down and improve the solvency of the State trust funds.

Levy payments to Federal contractors with delinquent tax debt.—The Budget proposes two changes to the Department of the Treasury's debt collection procedures that will increase the amount of delinquent taxes collected from Federal contractors. While the IRS can initiate enforcement proceedings against delinquent tax filers in order to collect taxes owed, Treasury can also reduce a Government payment owed to a contractor to collect unpaid taxes. However, Treasury generally must wait until all debt collection administrative procedures are complete before reducing a Government payment. Typically, by the time this lengthy process is finished, Treasury has already paid the Federal contractor, thus resulting in a lost opportunity to collect taxes owed. Under the first proposal, Treasury will be allowed to reduce payments before all debt collection administrative procedures are complete, and will therefore collect more unpaid taxes. Further, pursuant to the American Jobs Creation Act of 2004, Treasury is authorized to levy 100 percent of Federal contractor payments in order to collect delinquent debt. However, the language contains an imperfection that has the unintended effect of limiting the levy to 15 percent of certain payments. The second proposal will allow Treasury to levy up to 100 percent of a Federal contractor payment.

Implement program integrity allocation adjustments—IRS.—The Administration proposes a program integrity allocation adjustment of $1,115 million for the IRS. Allocation adjustments have been used by past administrations and Congresses to help protect increases above a base level for certain activities that generate benefits that exceed programmatic costs. The adjustment permits specified program increases above the ceiling, or allocation limit, provided in the annual congressional appropriations process, but these increases are granted only if appropriations bills increase funding for the specified integrity purposes.

In previous years, the allocation adjustment applied to the total enforcement activity level, which included the entirety of the Enforcement account and over half of the Operations Support account. As in 2010, for 2011 the Administration proposes to apply the allocation adjustment separately to the Enforcement account base ($790 million of the allocation adjustment) and the proportion of the Operations Support appropriation that directly supports Enforcement account activities ($325 million of the allocation adjustment). The Administration proposes this adjusted structure because it mitigates budget execution problems that may arise independently of the Administration's request. Further, the structure applies the allocation adjustment to the enforcement resources most directly involved in generating return-on-investment in the form of additional receipts.

Within the enforcement activity funding, IRS will continue initiatives implemented with 2010 appropriations and establish new initiatives that will bring in an estimated $1.9 billion in additional receipts for each year of work, once new hires reach full productivity in 2013. Not only will these resources help the IRS continue to increase the roughly $50-$60 billion in enforcement revenues generated each year, but they will also help close the tax gap, defined as the difference between taxes owed and those paid on time. The 2011 allocation adjustment will, among other areas, target international tax compliance of high-net worth individuals and corporations, thereby helping the IRS reduce that specific portion of the tax gap.

Allow offset of Federal income tax refunds to collect delinquent State income taxes for out-of-state-residents.—Under current law, federal tax refunds may be offset to collect delinquent State income tax obligations but only if the delinquent taxpayer resides in the State collecting the tax. The proposal would allow federal tax refunds to be offset to collect delinquent State tax obligations regardless of where the debtor resides.

Revise terrorism risk insurance program.—The terrorism risk insurance program (TRIP), which was established under the Terrorism Risk Insurance Act of 2002, was expanded and extended through December 31, 2014, under the Terrorism Risk Insurance Program Reauthorization Act of 2007. The reauthorization expanded coverage to include acts of domestic terrorism and set up a mechanism for the Federal government to recoup 133 percent of Federal payments under the program, up to a maximum of $27.5 billion, through a surcharge imposed on insurance premiums. The Administration proposes to lessen Federal intervention in this insurance market and reduce the subsidy to private insurers (that is, increase the private sector share of losses). Beginning in 2011, after the economy is expected to stabilize, and then again in 2013, the proposal would increase private insurer's deductibles and co-payments. The minimum qualifying size of a terrorist attack (known as the "event trigger") would be increased once in 2011. The proposal removes coverage for acts of domestic terrorism and requires insurers to pay back only 100 percent rather than 133 percent of the Federal payments made under the program. Under the proposal TRIP expires December 31, 2014, consistent with current law.

Allowances

Health insurance reform.—The Budget includes the average receipt and outlay effects of the House and Senate health insurance reform bills as passed by those houses and scored by the Congressional Budget Office (CBO) in December 2009. The CBO receipt estimates are adjusted to remove overlap between the bills and proposals in the Budget.

Jobs initiatives.—The Administration will work with Congress to enact a job creation package along the lines the President announced in December 2009. A number of specific jobs initiatives are included in the Budget, and, as a placeholder for additional initiatives, the Budget includes $100 billion, with this cost split equally between receipts and outlays.

Table 14–3. EFFECT OF PROPOSALS
(In millions of dollars)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2011-15	2011-20
Temporary Recovery Measures:													
Extend making work pay tax credit [1]	....	–30,132	–31,075	....	....	....	....	....	....	....	....	–61,207	–61,207
Receipt effect of providing $250 Economic Recovery Payments:													
Provide $250 refundable credit for Federal , State and local government retirees not eligible for social security benefits [1]	–38	–212	....	....	....	....	....	....	....	....	....	–212	–212
Interaction of the $250 Economic Recovery Payments with the making work pay tax credit [1]	....	2,436	....	....	....	....	....	....	....	....	....	2,436	2,436
Subtotal, receipt effect of providing $250 Economic Recovery Payments	–38	2,224	....	....	....	....	....	....	....	....	....	2,224	2,224
Extend COBRA health insurance premium assistance [1]	–3,188	–5,237	–228	....	....	....	....	....	....	....	....	–5,465	–5,465
Provide additional tax credits for investment in qualified property used in a qualified advanced energy manufacturing project	....	–284	–731	–1,145	–1,114	–539	–122	72	114	62	26	–3,813	–3,661
Extend temporary increase in expensing for small businesses	–706	–440	434	268	186	135	76	43	24	15	12	583	753
Extend temporary bonus depreciation for certain property	–22,445	–15,216	11,912	7,478	5,149	3,912	2,580	1,685	1,063	792	744	13,235	20,099
Extend option for cash assistance to States in lieu of housing tax credits [1]	–2,435	–1,798	91	269	429	511	538	538	538	538	538	–498	2,192
Total, temporary recovery measures	–28,812	–50,883	–19,597	6,870	4,650	4,019	3,072	2,338	1,739	1,407	1,320	–54,941	–45,065
Tax Cuts for Families and Individuals:													
Expand earned income tax credit [1]	....	–85	–1,674	–1,645	–1,636	–1,628	–1,639	–1,663	–1,692	–1,730	–1,766	–6,668	–15,158
Expand child and dependent care tax credit [1]	....	–377	–1,345	–1,359	–1,368	–1,373	–1,377	–1,374	–1,365	–1,354	–1,349	–5,822	–12,641
Provide for automatic enrollment in IRAs and double the tax credit for small employer plan startup costs [1]	....	....	–506	–825	–876	–982	–1,113	–1,261	–1,423	–1,604	–1,801	–3,189	–10,391
Expand saver's credit [1]	....	–323	–2,683	–2,996	–3,029	–3,109	–3,195	–3,323	–3,490	–3,716	–3,910	–12,140	–29,774
Extend American opportunity tax credit [1]	....	–951	–6,875	–7,444	–7,815	–8,400	–8,841	–8,632	–8,738	–8,870	–8,907	–31,485	–75,473
Total, tax cuts for families and individuals	....	–1,736	–13,083	–14,269	–14,724	–15,492	–16,165	–16,253	–16,708	–17,274	–17,733	–59,304	–143,437
Tax Cuts for Businesses:													
Eliminate capital gains taxation on small businesses	....	....	....	....	–55	–280	–731	–1,217	–1,591	–1,933	–2,248	–335	–8,055
Make research and experimentation tax credit permanent	–3,044	–5,346	–5,969	–6,622	–7,286	–7,945	–8,597	–9,244	–9,887	–10,530	–11,182	–33,168	–82,608
Remove cell phones from listed property	–69	–277	–226	–238	–248	–266	–281	–296	–314	–332	–348	–1,255	–2,826
Total, tax cuts for businesses	–3,113	–5,623	–6,195	–6,860	–7,589	–8,491	–9,609	–10,757	–11,792	–12,795	–13,778	–34,758	–93,489
Continue Certain Expiring Provisions Through Calendar Year 2011 [1, 2]	–8,867	–21,539	–11,926	–2,205	–1,581	–1,422	–1,309	–1,013	–1,138	–1,435	–3,109	–38,673	–46,677
Other Revenue Changes and Loophole Closers:													
Reform treatment of financial institutions and products:													
Impose a financial crisis responsibility fee	....	8,000	8,000	9,000	9,000	9,000	9,000	9,000	9,000	10,000	10,000	43,000	90,000
Require accrual of income on forward sale of corporate stock	1	5	12	19	26	33	36	38	40	42	44	95	295
Require ordinary treatment of income from day-to-day dealer activities for certain dealers of equity options and commodities	49	169	214	226	240	254	270	286	303	321	341	1,103	2,624
Modify the definition of "control" for purposes of section 249	2	15	30	32	34	36	38	41	43	46	48	147	363
Subtotal, reform treatment of financial institutions and products	52	8,189	8,256	9,277	9,300	9,323	9,344	9,365	9,386	10,409	10,433	44,345	93,282
Reinstate Superfund taxes [2]	....	1,203	1,608	1,729	1,837	1,921	1,995	2,068	2,129	2,196	2,239	8,298	18,925
Make unemployment insurance surtax permanent [2]	....	....	1,458	1,501	1,539	1,571	1,596	1,616	1,631	1,642	1,642	6,069	14,196

Table 14–3. EFFECT OF PROPOSALS—Continued

(In millions of dollars)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2011-15	2011-20
Repeal LIFO method of accounting for inventories	....	....	2,667	6,007	7,070	7,120	7,162	7,224	7,207	7,278	7,350	22,864	59,085
Repeal gain limitation for dividends received in reorganization exchanges	....	46	77	78	78	81	83	85	86	86	88	360	788
Reform U.S. international tax system:													
Defer deduction of interest expense related to deferred income	....	2,024	3,357	3,343	3,350	3,434	3,520	3,572	1,803	613	626	15,508	25,642
Reform foreign tax credit: Determine the foreign tax credit on a pooling basis	....	1,928	3,198	3,184	3,191	3,271	3,353	3,403	3,439	3,462	3,532	14,772	31,961
Reform foreign tax credit: Prevent splitting of foreign income and foreign taxes	....	1,226	2,223	2,494	2,707	2,875	3,006	3,106	3,186	3,253	3,327	11,525	27,403
Tax currently excess returns associated with transfers of intangibles offshore	....	635	1,580	1,573	1,577	1,616	1,657	1,681	1,699	1,711	1,745	6,981	15,474
Limit shifting of income through intangible property transfers	....	12	32	54	78	104	131	159	189	220	254	280	1,233
Disallow the deduction for excess non-taxed reinsurance premiums paid to affiliates	....	22	53	54	54	50	50	54	58	60	64	233	519
Limit earnings stripping by expatriated entities	....	211	352	353	356	368	379	385	390	393	402	1,640	3,589
Repeal 80/20 company rules	....	83	111	111	112	116	120	122	123	124	127	533	1,149
Prevent avoidance of dividend withholding taxes	219	275	135	91	94	96	97	102	109	115	123	691	1,237
Modify tax rules for dual capacity taxpayers	....	381	676	734	788	846	907	972	1,044	1,121	1,080	3,425	8,549
Combat under-reporting of income through use of accounts and entities in offshore jurisdictions [2]	27	72	161	716	919	447	381	549	686	740	762	2,315	5,433
Subtotal, reform U.S. international tax system	246	6,869	11,878	12,707	13,226	13,223	13,601	14,105	12,726	11,812	12,042	57,903	122,189
Reform treatment of insurance companies and products:													
Modify rules that apply to sales of life insurance contracts	....	22	71	84	101	117	136	156	179	204	233	395	1,303
Modify dividends-received deduction for life insurance company separate accounts	....	149	379	407	432	441	468	492	511	512	515	1,808	4,306
Expand pro-rata interest expense disallowance for corporate-owned life insurance (COLI)	....	20	87	183	276	437	659	910	1,293	1,731	2,188	1,003	7,784
Permit partial annuitization of a nonqualified annuity contract	....	5	21	39	59	81	105	132	160	192	226	205	1,020
Subtotal, reform treatment of insurance companies and products	....	196	558	713	868	1,076	1,368	1,690	2,143	2,639	3,162	3,411	14,413
Eliminate fossil fuel tax preferences:													
Eliminate oil and gas preferences:													
Repeal enhanced oil recovery credit [3]	....	....	....	....	....	....	....	....	....	....	....	....	....
Repeal credit for oil and gas produced from marginal wells [3]	....	....	....	....	....	....	....	....	....	....	....	....	....
Repeal expensing of intangible drilling costs	....	1,202	1,582	1,089	914	848	694	482	374	344	310	5,635	7,839
Repeal deduction for tertiary injectants	....	5	9	9	8	7	6	6	5	6	6	38	67
Repeal exception to passive loss limitations for working interests in oil and natural gas properties	....	20	24	19	18	17	17	17	16	16	16	98	180
Repeal percentage depletion for oil and natural gas wells	....	522	895	933	969	1,009	1,052	1,095	1,141	1,184	1,226	4,328	10,026
Repeal domestic manufacturing deduction for oil and natural gas companies	....	851	1,470	1,559	1,650	1,742	1,831	1,920	2,007	2,096	2,188	7,272	17,314
Increase geological and geophysical amortization period for independent producers to seven years	....	44	160	246	231	177	122	67	28	17	18	858	1,110
Subtotal, eliminate oil and gas preferences	....	2,644	4,140	3,855	3,790	3,800	3,722	3,587	3,571	3,663	3,764	18,229	36,536
Eliminate coal preferences:													
Repeal expensing of exploration and development costs	....	32	55	49	45	45	44	40	37	34	32	226	413
Repeal percentage depletion for hard mineral fossil fuels	....	57	98	102	106	109	111	115	119	122	123	472	1,062
Repeal capital gains treatment for royalties	10	18	25	48	67	78	87	95	103	111	119	236	751
Repeal domestic manufacturing deduction for coal and other hard mineral fossil fuels	....	3	5	5	5	6	6	6	7	7	7	24	57
Subtotal, eliminate coal preferences	10	110	183	204	223	238	248	256	266	274	281	958	2,283
Subtotal, eliminate fossil fuel tax preferences	10	2,754	4,323	4,059	4,013	4,038	3,970	3,843	3,837	3,937	4,045	19,187	38,819
Tax carried (profits) interests as ordinary income	....	1,452	3,289	3,914	3,741	3,176	2,534	1,975	1,530	1,355	1,011	15,572	23,977
Modify cellulosic biofuel producer credit	784	6,569	8,058	4,901	2,659	1,491	309	....	....	....	....	23,678	23,987

Table 14–3. EFFECT OF PROPOSALS—Continued

(In millions of dollars)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2011-15	2011-20
Eliminate advanced earned income tax credit [1]	....	120	72	70	69	68	69	69	72	74	77	399	760
Deny deduction for punitive damages	....	....	22	32	33	34	35	36	38	38	39	121	307
Repeal lower-of-cost-or-market inventory accounting method	....	....	286	1,423	2,045	1,402	1,127	283	296	309	323	5,156	7,494
Reduce the tax gap and make reforms:													
Expand information reporting:													
Require information reporting on payments to corporations	....	84	612	777	924	983	1,040	1,095	1,152	1,212	1,275	3,380	9,154
Require information reporting for rental property expense payments	....	179	267	281	296	312	327	342	357	372	387	1,335	3,120
Require information reporting for private separate accounts of life insurance companies	....	1	2	3	4	4	6	7	8	10	13	14	58
Require a certified Taxpayer Identification Number from contractors and allow certain withholding	....	17	44	63	72	76	79	83	86	90	94	272	704
Require increased information reporting for certain government payments for property and services	....	25	70	58	28	30	32	34	35	37	39	211	388
Increase information return penalties	....	20	34	35	35	36	42	43	43	44	44	160	376
Improve compliance by businesses:													
Require greater electronic filing of returns	....	....	....	....	....	....	....	....	....	....	....	....	....
Implement standards clarifying when employee leasing companies can be held liable for their clients' Federal employment taxes	....	4	6	6	7	7	7	8	8	9	9	30	71
Increase certainty with respect to worker classification	....	11	214	543	688	766	848	933	1,020	1,112	1,208	2,222	7,343
Strengthen tax administration:													
Codify "economic substance" doctrine	....	23	77	157	272	366	476	593	682	758	838	895	4,242
Allow assessment of criminal restitution as tax	....	....	3	4	4	4	4	4	4	4	4	15	35
Revise offer-in-compromise application rules	1	3	3	3	3	3	3	3	3	3	4	15	31
Expand IRS access to information in the National Directory of New Hires for tax administration purposes	....	....	....	....	....	....	....	....	....	....	....	....	....
Make repeated willful failure to file a tax return a felony	....	....	....	....	1	1	1	1	2	2	2	2	10
Facilitate tax compliance with local jurisdictions	....	....	....	....	....	1	1	1	1	1	1	1	6
Extend statute of limitations where State adjustment affects Federal tax liability	....	3	4	4	4	4	5	5	5	5	6	19	45
Improve investigative disclosure statute	....	....	....	....	1	1	1	1	2	2	2	2	10
Expand penalties:													
Clarify the bad check penalty applies to electronic checks and other payment forms	....	1	2	2	2	3	3	3	3	4	4	10	27
Impose a penalty on failure to comply with electronic filing requirements	....	....	....	....	....	1	1	1	2	2	2	1	9
Modify estate and gift valuation discounts and make other reforms:													
Require consistency in value for transfer and income tax purposes	40	135	171	182	192	204	216	229	243	258	273	884	2,103
Modify rules on valuation discounts	....	666	1,413	1,531	1,671	1,818	1,972	2,135	2,305	2,484	2,672	7,099	18,667
Require a minimum term for grantor retained annuity trusts (GRATs)	....	15	46	93	160	231	308	389	477	570	670	545	2,959
Subtotal, reduce the tax gap and make reforms	41	1,187	2,968	3,742	4,364	4,851	5,372	5,910	6,438	6,979	7,547	17,112	49,358
Total, other revenue changes and loophole closers	1,133	28,585	45,520	50,153	50,842	49,375	48,565	48,269	47,519	48,754	49,998	224,475	467,580
Upper-Income Tax Provisions:													
Upper-income tax provisions dedicated to deficit reduction:													
Expand the 28-percent rate and reinstate the 36-percent and 39.6-percent rates for those taxpayers with income over $250,000 (married) and $200,000 (single)		14,509	26,217	29,295	32,556	35,676	38,809	41,960	45,135	48,399	51,883	138,253	364,439
Reinstate the personal exemption phaseout and limitation on itemized deductions for those taxpayers with income over $250,000 (married) and $200,000 (single)	....	6,840	14,925	17,119	18,991	20,808	22,571	24,324	26,054	27,687	29,170	78,683	208,489

Table 14–3. EFFECT OF PROPOSALS—Continued

(In millions of dollars)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2011-15	2011-20
Impose 20-percent tax rate on capital gains and dividends for those taxpayers with income over $250,000 (married) and $200,000 (single)	1,344	12,165	–263	3,315	8,230	11,372	12,370	13,288	14,162	14,973	15,752	34,819	105,364
Subtotal, upper-income tax provisions dedicated to deficit reduction	1,344	33,514	40,879	49,729	59,777	67,856	73,750	79,572	85,351	91,059	96,805	251,755	678,292
Limit the tax rate at which itemized deductions reduce tax liability to 28 percent	....	7,896	21,582	24,500	27,019	29,351	31,570	33,938	36,268	38,426	40,625	110,348	291,175
Total, upper-income tax provisions	1,344	41,410	62,461	74,229	86,796	97,207	105,320	113,510	121,619	129,485	137,430	362,103	969,467
User Fees:													
Support capital investment in the inland waterways [2]	....	....	196	163	187	129	100	72	70	68	68	675	1,053
Increase fees for Migratory Bird Hunting and Conservation Stamps	....	14	14	14	14	14	14	14	14	14	14	70	140
Change retention policy for consular fees	....	–782	–810	–825	–840	–857	–873	–891	–909	–927	–946	–4,114	–8,660
Total, user fees	....	–768	–600	–648	–639	–714	–759	–805	–825	–845	–864	–3,369	–7,467
Trade Initiatives:													
Promote trade [2]	....	–145	–430	–552	–606	–647	–680	–705	–729	–753	–777	–2,380	–6,024
Other Initiatives:													
Extend and modify the New Markets tax credit	....	–113	–229	–345	–430	–480	–511	–510	–441	–279	–103	–1,597	–3,441
Reform and extend build America bonds [1]	....	8	–3	–3	–3	–4	–4	–4	–4	–4	–3	–5	–24
Restructure assistance to New York City: Provide tax incentives for transporation infrastructure	....	–200	–200	–200	–200	–200	–200	–200	–200	–200	–200	–1,000	–2,000
Implement unemployment insurance integrity legislation [2 4]	....	....	42	42	16	–4	–75	–175	189	–138	–179	96	–282
Levy payments to Federal contractors with delinquent tax debt:													
Authorize post-levy due process	....	77	115	119	124	109	113	118	122	127	132	544	1,156
Increase levy authority to 100 percent for vendor payments	....	61	87	86	90	78	82	85	88	92	96	402	845
Subtotal, levy payments to Federal contractors with delinquent tax debt [4]	....	138	202	205	214	187	195	203	210	219	228	946	2,001
Implement program integrity allocation adjustments—IRS [4]	....	385	1,164	2,355	3,955	6,015	7,987	9,238	9,931	10,378	10,809	13,874	62,217
Allow offset of Federal income tax refunds to collect delinquent State income taxes for out-of-state residents	....	....	....	....	....	....	....	....	....	....	....	....	....
Revise terrorism risk insurance program [4]	....	....	–21	–18	–45	–99	–173	–205	–6	–21	–15	–183	–603
Total, other initiatives	....	218	955	2,036	3,507	5,415	7,219	8,347	9,679	9,955	10,537	12,131	57,868
Allowances:													
Health insurance reform	....	16,000	17,500	40,500	57,000	75,500	89,500	98,000	106,500	116,000	126,500	206,500	743,000
Jobs initiatives	–12,000	–25,000	–8,000	–3,000	–2,000	....	....	....	....	....	....	–38,000	–38,000
Total, allowances	–12,000	9,000	–9,500	37,500	55,000	75,500	89,500	98,000	106,500	116,000	126,500	168,500	705,000
Total, effect of proposals	**–50,315**	**–19,481**	**66,605**	**146,254**	**175,656**	**204,750**	**225,154**	**240,931**	**255,864**	**272,499**	**289,524**	**573,784**	**1,857,756**

[1] This proposal affects both receipts and outlays. Both effects are shown here. The outlays effects included in these estimates are listed below:

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2011–15	2011–20
Extend making work pay tax credit	....	703	21,265	....	....	....	....	....	....	....	....	21,968	21,968
Provide $250 refundable credit for Federal , State and local government retirees not eligible for social security benefits	....	100	....	....	....	....	....	....	....	....	....	100	100
Interaction of the $250 Economic Recovery Payments with the making work pay tax credit	....	–365	....	....	....	....	....	....	....	....	....	–365	–365
Extend COBRA health insurance premium assistance	319	524	23	....	....	....	....	....	....	....	....	547	547
Extend option for cash assistance to States in lieu of housing tax credits	2,435	1,815	....	....	....	....	....	....	....	....	....	1,815	1,815
Expand earned income tax credit	....	83	1,667	1,635	1,628	1,622	1,634	1,659	1,689	1,726	1,762	6,635	15,105
Expand child and dependent care tax credit	....	....	399	406	403	398	403	406	408	407	409	1,606	3,639
Provide for automatic enrollment in IRAs and double the tax credit for small employer plan startup costs	....	....	83	146	149	158	177	200	223	250	281	536	1,667
Expand saver's credit	....	570	3,715	1,402	1,369	1,366	1,349	1,337	1,339	1,340	1,353	8,422	15,140
Extend American opportunity tax credit	....	....	2,941	3,058	3,146	3,268	3,441	3,363	3,330	3,310	3,302	12,413	29,159
Continue certain expiring provisions through calendar year 2011	66	91	23	....	....	....	....	....	....	....	....	114	114

Table 14–3. EFFECT OF PROPOSALS—Continued

(In millions of dollars)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2011-15	2011-20
Eliminate advanced earned income tax	....	–120	–72	–70	–69	–68	–69	–69	–72	–74	–77	–399	–760
Reform and extend build America bonds	....	266	1,216	2,630	4,108	5,608	7,105	8,595	10,078	11,554	13,023	13,828	64,183
Total, outlay effects of receipt proposals ..	2,820	3,667	31,260	9,207	10,734	12,352	14,040	15,491	16,995	18,513	20,053	67,220	152,312

[2] Net of income offsets.

[3] This provision is estimated to have zero receipt effect under the Adminstration's current projections for energy prices.

[4] The receipt effect of a spending initiative.

IMPROVING TAX FAIRNESS AND FEDERAL FINANCES THROUGH BETTER TAX COMPLIANCE

The IRS collects over 95 percent of gross (pre-refund) governmental receipts. The IRS collected roughly $2.35 trillion in 2009. However, not every dollar of tax legally owed is actually paid. The great majority of taxpayers comply with the law by filing returns and paying their taxes on time, but some do not comply, either because they do not understand their obligations due to the complexity of the tax law or because they seek to avoid those obligations.

Tax Compliance

In 2006, the IRS released updated results of its first large study in two decades of the difference between taxes owed and taxes actually paid—the "tax gap." The IRS estimated that taxpayers initially underpaid by $345 billion for tax year 2001. This equates to a voluntary compliance rate of roughly 84 percent. Late payments and IRS enforcement action reduced this to a net tax gap of $290 billion, raising the net compliance rate to 86 percent. The Department of the Treasury does not have estimates of the tax gap for the years after 2001, though current efforts are underway to provide a new estimate and subsequently update it annually.

Due to changes in methodologies, comparisons between the 2001 estimates and those from earlier studies should be made cautiously. However, it appears that the voluntary compliance rate has not changed much since the 1980s. The IRS previously reported voluntary compliance rates of 87 percent in 1988, 86 percent in 1985, and 84 percent in 1983. While the overall compliance rate seems to have moved relatively little over time, each 1 percentage point change significantly affects revenue. A 1 percentage point improvement would increase revenue by over $20 billion per year.

The IRS compliance estimates, primarily based on random audits of individuals and businesses, are not precise, but give a general sense of the size of the tax gap and patterns in compliance. This type of information is critical for effectively targeting IRS enforcement programs to yield revenue while minimizing the cost and burden on taxpayers. The IRS' estimates are most accurate for underpayments of known taxes as recorded in IRS financial systems, and for individual income tax reporting compliance through the recent National Research Program (NRP) random study. Non-filing estimates come from studies of Census data and are somewhat less precise. The weakest portions of the IRS' estimates are in areas where no recent studies have been completed and the IRS is relying on older data (e.g., for corporations).

Of the total tax gap, 83 percent comes from underreporting of tax liability. A significant portion of the gap also comes from underpayment of known tax debts and people who fail to file returns. Individual income taxes, the largest source of Federal receipts, account for 71 percent of the tax gap.

The highest compliance rates are found in areas where the IRS has good information about income because it is reported by third parties (e.g., Form W-2, which reports wage income from employers, and Form 1099, which reports various third-party payments, including interest from banks). The IRS estimates that 95 percent of income with substantial third-party reporting but no tax withholding (e.g., interest income and dividends) is declared on taxpayer returns. Where there is tax withholding, as in the case of most wages, nearly 99 percent of the amounts reported by payers are declared on taxpayer returns. The 2011 Budget contains a collection of proposals that will increase third-party reporting and drive additional compliance.

Conversely, the rate of underpaid taxes is high for income with little or no third-party reporting. For example, an estimated 43 percent of business income that should have been reported on individual returns (e.g., farm income and non-farm proprietor income) is misreported.

Improving Tax Compliance

While the tax gap can likely never be entirely eliminated, reducing the gap by improving compliance is important because non-compliant taxpayers impose unacceptable burdens on other taxpayers and on Federal finances, as well as undermine the integrity and fairness of the tax system.

The Administration proposes to reduce tax evasion and avoidance through a series of legislative reforms and enforcement activities. In addition to the legislative reforms described earlier, the 2011 Budget provides an additional increment of roughly $250 million for a robust set of IRS initiatives to implement more vigorously the IRS' evolving compliance strategy, particularly in the international tax area. These targeted investments will help IRS enforce the law to ensure everyone meets the obligation to pay taxes, as well as reduce the tax gap. The 2011 Budget continues to emphasize international compliance issues while also addressing a wide array of underreporting and non-filing compliance challenges. As the number of entities and transactions - both domestic and international - continues to expand and also increase in complexity, the role of the IRS becomes additionally critical. These investments will help the IRS keep pace with evolving trends and challenges in the tax community, making for a more nimble and effective organization.

Collectively these efforts will reduce the tax gap and improve the fiscal situation of the Government. Equally important, better compliance will improve the fairness of the tax system by ensuring all taxpayers pay their fair share. Implementation depends on effective IRS leadership to improve factors such as technology investments and reengineering processes, as well as on the active support of the Congress to implement tax law changes and provide needed funding for these improvements.

Table 14–4. RECEIPTS BY SOURCE

(In millions of dollars)

Source	2009 Actual	Estimate										
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Individual income taxes:												
Federal funds	915,308	951,424	1,126,211	1,271,452	1,386,746	1,507,028	1,625,199	1,738,636	1,852,955	1,965,881	2,078,372	2,186,118
Legislative proposal, not subject to PAYGO	....	1,380	34,662	43,176	53,352	65,137	75,406	83,410	90,623	97,235	103,525	109,840
Legislative proposal, subject to PAYGO	....	–17,033	–39,577	11,417	28,312	31,696	32,871	34,272	36,546	38,640	40,765	42,381
Total, Individual income taxes	915,308	935,771	1,121,296	1,326,045	1,468,410	1,603,861	1,733,476	1,856,318	1,980,124	2,101,756	2,222,662	2,338,339
Corporation income taxes:												
Federal funds:												
Federal funds	138,229	175,817	292,548	333,216	361,326	414,882	382,576	422,336	436,634	448,610	461,009	477,829
Legislative proposal, not subject to PAYGO	....	–36	–65	–58	–57	–56	–56	–56	–56	–54	–53	–51
Legislative proposal, subject to PAYGO	....	–19,040	3,656	32,206	31,126	28,831	27,338	25,796	24,786	23,021	23,190	22,950
Total, Federal funds	138,229	156,741	296,139	365,364	392,395	443,657	409,858	448,076	461,364	471,577	484,146	500,728
Trust funds:												
Legislative proposal, subject to PAYGO	....	....	763	997	1,079	1,148	1,197	1,239	1,281	1,321	1,363	1,382
Total, Corporation income taxes	138,229	156,741	296,902	366,361	393,474	444,805	411,055	449,315	462,645	472,898	485,509	502,110
Social insurance and retirement receipts (trust funds):												
Employment and general retirement:												
Old-age survivors insurance (off-budget)	559,067	542,949	575,863	615,911	653,379	692,085	730,448	776,137	811,600	849,825	886,951	920,255
Legislative proposal, subject to PAYGO	....	44	359	–21	1,193	–483	1,241	2,968	4,272	4,661	5,571	6,442
Disability insurance (off-budget)	94,942	92,182	97,785	104,589	110,951	117,523	124,038	131,797	137,818	144,310	150,615	156,269
Legislative proposal, subject to PAYGO	....	8	61	–4	202	–82	210	503	724	791	945	1,092
Hospital Insurance	190,663	180,464	192,330	208,063	221,823	236,098	249,957	266,012	278,405	291,816	304,911	316,610
Legislative proposal, subject to PAYGO	....	10	116	415	1,012	1,243	1,333	1,422	1,511	1,583	1,683	1,771
Railroad retirement:												
Social security equivalent account	1,912	1,897	1,918	1,978	2,040	2,105	2,163	2,223	2,282	2,345	2,406	2,462
Rail pension & supplemental annuity	2,301	2,266	2,262	2,465	2,573	2,782	2,893	2,971	3,051	3,130	3,350	3,614
Total, Employment and general retirement	848,885	819,820	870,694	933,396	993,173	1,051,271	1,112,283	1,184,033	1,239,663	1,298,461	1,356,432	1,408,515
On-budget	194,876	184,637	196,626	212,921	227,448	242,228	256,346	272,628	285,249	298,874	312,350	324,457
Off-budget	654,009	635,183	674,068	720,475	765,725	809,043	855,937	911,405	954,414	999,587	1,044,082	1,084,058
Unemployment insurance:												
Deposits by States [1]	31,138	44,493	52,653	57,510	60,584	61,949	62,132	61,587	60,376	58,389	58,006	59,281
Legislative proposal, not subject to PAYGO	....	....	....	3	2	–11	–36	–124	–89	20	–200	–160
Legislative proposal, subject to PAYGO	....	....	1	70	102	96	99	102	105	107	111	115
Federal unemployment receipts [1]	6,658	6,902	7,296	7,758	10,413	13,120	14,477	15,620	15,732	15,947	15,688	15,413

Table 14–4. RECEIPTS BY SOURCE—Continued

(In millions of dollars)

Source	2009 Actual	Estimate 2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Legislative proposal, not subject to PAYGO	....	....	....	....	....	....	....	....	–158	188	....	–92
Legislative proposal, subject to PAYGO	....	....	....	1,823	1,876	1,923	1,963	1,995	2,021	2,039	2,051	2,053
Railroad unemployment receipts [1]	93	101	196	268	171	65	47	64	112	147	133	104
Total, Unemployment insurance	37,889	51,496	60,146	67,432	73,148	77,142	78,682	79,244	78,099	76,837	75,789	76,714
Other retirement:												
Federal employees retirement- employee share	4,105	4,413	4,250	4,056	3,895	3,773	3,654	3,584	3,536	3,520	3,523	3,556
Non-Federal employees retirement [2]	38	27	26	23	20	19	19	19	19	19	19	19
Total, Other retirement	4,143	4,440	4,276	4,079	3,915	3,792	3,673	3,603	3,555	3,539	3,542	3,575
Total, Social insurance and retirement receipts (trust funds)	890,917	875,756	935,116	1,004,907	1,070,236	1,132,205	1,194,638	1,266,880	1,321,317	1,378,837	1,435,763	1,488,804
On-budget	236,908	240,573	261,048	284,432	304,511	323,162	338,701	355,475	366,903	379,250	391,681	404,746
Off-budget	654,009	635,183	674,068	720,475	765,725	809,043	855,937	911,405	954,414	999,587	1,044,082	1,084,058
Excise taxes:												
Federal funds:												
Alcohol taxes	9,903	9,983	9,902	9,790	9,617	9,690	9,862	10,040	10,230	10,427	10,629	10,836
Legislative proposal, subject to PAYGO	....	–66	–91	–23	....	....	....	....	....	....	....	....
Tobacco taxes	12,841	17,391	16,895	16,695	16,671	16,648	16,520	16,436	16,280	16,091	15,954	15,782
Transportation fuels tax	–10,324	–7,541	–1,760	176	171	167	163	159	153	148	143	137
Legislative proposal, subject to PAYGO	....	–831	–6,259	–2,502	....	....	....	....	....	....	....	....
Telephone and teleype services	1,115	879	629	377	220	142	116	104	100	100	100	100
Other Federal fund excise taxes	319	2,107	1,547	1,539	1,540	1,586	1,657	1,734	1,812	1,892	1,971	2,055
Legislative proposal, subject to PAYGO	....	66	91	23	4	10	18	24	28	30	32	34
Total, Federal funds	13,854	21,988	20,954	26,075	28,223	28,243	28,336	28,497	28,603	28,688	28,829	28,944
Trust funds:												
Highway	34,961	36,237	37,080	37,799	38,722	39,282	39,644	39,822	39,738	39,396	39,238	39,273
Airport and airway	10,569	11,798	12,493	13,179	13,970	14,812	15,649	16,460	17,270	17,992	18,718	19,468
Sport fish restoration and boating safety	576	573	587	602	617	632	648	664	679	695	713	728
Tobacco assessments	951	960	960	960	960	960	960	960	960	960	960	960
Black lung disability insurance	645	638	647	657	665	671	679	687	693	699	446	338
Inland waterways	76	84	85	86	89	89	90	91	91	93	96	96
Legislative proposal, subject to PAYGO	....	....	....	....	–45	–45	–90	–91	–91	–93	–96	–96
Hazardous substance superfund (Legislative proposal, subject to PAYGO)	....	....	586	816	866	919	964	1,008	1,048	1,078	1,111	1,144
Oil spill liability	447	449	472	488	497	504	511	520	520	508	505	508
Vaccine injury compensation	235	295	241	238	241	245	247	248	251	253	256	259
Leaking under ground storage tank	169	182	183	185	189	191	191	191	193	189	189	188
Total, Trust funds	48,629	51,216	53,334	55,010	56,771	58,260	59,493	60,560	61,352	61,770	62,136	62,866
Total, Excise taxes	62,483	73,204	74,288	81,085	84,994	86,503	87,829	89,057	89,955	90,458	90,965	91,810
Estate and gift taxes:												
Federal funds	23,482	16,971	24,220	20,885	21,771	23,543	25,381	27,327	29,368	31,547	33,853	36,282
Legislative proposal, subject to PAYGO	....	40	815	1,629	1,806	2,023	2,253	2,496	2,753	3,025	3,312	3,615
Total, Estate and gift taxes	23,482	17,011	25,035	22,514	23,577	25,566	27,634	29,823	32,121	34,572	37,165	39,897
Customs duties:												
Federal funds:												
Federal funds	21,264	22,569	27,163	31,133	33,741	35,845	38,133	40,455	42,669	44,980	47,595	50,114
Legislative proposal, subject to PAYGO	....	–37	–1,164	–981	–736	–808	–863	–906	–940	–972	–1,004	–1,036
Total, Federal funds	21,264	22,532	25,999	30,152	33,005	35,037	37,270	39,549	41,729	44,008	46,591	49,078
Trust funds:												
Trust funds	1,189	1,255	1,446	1,619	1,764	1,908	2,063	2,209	2,362	2,536	2,734	2,948

Table 14–4. RECEIPTS BY SOURCE—Continued
(In millions of dollars)

Source	2009 Actual	Estimate										
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total, Customs duties	22,453	23,787	27,445	31,771	34,769	36,945	39,333	41,758	44,091	46,544	49,325	52,026
Miscellaneous receipts:												
Federal funds:												
Miscellaneous taxes	352	361	364	365	368	371	375	380	384	389	392	397
Deposit of earnings, Federal Reserve System	34,318	77,083	79,341	66,990	59,222	52,344	47,504	49,678	52,243	54,610	56,854	58,868
Fees for permits and regulatory and judicial services	11,066	11,986	12,616	12,903	13,086	13,368	13,940	14,173	14,400	14,294	14,498	14,679
Legislative proposal, subject to PAYGO	....	....	–768	–817	–829	–871	–942	–1,032	–1,082	–901	–934	–947
Fines, penalities, and forfeitures	5,324	4,463	3,709	3,709	3,709	3,709	3,709	3,709	3,709	3,709	3,709	3,709
Refunds and recoveries	–71	–75	–106	–80	–51	–33	–32	–32	–32	–32	–32	–32
Total, Federal funds	50,989	93,818	95,156	83,070	75,505	68,888	64,554	66,876	69,622	72,069	74,487	76,674
Trust funds:												
United Mine Workers of America, combined benefit fund	69	47	28	26	23	21	19	17	15	13	12	11
Defense cooperation	389	394	400	400	400	400	400	400	400	400	400	400
Inland waterways (Legislative proposal, subject to PAYGO)	....	....	....	196	196	220	196	168	140	140	140	140
Fines, penalities, and forfeitures	670	584	509	519	525	531	539	546	554	562	570	577
Refunds and recoveries	6	6	6	6	6	6	6	6	6	6	6	6
Total, Trust funds	1,134	1,031	943	1,147	1,150	1,178	1,160	1,137	1,115	1,121	1,128	1,134
Total, Miscellaneous receipts	52,123	94,849	96,099	84,217	76,655	70,066	65,714	68,013	70,737	73,190	75,615	77,808
Health insurance reform (Legislative proposal, subject to PAYGO)	....	....	16,000	17,500	39,000	57,500	74,000	86,000	93,000	101,000	109,500	119,000
Jobs initiatives (Legislative proposal, subject to PAYGO)	....	–12,000	–25,000	–8,000	–3,000	–2,000	....	....	....	....	....	....
Total, budget receipts	2,104,995	2,165,119	2,567,181	2,926,400	3,188,115	3,455,451	3,633,679	3,887,164	4,093,990	4,299,255	4,506,504	4,709,794
On-budget	1,450,986	1,529,936	1,893,113	2,205,925	2,422,390	2,646,408	2,777,742	2,975,759	3,139,576	3,299,668	3,462,422	3,625,736
Off-budget	654,009	635,183	674,068	720,475	765,725	809,043	855,937	911,405	954,414	999,587	1,044,082	1,084,058

[1] Deposits by States cover the benefit part of the program. Federal unemployment receipts cover administrative costs at both the Federal and State levels. Railroad unemployment receipts cover both the benefits and administrative costs of the program for the railroads.

[2] Represents employer and employee contributions to the civil sevice retirement and disability fund for covered employees of Government-sponsored, privately owned enterprises and the District of Columbia municipal government.

15. OFFSETTING COLLECTIONS AND OFFSETTING RECEIPTS

I. INTRODUCTION AND BACKGROUND

The Government records money collected in one of two ways: either as governmental receipts, included in the amounts reported on the receipts side of the budget, or as offsetting collections or offsetting receipts, which reduce (or "offset") the amounts reported on the outlay side of the budget. Governmental receipts are discussed in the previous chapter, "Governmental Receipts." The first section of this chapter broadly discusses offsetting collections and offsetting receipts. The second section discusses user charges, which consist of a subset of offsetting collections and offsetting receipts, and a small share of governmental receipts. Finally, the third section of this chapter describes the Administration's new user charge proposals.

As discussed below, offsetting collections and offsetting receipts are cash inflows to a budget account that are used to finance Government activities, and the spending associated with these activities is included in total or "gross outlays." Offsetting collections and offsetting receipts are then subtracted from gross outlays to yield "net outlays," which is the most common measure of outlays cited and generally referred to as simply "outlays." Government-wide net outlays reflect the Government's net transactions with the public and are subtracted from governmental receipts to derive the Government's surplus or deficit.

Some offsetting collections and offsetting receipts are classified as such based on a conceptual difference with governmental receipts. In particular, these offsetting collections and offsetting receipts come from business-like transactions with the public and, unlike governmental receipts, are not collected based on the Government's exercise of its sovereign power. For this reason, it is appropriate to classify these offsetting collections and offsetting receipts as offsets to outlays rather than on the receipts side of the budget.[1] Treating offsetting collections and offsetting receipts in this way produces budget totals for receipts, (net) outlays, and budget authority that reflect the amount of resources allocated by the Government through collective political choice, rather than through the marketplace. Examples of offsetting collections and offsetting receipts resulting from business-like activities include charges for the sale of postage stamps and electricity sold by the Tennessee Valley Authority, proceeds from the sale of goods by defense commissaries, Supplementary Medical Insurance premiums, life insurance premiums for veterans, recreation fees for parks, and proceeds from the sale of assets (e.g., property, plant, and equipment) and natural resources (e.g., timber, oil, and minerals).

Other offsetting collections and offsetting receipts are classified as such either because this classification has been specified in law or because they have traditionally been classified as offsets to outlays. This is despite the fact that they derive from the Government's sovereign powers and would, otherwise, appear on the receipts side of the budget.[2] Most of the offsetting collections and offsetting receipts in this category derive from fees from Government regulatory services or Government licenses, and include, for example, charges for regulating the nuclear energy industry, bankruptcy filing fees, immigration fees, food inspection fees, passport fees, and patent and trademark fees.

The final sources of offsetting collections and offsetting receipts are gifts and intragovernmental transfers. Examples of intragovernmental transfers include interest payments to funds that hold Government securities (such as the Social Security trust funds), general fund transfers to civilian and military retirement and health benefits funds, and agency payments to funds for employee benefits.

Although both offsetting collections and offsetting receipts are subtracted from gross outlays to derive net outlays, they are treated differently when it comes to accounting for specific programs and agencies. Offsetting collections are credited to expenditure accounts and therefore reduce or offset spending at the account level. By contrast, offsetting receipts are credited to receipt accounts (even though they are not recorded as governmental receipts). In some cases, offsetting receipts are reported in a particular agency and reduce or offset the outlays reported for that agency. In other cases, the offsetting receipts reduce total Government outlays, but not the outlays of any particular agency.

Offsetting collections and offsetting receipts are generally differentiated from each other based on the form of Congressional authorization. Offsetting collections are usually authorized to be spent for the purposes of the expenditure account and are generally available for use

[1] Showing collections from business-type transactions as offsets on the spending side of the budget follows the concept recommended by the *Report of the President's Commission on Budget Concepts in 1967* and is discussed in Chapter 11 of this volume: "Budget Concepts." Offsetting governmental receipts, which are a subset of offsetting receipts and estimated to be $23.3 billion in 2009, result from the Government's exercise of its sovereign power to tax, but by law are required to be subtracted from outlays rather than added to governmental receipts.

[2] Where the regulatory or licensing fee is closely linked to the provision of a service by a regulating or licensing agency, the fee could be viewed as payment for a particular service or for the right to engage in a particular type of business. Nevertheless, many budget experts believe such fees are more appropriately classified as governmental receipts. Any reclassification of such fees would either require a change in law or have a direct impact on the Congressional appropriations process.

when collected, without further action by the Congress. Offsetting receipts may or may not be designated for a specific purpose, depending on the legislation that authorizes their collection. If designated for a particular purpose, the offsetting receipts may, in some cases, be spent without further action by the Congress. When not designated for a particular purpose, offsetting receipts are credited to the general fund, which contains all funds not otherwise allocated and which cannot be spent without further action by the Congress.

Table 15–1 summarizes offsetting collections and offsetting receipts from the public. Note that this table focuses only on payments from the public and does not include intragovernmental transactions. The table shows the amount of the Government's financial transactions with the public that are not evident from the commonly cited budget measure of (net) outlays. For 2011, the table shows that total offsetting collections and offsetting receipts from the public are estimated to be $469.0 billion or 3.1 percent of gross domestic product. Of these, an estimated $225.6 billion are offsetting collections and an estimated $243.4 billion are offsetting receipts. Table 15–1 also identifies those offsetting collections and offsetting receipts that are considered user charges, as defined and discussed below.

As shown in the table, major offsetting collections from the public include proceeds from Postal Service sales, electrical power sales, loan repayments to the

Table 15–1. OFFSETTING COLLECTIONS AND OFFSETTING RECEIPTS FROM THE PUBLIC
(In billions of dollars)

	Actual 2009	Estimate	
		2010	2011
Offsetting collections (credited to expenditure accounts):			
User charges:			
Postal Service stamps and other USPS fees (off-budget)	69.0	64.8	67.4
Defense Commissary Agency	6.1	6.2	6.3
Active and retired employee contributions for health benefits	10.5	11.5	12.5
Sale of energy:			
Tennessee Valley Authority	11.1	10.8	12.1
Bonneville Power Administration	2.9	3.8	4.1
Federal Deposit Insurance Corporation: Insurance fees and recoveries	20.5	88.0	36.1
All other user charges	45.1	51.7	65.3
Subtotal, user charges	165.2	236.8	203.8
Other collections credited to expenditure accounts:			
Commodity Credit Corporation fund	8.0	9.9	8.5
Supplemental Security Income (collections from the States)	4.1	3.8	4.1
Other collections	23.2	18.8	9.2
Subtotal, other collections	35.3	32.5	21.8
Subtotal, offsetting collections	200.5	269.3	225.6
Offsetting receipts (deposited in receipt accounts):			
User charges:			
Medicare premiums, Supplementary Medical Insurance	57.0	61.6	68.8
Outer Continental Shelf rents, bonuses, and royalties	5.3	3.5	7.2
Digital Television Transition and Public Safety Fund	16.7	0.0	0.0
All other user charges	22.3	22.8	28.7
Subtotal, user charges deposited in receipt accounts	101.3	88.0	104.7
Other collections deposited in receipt accounts:			
Military assistance program sales	24.9	24.9	25.5
Interest received from credit financing accounts	26.0	58.2	59.4
Other interest income	4.4	13.2	20.9
All other collections deposited in receipt accounts	66.6	181.4	32.8
Subtotal, other collections deposited in receipt accounts	122.0	277.7	138.7
Subtotal, offsetting receipts	223.3	365.7	243.4
Total, offsetting collections and offsetting receipts from the public	**423.7**	**634.9**	**469.0**
Total, offsetting collections and offsetting receipts excluding off-budget	**354.7**	**570.0**	**401.5**
ADDENDUM:			
User charges that are offsetting collections or offsetting receipts [1]	266.5	324.7	308.5
Other offsetting collections and offsetting receipts from the public	157.3	310.2	160.5
Total, offsetting collections and offsetting receipts from the public	**423.7**	**634.9**	**469.0**

[1] Excludes user charges that are classified as governmental receipts. For total user charges, see Table 15–3.

Table 15–2. OFFSETTING RECEIPTS BY TYPE

(in Millions of Dollars)

Source	2009 Actual	Estimate 2010	2011	2012	2013	2014	2015
I. INTRAGOVERNMENTAL RECEIPTS							
A. On Budget							
1. Interfund Receipts							
a. Federal Fund Payments to Trust Funds							
i. Distributed by Agency							
Contributions to insurance programs							
Military retirement fund	51,125	58,619	60,818	63,099	65,466	67,920	70,467
Proposed Legislation (Non-PAYGO)	....	....	469	487	505	524	604
Supplementary medical insurance	194,268	208,557	228,649	245,430	275,200	301,283	325,679
Proposed Legislation (Non-PAYGO)	....	....	–103	–40	–75	–187	–163
Hospital insurance	14,366	15,700	18,614	20,225	22,664	25,194	27,504
Railroad social security equivalent benefit fund	121	164	178	195	217	234	249
Civilian supplementary retirement contributions	31,755	32,387	33,480	34,383	35,285	36,187	36,994
Unemployment insurance.	18,093	45,645	1,322	950	904	874	856
Proposed Legislation (Non-PAYGO)	....	31,000	18,000	....	....	....	....
Other contributions	922	842	763	756	736	729	717
Rail industry pension fund.	200	313	322	332	343	354	364
Subtotal, Contributions to insurance programs.	310,850	393,227	362,512	365,817	401,245	433,112	463,271
Other miscellaneous transactions							
Miscellaneous payments	16,330	1,784	1,770	1,711	1,671	1,704	1,739
Other	....	80	....	....	....	....	....
Subtotal, Other miscellaneous transactions	16,330	1,864	1,770	1,711	1,671	1,704	1,739
Subtotal, Distributed by Agency	327,180	395,091	364,282	367,528	402,916	434,816	465,010
ii. Undistributed by Agency							
Employer share, employee retirement (on-budget)							
Civil service retirement and disablity insurance	17,368	16,848	17,555	18,068	18,686	19,443	20,193
Hospital insurance (contribution as employer)	3,120	3,295	3,397	3,416	3,542	3,661	3,811
Military retirement fund	21,288	24,714	25,623	24,883	25,493	26,159	26,740
Proposed Legislation (Non-PAYGO)	....	....	408	395	406	416	426
Other federal employees retirements.	240	239	245	255	265	274	283
Postal Service contributions to FHI	815	745	739	765	799	837	877
CSRDI from Postal Service	2,955	3,937	4,208	4,442	4,700	4,987	5,275
Subtotal, Employer share, employee retirement (on-budget).	45,786	49,778	52,175	52,224	53,891	55,777	57,605
Other miscellaneous transactions							
Interest received by on-budget trust funds.	63,600	72,992	73,738	76,715	80,783	84,851	88,513
Proposed Legislation (Non-PAYGO).	....	....	–7	85	94	160	227
Proposed Legislation (PAYGO)	....	....	....	1	6	27	43
Subtotal, Other miscellaneous transactions	63,600	72,992	73,731	76,801	80,883	85,038	88,783
Subtotal, Undistributed by Agency	109,386	122,770	125,906	129,025	134,774	140,815	146,388
Subtotal, Federal Fund Payments to Trust Funds.	436,566	517,861	490,188	496,553	537,690	575,631	611,398
b. Trust Fund Payments to Federal Funds							
i. Distributed by Agency							
Other miscellaneous transactions							
Other	1,339	1,174	1,244	1,322	1,398	1,476	1,547
Repayment of loans or advances to trust funds	2,496	....	....	....	....	....	....
Subtotal, Other miscellaneous transactions	3,835	1,174	1,244	1,322	1,398	1,476	1,547
Subtotal, Distributed by Agency	3,835	1,174	1,244	1,322	1,398	1,476	1,547
Subtotal, Trust fund Payments to Federal Funds	3,835	1,174	1,244	1,322	1,398	1,476	1,547
Subtotal, Interfund Receipts	440,401	519,035	491,432	497,875	539,088	577,107	612,945

Table 15–2. OFFSETTING RECEIPTS BY TYPE—Continued
(in Millions of Dollars)

Source	2009 Actual	Estimate 2010	2011	2012	2013	2014	2015
2. Federal Intrafund Receipts							
a. Distributed by Agency							
General fund payments to retirement and health benefits funds							
DOD retiree health care fund	11,752	15,306	16,039	17,525	18,885	20,363	21,770
Employees health benefits fund	1,400	5,500	5,500	5,600	5,600	5,700	5,700
Miscellaneous Federal retirement funds	400	525	486	487	470	469	477
Subtotal, General fund payments to retirement and health benefits funds	13,552	21,331	22,025	23,612	24,955	26,532	27,947
Interest							
Interest on Government capital in enterprises	991	568	766	1,161	1,546	1,615	1,642
Interest from the Federal Financing Bank	582	1,139	2,153	3,762	5,357	6,063	6,497
Interest received by retirement and health benefits funds	124	156	173	190	203	216	234
Subtotal, Interest	1,697	1,863	3,092	5,113	7,106	7,894	8,373
Other miscellaneous transactions							
Other	3,668	4,334	4,856	5,494	6,184	6,703	7,481
Proposed Legislation (Non-PAYGO)	....	2,000	....	....	....	....	....
Subtotal, Other miscellaneous transactions	3,668	6,334	4,856	5,494	6,184	6,703	7,481
Subtotal, Distributed by Agency	18,917	29,528	29,973	34,219	38,245	41,129	43,801
b. Undistributed by Agency							
Employing agency contributions							
DOD retiree health care fund	10,645	11,097	11,177	11,909	12,640	13,419	14,250
Proposed Legislation (Non-PAYGO).	....	....	143	....	....	....	....
Employees health benefits	....	....	....	....	....	....	....
Subtotal, Employing agency contributions.	10,645	11,097	11,320	11,909	12,640	13,419	14,250
Subtotal, Undistributed by Agency	10,645	11,097	11,320	11,909	12,640	13,419	14,250
Subtotal, Federal Intrafund Receipts.	29,562	40,625	41,293	46,128	50,885	54,548	58,051
3. Trust Intrafund Receipts							
a. Distributed by Agency							
Personnel benefits							
Payment to railroad retirement (from off-budget)	5,691	6,455	6,439	6,381	6,524	6,620	6,745
Subtotal, Personnel benefits.	5,691	6,455	6,439	6,381	6,524	6,620	6,745
Other miscellaneous transactions							
Other	1	1	1	1	1	1	1
Subtotal, Other miscellaneous transactions	1	1	1	1	1	1	1
Subtotal, Distributed by Agency	5,692	6,456	6,440	6,382	6,525	6,621	6,746
Subtotal, Trust Intrafund Receipts	5,692	6,456	6,440	6,382	6,525	6,621	6,746
Subtotal, On Budget	475,655	566,116	539,165	550,385	596,498	638,276	677,742
B. Off Budget							
1. Interfund Receipts							
a. Federal Fund Payments to Trust Funds							
i. Distributed by Agency							
Personnel benefits							
Old-age, survivors and disablitity, insurance.	20,824	24,395	26,886	29,530	33,040	36,359	39,512
Subtotal, Personnel benefits.	20,824	24,395	26,886	29,530	33,040	36,359	39,512
Subtotal, Distributed by Agency	20,824	24,395	26,886	29,530	33,040	36,359	39,512
ii. Undistributed by Agency							
Personnel benefits							
Employer share, employee retirement (off-budget)	14,226	14,930	15,573	15,894	16,749	17,518	18,442
Subtotal, Personnel benefits.	14,226	14,930	15,573	15,894	16,749	17,518	18,442

Table 15–2. OFFSETTING RECEIPTS BY TYPE—Continued
(in Millions of Dollars)

Source	2009 Actual	Estimate					
		2010	2011	2012	2013	2014	2015
Other miscellaneous transactions							
Interest received by off-budget trust funds.	117,954	118,404	119,080	122,281	128,261	135,730	144,286
Subtotal, Other miscellaneous transactions	117,954	118,404	119,080	122,281	128,261	135,730	144,286
Subtotal, Undistributed by Agency	132,180	133,334	134,653	138,175	145,010	153,248	162,728
Subtotal, Federal Fund Payments to Trust Funds.	153,004	157,729	161,539	167,705	178,050	189,607	202,240
Subtotal, Interfund Receipts.	153,004	157,729	161,539	167,705	178,050	189,607	202,240
Subtotal, Off Budget	153,004	157,729	161,539	167,705	178,050	189,607	202,240
SUBTOTAL, INTRAGOVERNMENTAL RECEIPTS	628,659	723,845	700,704	718,090	774,548	827,883	879,982
II. NON-FEDERAL RECEIPTS							
A. On Budget							
1. Proprietary Receipts							
a. Federal Fund Reciepts							
i. Distributed by Agency							
Fees and other charges for services and special benefits							
Nuclear waste displosal revenues	770	773	779	781	784	785	787
Other	4,394	4,713	5,278	5,548	5,790	6,008	6,216
Proposed Legislation (Non-PAYGO)	....	....	....	46	46	46	46
Proposed Legislation (PAYGO)	....	....	81	95	98	102	108
Subtotal, Fees and other charges for services and special benefits.	5,164	5,486	6,138	6,470	6,718	6,941	7,157
Interest							
Interest on foreign loans and deferred foreign collections	40	40	40	40	40	40	40
Interest on deposits and loan accounts	40	15	279	581	779	793	793
Other interest	26,359	58,532	59,690	63,763	67,641	70,815	73,515
Dividends and other earnings	4,336	12,254	17,565	6,730	6,730	6,730	6,730
Subtotal, Interest.	30,775	70,841	77,574	71,114	75,190	78,378	81,078
Realization upon loans and investments							
Negative and downward reestimates	45,792	158,191	5,293	3,575	2,296	1,791	1,615
Proposed Legislation (Non-PAYGO)	....	....	7	7	6	7	7
Proposed Legislation (PAYGO)	....	1,742	5,516	3,468	1,883	566	279
Other	63	62	62	63	64	65	66
Subtotal, Realization upon loans and investments	45,855	159,995	10,878	7,113	4,249	2,429	1,967
Sale of Government property							
Sale of land and other real property.	124	195	161	210	182	191	214
Proposed Legislation (PAYGO)	....	....	5	10	19	29	29
Other sales of government property	78	72	118	98	49	21	8
Subtotal, Sale of Government property	202	267	284	318	250	241	251
Sale of products							
Sale of timber and other natural land products.	205	203	187	190	147	151	152
Sale of minerals and mineral products	51	12	12	13	10	11	11
Sale of power and other utilities	671	495	729	593	715	645	727
Other	156	102	117	122	101	120	125
Proposed Legislation (PAYGO)	....	....	30	30	30	30	30
Subtotal, Sale of products.	1,083	812	1,075	948	1,003	957	1,045
Other miscellaneous transactions							
Royalties and rents.	4,047	3,595	4,243	4,748	4,801	4,911	5,332
Proposed Legislation (PAYGO)	....	....	–50	–50	–50	–50	....
Recoveries and refunds.	5,313	5,424	5,150	5,279	5,446	5,622	5,774
Proposed Legislation (PAYGO)	....	....	2	3	3	3	3
Gifts and contributions	7	3	3	3	3	3	3
Miscellaneous receipt accounts	2,151	2,005	2,007	2,020	2,036	2,051	2,067
Proposed Legislation (PAYGO)	....	....	19	19	19	19	19

Table 15–2. OFFSETTING RECEIPTS BY TYPE—Continued
(in Millions of Dollars)

Source	2009 Actual	Estimate 2010	2011	2012	2013	2014	2015
Subtotal, Other miscellaneous transactions	11,518	11,027	11,374	12,022	12,258	12,559	13,198
Subtotal, Distributed by Agency	94,597	248,428	107,323	97,985	99,668	101,505	104,696
ii. Undistributed by Agency							
Outer Continental Shelf							
Outer Continental Shelf rents and bonuses	1,521	790	538	522	409	423	413
Proposed Legislation (PAYGO)	....	....	8	22	38	53	67
Outer Continental Shelf royalties.	3,771	2,745	6,638	7,572	8,357	8,675	9,054
Proposed Legislation (PAYGO)	....	....	50	50	50	50	....
Subtotal, Outer Continental Shelf.	5,292	3,535	7,234	8,166	8,854	9,201	9,534
Other miscellaneous transactions							
Sale of major assets	....	....	....	323	....	....	....
Subtotal, Other miscellaneous transactions	....	....	....	323	....	....	....
Subtotal, Undistributed by Agency	5,292	3,535	7,234	8,489	8,854	9,201	9,534
Subtotal, Federal Fund Reciepts	99,889	251,963	114,557	106,474	108,522	110,706	114,230
b. Trust Fund Reciepts							
i. Distributed by Agency							
Fees and other charges for services and special benefits							
Medicare premiums and other charges	57,036	61,618	68,761	76,148	83,802	92,192	99,780
Proposed Legislation (PAYGO)	....	....	–11	–27	–29	–30	–42
Veterans life insurance (trust funds)	136	122	108	95	82	71	60
Other	8,295	9,011	9,542	10,111	10,702	11,272	11,874
Subtotal, Fees and other charges for services and special benefits.	65,467	70,751	78,400	86,327	94,557	103,505	111,672
Interest							
Other interest	404	77	2,008	2,933	3,372	3,796	3,986
Dividends and other earnings	–728	498	768	815	831	802	755
Subtotal, Interest.	–324	575	2,776	3,748	4,203	4,598	4,741
Realization upon loans and investments							
Negative and downward reestimates	164	....	....	....	....	....	....
Other	1	1	1	1	1	1	1
Subtotal, Realization upon loans and investments	165	1	1	1	1	1	1
Sale of Government property							
Military assistance program sales (trust funds).	24,913	24,854	25,475	25,221	24,716	24,222	23,011
Subtotal, Sale of Government property	24,913	24,854	25,475	25,221	24,716	24,222	23,011
Other miscellaneous transactions							
Recoveries and refunds.	9,417	9,504	9,804	10,104	10,304	10,604	10,704
Proposed Legislation (Non-PAYGO)	....	....	....	71	146	149	153
Proposed Legislation (PAYGO)	....	....	....	151	178	135	132
Gifts and contributions	269	238	238	252	252	239	239
Miscellaneous receipt accounts	92	95	99	104	110	116	122
Subtotal, Other miscellaneous transactions	9,778	9,837	10,141	10,682	10,990	11,243	11,350
Subtotal, Distributed by Agency	99,999	106,018	116,793	125,979	134,467	143,569	150,775
Subtotal, Trust Fund Receipts	99,999	106,018	116,793	125,979	134,467	143,569	150,775
Subtotal, Proprietary Receipts	199,888	357,981	231,350	232,453	242,989	254,275	265,005
2. Offsetting Governmental Receipts							
a. Federal Fund Reciepts							
i. Distributed by Agency							
Other miscellaneous transactions							
Regulatory Fees	6,464	7,056	7,522	7,563	7,669	7,839	8,018
Proposed Legislation (PAYGO)	....	....	111	111	111	95	95
Other	136	133	134	135	137	138	139
Subtotal, Other miscellaneous transactions	6,600	7,189	7,767	7,809	7,917	8,072	8,252

Table 15–2. OFFSETTING RECEIPTS BY TYPE—Continued
(in Millions of Dollars)

Source	2009 Actual	Estimate 2010	2011	2012	2013	2014	2015
Subtotal, Distributed by Agency	6,600	7,189	7,767	7,809	7,917	8,072	8,252
ii. Undistributed by Agency							
Other miscellaneous transactions							
Spectrum auction proceeds	16,690	341	3,874	850	2,000	……	……
Proposed Legislation (PAYGO)	....	50	300	375	650	750	750
Subtotal, Other miscellaneous transactions	16,690	391	4,174	1,225	2,650	750	750
Subtotal, Undistributed by Agency	16,690	391	4,174	1,225	2,650	750	750
Subtotal, Federal Fund Receipts.	23,290	7,580	11,941	9,034	10,567	8,822	9,002
b. Trust Fund Reciepts							
i. Distributed by Agency							
Other miscellaneous transactions							
Regulatory Fees	3	7	7	7	6	7	7
Subtotal, Other miscellaneous transactions	3	7	7	7	6	7	7
Subtotal, Distributed by Agency	3	7	7	7	6	7	7
Subtotal, Trust Fund Reciepts.	3	7	7	7	6	7	7
Subtotal, Offsetting Governmental Receipts	23,293	7,587	11,948	9,041	10,573	8,829	9,009
Subtotal, On Budget.	223,181	365,568	243,298	241,494	253,562	263,104	274,014
B. Off Budget							
1. Proprietary Receipts							
a. Trust Fund Reciepts							
i. Distributed by Agency							
Fees and other charges for services and special benefits							
Other	27	29	29	29	29	29	29
Subtotal, Fees and other charges for services and special benefits.	27	29	29	29	29	29	29
Other miscellaneous transactions							
Recoveries and refunds.	60	59	59	59	59	59	59
Subtotal, Other miscellaneous transactions	60	59	59	59	59	59	59
Subtotal, Distributed by Agency	87	88	88	88	88	88	88
Subtotal, Trust Fund Receipts	87	88	88	88	88	88	88
Subtotal, Proprietary Receipts.	87	88	88	88	88	88	88
Subtotal, Off Budget	87	88	88	88	88	88	88
SUBTOTAL, NON-FEDERAL RECEIPTS	223,268	365,656	243,386	241,582	253,650	263,192	274,102
GRAND TOTAL OFFSETTING RECEIPTS	851,927	1,089,501	944,090	959,672	1,028,198	1,091,075	1,154,084

Commodity Credit Corporation for loans made prior to enactment of the Federal Credit Reform Act, and Federal employee payments for health benefits. As also shown in the table, major offsetting receipts from the public include Supplementary Medical Insurance premiums, proceeds from military assistance program sales, rents and royalties from Outer Continental Shelf oil extraction, and interest income.

Table 15–2 provides further detail about offsetting receipts, including both offsetting receipts from the public (as summarized in Table 15–1) and intragovernmental transactions.[3] In total, offsetting receipts are estimated to be $944.1 billion in 2011: $700.7 billion are intragovernmental transactions and $243.4 billion are from the public. The offsetting receipts from the public consist of proprietary receipts ($231.4 billion) and those classified as offsetting receipts by law or tradition ($11.9 billion) (shown as offsetting governmental receipts in the table). Proprietary receipts from the public result from business-like transactions with the public such as the sale of goods or services, or the rental or use of Government land. Offsetting governmental receipts are composed of fees from Government regulatory services or Government licenses and, absent a specification in law or a long-standing practice, would otherwise have been classified on the receipts side of the budget.

II. USER CHARGES

User charges or user fees[4] refer generally to those monies that the Government receives from the public for market-oriented activities and regulatory activities. Laws that authorize user charges, in combination with budget concepts, determine whether a user charge is classified as an offsetting collection, an offsetting receipt or a governmental receipt. Almost all user charges, as defined below, are classified as offsetting collections or offsetting receipts; less than 1.5 percent of user charges are classified as governmental receipts. As summarized in Table 15–3, total user charges for 2011 are estimated to be $312.2 billion with $308.5 billion being offsetting collections or offsetting receipts, accounting for about two thirds of all offsetting collections and offsetting receipts from the public.

Definition. In this chapter, user charges refer to fees, charges, and assessments levied on individuals or organizations directly benefiting from or subject to regulation by a Government program or activity, where the payers do not represent a broad segment of the public such as those who pay income taxes or customs duties.

Examples of business-type or market-oriented user charges, and regulatory and licensing user charges include those charges listed above for offsetting collections and offsetting receipts. User charges exclude certain offsetting collections and offsetting receipts from the public, such as repayments received from credit programs, interest and dividends, and also exclude payments from one part of the Federal Government to another. In addition, user charges do not include dedicated taxes (such as taxes paid to social insurance programs or excise taxes on gasoline), or customs duties, fines, penalties, or forfeitures.

Alternative definitions. The definition used in this chapter follows the definition used in OMB Circular No. A–25, "User Charges," which provides policy guidance

[3] A comparable table showing total offsetting collections from the public and from intragovernmental transactions is not presented here because the data are not currently reported in a way that would permit such a presentation.

[4] In this chapter, the term "user charge" is generally used and has the same meaning as the term "user fee." The term "user charge" is the one used in OMB Circular No. A–11, "Preparation, Submission, and Execution of the Budget;" OMB Circular No. A–25, "User Charges;" and Chapter 11 of the volume, "Budget Concepts." In common usage, the terms "user charge" and "user fee" are often used interchangeably; and in *A Glossary of Terms Used in the Federal Budget Process*, GAO provides the same definition for both terms.

Table 15–3. GROSS OUTLAYS, USER CHARGES, OTHER OFFSETTING COLLECTIONS AND OFFSETTING RECEIPTS FROM THE PUBLIC, AND NET OUTLAYS

(In billions of dollars)

	Actual 2009	Estimate	
		2010	2011
Gross outlays	3,941.4	4,355.6	4,302.9
Offsetting collections and offsetting receipts from the public:			
User charges [1]	266.5	324.7	308.5
Other	157.3	310.2	160.5
Subtotal, offsetting collections and offsetting receipts from the public	423.7	634.9	469.0
Net outlays	3,517.7	3,720.7	3,833.9

[1] Total user charges for 2009 were $269.6 billion, with $3.2 billion classified as governmental receipts, and the remainder classified as offsetting collections and offsetting receipts. Total user charges for 2010 and 2011 are estimated to be $328.0 billion and $312.2 billion, respectively, with $3.2 billion and $3.6 billion classified as governmental receipts, again respectively.

to Executive Branch agencies on setting prices for user charges. Alternative definitions may be used for other purposes. Much of the discussion of user charges below—their purpose, when they should be levied, and how the amount should be set—applies to these alternative definitions as well.

The definition of user charges could be narrower than the one used in this chapter by being limited to proceeds from the sale of goods and services, excluding the proceeds from the sale of assets, and by being limited to proceeds that are dedicated to financing the goods and services being provided. This definition is similar to one the House of Representatives uses as a guide for purposes of committee jurisdiction. (See the *Congressional Record,* January 3, 1991, p. H31, item 8.) The definition of user charges could be even narrower by excluding regulatory fees and focusing solely on business-type transactions. Alternatively, the user charge definition could be broader than the one used in this chapter by including beneficiary- or liability-based excise taxes.[5]

What is the purpose of user charges? User charges are intended to improve the efficiency and equity of financing certain Government activities. Charging users for activities that benefit a relatively limited number of people and for regulatory activities reduces the burden on the general taxpayer.

User charges that are set to cover the costs of production of goods and services can result in more efficient resource allocation within the economy. When buyers are charged more of the cost of providing goods and services, they make better cost-benefit calculations regarding the size of their purchase, which in turn signals to the Government how much of the goods or services it should provide. Prices in private, competitive markets serve the same purposes. User charges for goods and services that do not have special social or distributional benefits may also improve equity or fairness by requiring those who benefit from an activity to pay for it and by not requiring those who do not benefit from an activity to pay for it.

When should the Government impose a charge? Discussions of whether to finance spending with a tax or a fee often focus on whether the benefits of the activity accrue to the public in general or to a limited group of people. In general, if the benefits of spending accrue broadly to the public or have special social or distributional benefits, then the program should be financed by taxes paid by the public. In contrast, if the benefits accrue to a limited number of private individuals or organizations and do not have special social or distributional benefits, then the program should be financed by charges paid by the private beneficiaries. For Federal programs where the benefits are entirely public or entirely private, applying this principle can be relatively easy. For example, according to this principle, the benefits from national defense accrue to the public in general, and should be and are financed by taxes. In contrast, the benefits of electricity sold by the Tennessee Valley Authority accrue exclusively to those using the electricity, and should be and are financed by user charges.

In many cases, however, an activity has benefits that accrue to both public and private groups, and it may be difficult to identify how much of the benefits accrue to each. Because of this, it can be difficult to know how much of the program should be financed by taxes and how much by fees. For example, the benefits from recreation areas are mixed. Fees for visitors to these areas are appropriate because the visitors benefit directly from their visit, but the public in general also benefits because these areas protect the Nation's natural and historic heritage now and for posterity. For this reason, visitor recreation fees do not generally cover the full cost to the Government of maintaining the recreation property. Where a fee may be appropriate to finance all or part of an activity, the extent to which a fee can be easily administered must be considered. For example, fees for entering or using Government owned land require clear points of entry onto the land and attendants patrolling and monitoring the land's use.

What amount should be charged? When the Government is acting in its capacity as sovereign and where user charges are appropriate, current policies support setting fees equal to the full cost to the Government, including both direct and indirect costs. When the Government is not acting in its capacity as sovereign and engages in a purely business-type transaction (such as leasing or selling goods, services, or resources), market price is generally the basis for establishing the fee.[6] If the Government is engaged in a purely business-type transaction and economic resources are allocated efficiently, then this market price should be equal to or greater than the Government's full cost of production.

Classification of user charges in the budget. As shown in the note to Table 15–3, most user charges are classified as offsets to outlays on the spending side of the budget, but a few are classified on the receipts side of the budget. An estimated $3.6 billion in 2011 of user charges are classified on the receipts side and are included in the governmental receipts totals described in the previous chapter, "Federal Receipts." They are classified as receipts because they are regulatory charges collected by the Federal Government by the exercise of its sovereign powers. Therefore, conceptually they should be classified as governmental receipts, and, unlike in a number of other cases, there is not a long-standing practice or specification in law to classify them as offsetting receipts. Examples include filing fees in the United States courts and agricultural quarantine inspection fees.

[5] Beneficiary- and liability-based taxes are terms taken from the Congressional Budget Office, *The Growth of Federal User Charges*, August 1993, and updated in October 1995. Gasoline taxes are an example of beneficiary-based taxes. An example of a liability-based tax is the excise tax that formerly helped fund the hazardous substance superfund in the Environmental Protection Agency. This tax was paid by industry groups to finance environmental cleanup activities related to the industry activity but not necessarily caused by the payer of the fee.

[6] Policies for setting user charges are promulgated in OMB Circular No. A–25: "User Charges" (July 8, 1993).

The remaining user charges, an estimated $308.5 billion in 2011, are classified as offsetting collections and offsetting receipts on the spending side of the budget. As discussed above in the context of all offsetting collections and offsetting receipts, some of these user charges are collected by the Federal Government by the exercise of its sovereign powers and conceptually should appear on the receipts side of the budget, but they are required by law or a long-standing practice to be classified on the spending side.

As shown in Table 15–1 above, an estimated $203.8 billion of user charges for 2011 will be credited directly to expenditure accounts and will generally be available for expenditure when they are collected, without further action by the Congress. An estimated $104.7 billion of user charges for 2011 will be deposited in offsetting receipt accounts and will be available to be spent only according to the legislation that established the charges.

III. USER CHARGE PROPOSALS

As shown in Table 15–4, the Administration is proposing new or increased user charges that would, in the aggregate, increase collections by an estimated $1.8 billion in 2011 and an average of $4.5 billion per year from 2012–20. These amounts are offsetting collections, offsetting receipts and governmental receipts only; they do not include related spending. Each proposal is classified as either discretionary or mandatory, as those terms are defined in the Budget Enforcement Act of 1990 as amended. "Discretionary" refers to user charges controlled through annual appropriations acts and generally under the jurisdiction of the appropriations committees in the Congress. "Mandatory" refers to user charges controlled by permanent laws and under the jurisdiction of the authorizing

Table 15–4. USER CHARGE PROPOSALS IN THE FY 2011 BUDGET [1]

(Estimated collections in millions of dollars)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2011–2015	2011–2020
OFFSETTING COLLECTIONS AND OFFSETTING RECEIPTS													
DISCRETIONARY:													
1. Offsetting collections													
Department of Commerce: Patent Trademark Office													
Interim fee increase	....	224	232	228	236	239	248	258	269	279	290	1,159	2,503
Department of Health and Human Services: Food and Drug Administration													
Generic drug review activities fees	....	38	40	42	44	46	48	51	53	56	59	210	478
Reinspection and export certification fees	....	32	34	35	37	39	41	43	45	47	50	177	402
Food inspection and food facility registration fees	....	220	231	243	255	267	281	295	310	325	341	1,216	2,767
Department of Homeland Security: Transportation Security Administration													
Aviation passenger security fee	....	....	782	1,595	2,441	2,490	2,540	2,590	2,642	2,695	2,749	7,309	20,525
Department of the Interior													
Minerals Management Service: Outer Continental Shelf oil and gas lease inspection fee	10	20	20	20	20	20	20	20	20	20	20	100	200
Bureau of Land Management: Public lands oil and gas lease inspection fee	....	10	10	10	10	10	10	10	10	10	10	50	100
Department of State													
Retention of consular fees	....	782	810	825	840	857	873	891	909	927	946	4,114	8,660
Western Hemisphere Travel Initiative surcharge extension	....	298	....	....	....	....	....	....	....	....	....	298	298
Department of Transportation: Federal Railroad Administration													
Railroad safety user fee	....	50	80	81	82	84	86	88	90	92	94	377	827
Department of the Treasury: Alcohol and Tobacco Tax and Trade Bureau													
Licensing fees	....	106	107	108	109	110	111	112	113	114	115	540	1,105
2. Offsetting receipts													
Department of Energy													
Environmental cleanup fee	....	200	204	208	212	216	221	225	230	235	240	1,040	2,191

Table 15–4. USER CHARGE PROPOSALS IN THE FY 2011 BUDGET [1]—Continued
(Estimated collections in millions of dollars)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2011–2015	2011–2020
Subtotal, discretionary user charge proposals	10	1,980	2,550	3,395	4,286	4,378	4,479	4,583	4,691	4,801	4,914	16,589	40,057
MANDATORY:													
Offsetting receipts													
Department of Agriculture													
Food Safety and Inspection Service: Performance and licensing user charges	....	11	13	13	13	14	14	14	14	15	15	64	136
Grain, Inspection, Packers, and Stockyards Administration: User charges	....	29	30	31	31	31	32	32	32	33	34	152	315
Animal and Plant Health Inspection Service: Inspection and licensing user charges	....	20	27	27	28	29	30	31	32	33	34	131	291
Natural Resource Conservation Service: User charges	....	19	19	19	19	19	19	19	19	19	19	95	190
Department of the Interior													
Minerals Management Service and Bureau of Land Management: Fee on nonproducing Federal oil and gas leases	....	8	22	38	53	67	80	97	114	132	149	188	760
Bureau of Land Management: Repeal of Energy Policy Act fee prohibition and mandatory permit funds	....	....	22	22	21	20	....	....	....	....	....	85	85
Department of Labor: Employment Standards Administration													
Foreign labor certification fee	....	111	111	111	95	95	95	95	95	95	95	523	998
Environmental Protection Agency													
Pesticide user charges	....	46	46	72	75	81	81	84	84	87	87	320	743
Pre-manufacture notice user charges	....	4	8	8	8	8	8	8	8	8	8	36	76
Federal Communications Commission													
Spectrum license fee authority	50	200	300	425	550	550	550	550	550	550	550	2,025	4,775
Extension of spectrum auction authority	....	....	....	200	200	200	200	200	200	200	200	600	1,600
Domestic satellite spectrum auctions	....	100	75	25	....	....	....	....	....	....	....	200	200
Subtotal, mandatory user charge proposals	50	548	673	991	1,093	1,114	1,109	1,130	1,148	1,172	1,191	4,419	10,169
Subtotal, user charge proposals that are offsetting collections and offsetting receipts	60	2,528	3,223	4,386	5,379	5,493	5,588	5,713	5,893	5,973	6,105	21,008	50,226
GOVERNMENTAL RECEIPTS													
Department of the Interior													
Fees for migratory bird hunting and conservation stamps	....	14	14	14	14	14	14	14	14	14	14	70	140
Department of State													
Retention of consular fees	....	-782	-810	-825	-840	-857	-873	-891	-909	-927	-946	-4,114	-8,660
Corps of Engineers - Civil Works													
Preservation of cost-sharing of inland waterways capital costs	....	....	196	163	187	129	100	72	70	68	68	675	1,053
Subtotal, governmental receipts user charge proposals	....	-768	-600	-648	-639	-714	-759	-805	-825	-845	-864	-3,369	-7,467
Total, user charge proposals	**60**	**1,760**	**2,623**	**3,738**	**4,740**	**4,779**	**4,829**	**4,908**	**5,014**	**5,128**	**5,241**	**17,639**	**42,759**

* $500 thousand or less
[1] A negative sign indicates a decrease in collections.

committees. These and other terms are discussed further in this volume in Chapter 11, "Budget Concepts."

A. Discretionary User Charge Proposals

1. Offsetting collections

Department of Commerce: U.S. Patent and Trademark Office (PTO)

Interim fee increase. The Budget includes a proposal to increase statutory patent fees by 15 percent, which is expected to yield over $200 million in additional collections in 2011. The increase is intended to be an interim measure to provide additional resources to process patent applications while PTO develops a new fee schedule that better aligns fee rates to the cost of providing services.

Department of Health and Human Services: Food and Drug Administration (FDA)

Generic drug review activities fees. Generic drugs play an important role in reducing the cost of and increasing access to pharmaceuticals. The Budget includes a proposal for a new user charge to generate additional resources in support of FDA's generic drug review activities. Similar to the purpose served by FDA's current prescription drug user charges, the proposed generic drug user charge would be used to improve review times and reduce the current backlog of applications.

Re-inspection and export certification fees. FDA conducts post-market inspections of manufacturers of food, human drugs, biologics, animal drugs, animal feed, and medical drugs to assess their compliance with Good Manufacturing Practice requirements. The Budget includes a proposal to enable FDA to assess fees for follow-up re-inspections that are required when violations of Good Manufacturing Practices are found during initial inspections. In addition, FDA collects user charges for the issuance of export certifications for human drugs, animal drugs, and medical devices. The Budget includes a proposal to expand FDA's authority to collect fees for issuing export certifications for food and animal feed.

Food inspection and food facility registration fees. The Budget includes two new user charges designed to improve and support additional inspections and enforcement activities, and to establish and maintain a food facility registration system.

Department of Homeland Security: Transportation Security Administration (TSA)

Aviation passenger security fee. Since its establishment in 2001, under the Aviation and Transportation Security Act, the aviation passenger security fee has been limited to $2.50 per passenger enplanement with a maximum fee of $5.00 per one-way trip. However, the cost of providing security has increased substantially since 2001. The Administration proposes to increase by $1.00 per year the aviation passenger security fee beginning in fiscal year 2012 to a maximum of $5.50 per enplanement and $11.00 per one-way trip in 2014 and thereafter. This adjustment will fulfill the original intent of the Aviation and Transportation Security Act by better aligning the cost of aviation security services with the fee paid by those individuals who directly benefit from the service. With the proposed adjustments to the aviation passenger security fee, total aviation security fees (which include an air carrier fee) would generate revenue sufficient to fund 76 percent of the discretionary costs of the TSA's Aviation Security Program in fiscal year 2014, compared to approximately 40 percent currently.

Department of the Interior

Minerals Management Service (MMS): Outer Continental Shelf (OCS) oil and gas lease inspection fee. The Budget includes appropriations language to increase OCS inspection fees on oil and gas facilities that are subject to inspection by MMS. The fees would be based on the number of oil and gas wells per facility, providing for costs to be shared equitably across the industry. According to agency data, MMS currently spends more than $44 million on compliance inspections. Inspection costs include, among other things, the cost of approximately 60 inspectors and nearly $20 million in helicopter costs. Inspection costs rise as energy development companies extend exploration and production efforts into deeper waters; additional miles must be flown, aircraft requirements increase, and the time for travel and inspection increases as facilities become increasingly complex. The proposed fee will generate approximately $20 million in 2011, up from $10 million in 2010, thereby requiring OCS energy developers to fund roughly 50 percent of compliance inspection costs.

Bureau of Land Management (BLM): Public lands oil and gas lease inspection fee. The Budget includes appropriations language to begin charging inspection fees to oil and gas facilities that are subject to inspection by BLM. The fees would be based on the number of oil and gas wells per facility, providing for costs to be shared equitably across the industry. According to agency data, BLM currently spends about $40 million on compliance inspections. Inspection costs include, among other things, the salaries and travel expenses of inspectors. The proposed fee will generate approximately $10 million in 2011, thereby requiring energy developers on Federal lands to fund roughly 25 percent of compliance costs.

Department of State

Western Hemisphere Travel Initiative surcharge extension. The Administration proposes to extend the authority for the Department of State to collect the Western Hemisphere Travel Initiative surcharge for one year, through September 30, 2011. The Passport Services Enhancement Act of 2005 (P.L. 109–167) authorized the Department to charge a fee, but only through September 30, 2010, to cover the Department's costs of meeting increased demand for passports as a result of the implementation of the Western Hemisphere Travel Initiative.

Retention of consular fees. The Administration proposes to standardize the budgetary treatment of fees related to the provision of consular services by the Department of State. The proposal would allow the Department to retain all user fees collected from the provision of passport, visa, and other consular services for 2011 and all future years. The portion of collections from consular fees currently deposited as governmental receipts would instead be deposited as offsetting collections for use by the Department to cover the full cost of immigration, passport, and other consular services. The proposed reclassification is included in the Budget as appropriations language. The Congressional Budget Committees would treat the reclassification as a pay-as-you-go (PAYGO) cost pursuant to section 10 of Rule XXI of the Rules of the House of Representatives, 111th Congress, and Section 201 of S. Con. Res. 21, the concurrent resolution on the Budget for 2008. For this reason, the Budget reflects this reclassification as a PAYGO cost, to be offset from within overall Administration spending and revenue proposals.

Department of Transportation: Federal Railroad Administration (FRA)

Railroad safety inspection fee. The FRA establishes and enforces safety standards for U.S. railroads. FRA's rail safety inspectors work in the field and oversee railroads' operating and management practices. The Administration is proposing that, starting in 2011, the railroads cover the cost of FRA's field inspections because railroads benefit directly from Government efforts to maintain high safety standards. The proposed fee would be similar to existing user charges collected from other industries regulated by Federal safety programs.

Department of the Treasury: Alcohol and Tobacco Tax and Trade Bureau (TTB)

TTB annual licensing fee. The TTB ensures that alcohol and tobacco products are labeled, advertised, and marketed in accordance with Federal law. TTB has the authority to inspect places of business associated with alcohol and tobacco production and distribution, and to assess fines for unlawful activity. The Administration proposes to begin collecting annual licensing fees from the regulated community to cover the costs of TTB's regulatory activities and align TTB with the self-financing structure of other Federal regulators.

2. Offsetting receipts

Department of Energy

Environmental cleanup fee. The Budget includes a proposal to reauthorize the special assessment on domestic utilities for deposit into the Uranium Enrichment Decontamination and Decommissioning Fund. Established in 1992, the Fund pays, subject to appropriations, the decontamination and decommissioning costs of the Department of Energy's gaseous diffusion plants in Tennessee, Ohio, and Kentucky. Additional resources, from the proposed cleanup fee, are required due to higher-than-expected cleanup costs.

B. Mandatory User Charge Proposals

Offsetting receipts

Department of Agriculture

Food Safety and Inspection Service (FSIS): Performance and licensing user charges. Through a variety of activities, including slaughter and processing plant inspections, FSIS ensures that meat, poultry and egg products are safe, wholesome, and correctly labeled and packaged. This Budget includes a proposal for two new user charges, a performance fee and a licensing fee. The performance fee would be charged to those facilities that have product recalls, are linked to an outbreak of food-borne illness, or require re-sampling and retesting because of positive samples. This fee would be charged each time one of these incidents occurs. The licensing fee is a flat fee for facility applications and renewal activities. This fee is graduated based on the size of the facility.

Grain Inspection, Packers, and Stockyards Administration (GIPSA): User charges. The Administration proposes to establish a fee to cover the cost associated with GIPSA's standardization activities and a licensing fee to cover the cost associated with administering meat packers and stockyards activities.

Animal and Plant Health Inspection Service (APHIS): Inspection and licensing user charges. The Administration proposes to establish user charges for: (1) animal welfare inspections for animal research facilities, carriers, and in-transit handlers of animals, (2) licenses for individuals or companies who seek to market a veterinary biologic, and (3) reviews and inspections that may allow APHIS to issue permits that acknowledge that regulated entities are providing sufficient safeguards in the testing of biotechnologically derived products.

Natural Resource Conservation Service (NRCS): User charges. NRCS assists farmers and ranchers in developing and implementing plans to protect, conserve, and enhance natural resources (soil, water, air, plants, and wildlife habitat). The Budget includes a proposal to begin charging for general conservation planning services.

Department of the Interior

Minerals Management Service and Bureau of Land Management: Fee on non-producing Federal oil and gas leases. The Budget includes a proposal that is part of a broader Administration initiative to encourage energy development on lands already leased for development. A new $4 per acre fee on non-producing Federal leases on Federal lands and waters would provide a financial incentive for oil and gas companies to either get their leases into production or relinquish them so that the tracts can be re-leased to and developed by new parties. The proposed $4 per acre fee would apply to all new leases and would be indexed annually. In October 2008, the Government Accountability Office (GAO) issued a report critical of past efforts by the Department of the Interior to ensure that companies diligently develop their Federal leases. Although the GAO report focused on administrative actions that the Department could undertake, this proposal requires legislative action. This proposal is similar to other non-producing fee proposals considered by the Congress in the last several years.

Bureau of Land Management (BLM): Repeal of Energy Policy Act fee prohibition and mandatory permit funds. Beginning in 2012, the Administration proposes to repeal a provision of the Energy Policy Act that prohibits BLM from charging fees for its services. The Budget proposal would permit BLM to charge a fee for oil and gas permit processing, consistent with recent appropriations provisions, generating offsetting collections that will permit a corresponding reduction in BLM's discretionary funding. In 2011, the Administration proposes to continue the oil and gas permit processing fees imposed by appropriations language, which overrides the Energy Policy Act fee prohibition.

Department of Labor (DOL): Employment and Training Administration

Foreign labor certification fee. Under the Immigration and Nationality Act, employers seeking to hire foreign workers must certify that qualified U.S. workers are not available for the job being offered to a foreign worker and that such hiring would not affect adversely the wages or working conditions of similarly employed U.S. workers.

DOL must approve the certification. The Administration proposes to establish a cost-based user fee to be paid by employers requesting permanent labor certifications and H–2B temporary visas for non-agricultural temporary workers. In addition, the Administration proposes to have the fees currently collected for H–2A temporary agricultural visas credited to a DOL account rather than to the general fund.

Environmental Protection Agency (EPA)

Pesticide user charges. All pesticides marketed in the United States must be registered with EPA. Presently, EPA collects fees from entities seeking to register their pesticides and from entities seeking to maintain their registrations. The Administration proposes to better cover the costs of EPA's pesticide registration services by increasing the amount charged for currently authorized pesticide user charges. Amendments to the Federal Insecticide, Fungicide, and Rodenticide Act require EPA to review all registered pesticides on a 15-year cycle to ensure that registrations reflect current science. The Administration's proposed increases to registration and maintenance fees are intended to cover the increased costs posed by these reviews and a greater portion of overall program costs. In addition, although the Federal Food, Drug, and Cosmetic Act requires EPA to collect fees for the establishment and reassessment of pesticide tolerances, the collection of these fees has been blocked through 2012 by statute. The Administration proposes to eliminate this prohibition and collect the tolerance fee beginning in 2011.

Premanufacture notice user charges. EPA presently collects fees from chemical manufacturers seeking to market new chemicals. These fees are authorized by the Toxic Substances Control Act and are subject to a statutory cap. The Administration proposes to lift the cap so that EPA can recover a greater portion of the program cost.

Federal Communications Commission (FCC)

Spectrum license fee authority. To promote efficient use of the electromagnetic spectrum, the Administration proposes to provide the FCC with new authority to use other economic mechanisms, such as fees, as a spectrum management tool. The Commission would be authorized to set user charges on unauctioned spectrum licenses based on spectrum-management principles. Fees would be phased in over time as part of an ongoing rulemaking process to determine the appropriate application and level for fees.

Extension of spectrum auction authority. The Administration proposes to extend indefinitely the authority of the FCC to auction spectrum licenses, which expires on September 30, 2012.

Domestic satellite spectrum auctions. The Administration proposes to ensure that spectrum licenses for predominantly domestic satellite services are assigned efficiently and effectively through competitive bidding. Services such as Direct Broadcast Satellite and Satellite Digital Audio Radio Services were assigned by auction prior to a 2005 court decision. The Administration proposes to authorize through legislation auctions of licenses for these and similar domestic satellite services.

C. User Charge Proposals that are Governmental Receipts

Department of the Interior

Migratory bird hunting and conservation stamp fees. Federal Migratory Bird Hunting and Conservation Stamps, known as "duck stamps," are required for hunting migratory waterfowl. Proceeds from the sale of the stamps are available without further appropriation to acquire important migratory bird breeding areas, migration resting places, and wintering areas.[7] The land and water interests acquired with the duck stamp proceeds establish or supplement existing National Wildlife Refuges. If the price of the duck stamp had been indexed to inflation since 1991, when it was last increased, it would cost $23 today. The Budget includes a proposal to increase the duck stamp price to $25 in 2011.

Department of State

Retention of consular fees. As discussed above, the Budget includes a proposal to reclassify consular fees. Consular fees currently recorded as governmental receipts would be recorded as discretionary offsetting collections.

Corps of Engineers—Civil Works

Preserving cost-sharing of inland waterways capital costs. In 1986, the Congress provided that commercial traffic on the inland waterways would be responsible for 50 percent of the capital costs of the locks and dams and of the other features that make barge transportation possible on the inland waterways. The current excise tax of 20 cents per gallon on diesel fuel used in inland waterways commerce does not produce the revenue needed to cover the required 50 percent of these costs. The Budget proposes to replace the fuel tax with a new funding mechanism that raises the needed revenue in a way that is more efficient and more equitable than the fuel tax. It will preserve the landmark cost-sharing reform established by the Congress in 1986, while supporting inland waterways construction, replacement, expansion, and rehabilitation work.

[7] By law, duck stamp proceeds are available for use without further action by Congress, and, in this way, are similar to offsetting collections.

16. TAX EXPENDITURES

The Congressional Budget Act of 1974 (Public Law 93-344) requires that a list of "tax expenditures" be included in the budget. Tax expenditures are defined in the law as "revenue losses attributable to provisions of the Federal tax laws which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, a preferential rate of tax, or a deferral of liability." These exceptions may be viewed as alternatives to other policy instruments, such as spending or regulatory programs.

Identification and measurement of tax expenditures depends importantly on the baseline tax system against which the actual tax system is compared. The tax expenditure estimates presented in this chapter are patterned on a comprehensive income tax, which defines income as the sum of consumption and the change in net wealth in a given period of time.

An important assumption underlying each tax expenditure estimate reported below is that other parts of the Tax Code remain unchanged. The estimates would be different if tax expenditures were changed simultaneously because of potential interactions among provisions. For that reason, this chapter does not present a grand total for the estimated tax expenditures.

Tax expenditures relating to the individual and corporate income taxes are estimated for fiscal years 2009–2015 using two methods of accounting: current revenue effects and present value effects. The present value approach provides estimates of the revenue effects for tax expenditures that generally involve deferrals of tax payments into the future.

A discussion of performance measures and economic effects related to the assessment of the effect of tax expenditures on the achievement of program performance goals is presented in Appendix A. This section is a complement to the Government-wide performance plan required by the Government Performance and Results Act of 1993.

TAX EXPENDITURES IN THE INCOME TAX

Tax Expenditure Estimates

All tax expenditure estimates presented here are based upon current tax law enacted as of December 31, 2009. Expired or repealed provisions are not listed if their revenue effects result only from taxpayer activity occurring before fiscal year 2009. The estimates reflect 2010 Budget Midsession Review economic assumptions. Legislation enacted in 2010 is not reflected in these estimates.

The total revenue effects for tax expenditures for fiscal years 2009–2015 are displayed according to the Budget's functional categories in Table 16–1. Descriptions of the specific tax expenditure provisions follow the tables of estimates and the discussion of general features of the tax expenditure concept.

Two baseline concepts—the normal tax baseline and the reference tax law baseline—are used to identify and estimate tax expenditures.[1] For the most part, the two concepts coincide. However, items treated as tax expenditures under the normal tax baseline, but not the reference tax law baseline, are indicated by the designation "normal tax method" in the tables. The revenue effects for these items are zero using the reference tax rules. The alternative baseline concepts are discussed in detail following the tables.

Table 16–2 reports the respective portions of the total revenue effects that arise under the individual and corporate income taxes separately. The location of the estimates under the individual and corporate headings does not imply that these categories of filers benefit from the special tax provisions in proportion to the respective tax expenditure amounts shown. Rather, these breakdowns show the specific tax accounts through which the various provisions are cleared. The ultimate beneficiaries of corporate tax expenditures could be shareholders, employees, customers, or other providers of capital, depending on economic forces.

Table 16–3 ranks the major tax expenditures by the size of their 2011–2015 revenue effect. The first column provides the number of the provision in order to cross reference this table to Tables 16–1 and 16–2, as well as to the descriptions below.

In the 2005 Analytical Perspectives, the treatment of capital gains was changed to exclude the portion of capital gains derived from corporate equity from the estimate of the tax expenditure for preferential tax rates on capital gains. In addition, the preferential rates on qualified dividend income that were enacted in the Jobs and Growth Tax Relief Reconciliation Act of 2003 were not identified as a tax expenditure. In this volume, the estimates reflect the pre-2005 methodology where no interaction effects among the various taxes are taken into account. For example, preferences under the personal income tax are evaluated in isolation of additional taxes that may apply under the corporate tax, the payroll tax,

[1] These baseline concepts are thoroughly discussed in Special Analysis G of the 1985 Budget, where the former is referred to as the pre-1983 method and the latter the post-1982 method.

the estate tax, and excise taxes. The preferential rate on qualified dividends is identified as a tax expenditure.

Interpreting Tax Expenditure Estimates

The estimates shown for individual tax expenditures in Tables 16–1, 16–2, and 16–3 do not necessarily equal the increase in Federal revenues (or the change in the budget balance) that would result from repealing these special provisions, for the following reasons.

First, eliminating a tax expenditure may have incentive effects that alter economic behavior. These incentives can affect the resulting magnitudes of the activity or of other tax provisions or Government programs. For example, if capital gains were taxed at ordinary rates, capital gain realizations would be expected to decline, resulting in lower tax receipts. Such behavioral effects are not reflected in the estimates.

Second, tax expenditures are interdependent even without incentive effects. Repeal of a tax expenditure provision can increase or decrease the tax revenues associated with other provisions. For example, even if behavior does not change, repeal of an itemized deduction could increase the revenue costs from other deductions because some taxpayers would be moved into higher tax brackets. Alternatively, repeal of an itemized deduction could lower the revenue cost from other deductions if taxpayers are led to claim the standard deduction instead of itemizing. Similarly, if two provisions were repealed simultaneously, the increase in tax liability could be greater or less than the sum of the two separate tax expenditures, because each is estimated assuming that the other remains in force. In addition, the estimates reported in Table 16–1 are the totals of individual and corporate income tax revenue effects reported in Table 16–2 and do not reflect any possible interactions between individual and corporate income tax receipts. For this reason, the estimates in Table 16–1 should be regarded as approximations.

Present-Value Estimates

The annual value of tax expenditures for tax deferrals is reported on a cash basis in all tables except Table 16–4. Cash-based estimates reflect the difference between taxes deferred in the current year and incoming revenues that are received due to deferrals of taxes from prior years. Although such estimates are useful as a measure of cash flows into the Government, they do not accurately reflect the true economic cost of these provisions. For example, for a provision where activity levels have changed, so that incoming tax receipts from past deferrals are greater than deferred receipts from new activity, the cash-basis tax expenditure estimate can be negative, despite the fact that in present-value terms current deferrals have a real cost to the Government. Alternatively, in the case of a newly enacted deferral provision, a cash-based estimate can overstate the real effect on receipts to the Government because the newly deferred taxes will ultimately be received.

Discounted present-value estimates of revenue effects are presented in Table 16–4 for certain provisions that involve tax deferrals or other long-term revenue effects. These estimates complement the cash-based tax expenditure estimates presented in the other tables.

The present-value estimates represent the revenue effects, net of future tax payments that follow from activities undertaken during calendar year 2009 which cause the deferrals or other long-term revenue effects. For instance, a pension contribution in 2009 would cause a deferral of tax payments on wages in 2009 and on pension fund earnings on this contribution (e.g., interest) in later years. In some future year, however, the 2009 pension contribution and accrued earnings will be paid out and taxes will be due; these receipts are included in the present-value estimate. In general, this conceptual approach is similar to the one used for reporting the budgetary effects of credit programs, where direct loans and guarantees in a given year affect future cash flows.

Tax Expenditure Baselines

A tax expenditure is an exception to baseline provisions of the tax structure that usually results in a reduction in the amount of tax owed. The 1974 Congressional Budget Act, which mandated the tax expenditure budget, did not specify the baseline provisions of the tax law. As noted previously, deciding whether provisions are exceptions, therefore, is a matter of judgment. As in prior years, most of this year's tax expenditure estimates are presented using two baselines: the normal tax baseline and the reference tax law baseline. Tax expenditures may take the form of credits, deductions, special exceptions and allowances, and reduce tax liability below the level implied by the baseline tax system.

The normal tax baseline is patterned on a practical variant of a comprehensive income tax, which defines income as the sum of consumption and the change in net wealth in a given period of time. The normal tax baseline allows personal exemptions, a standard deduction, and deduction of expenses incurred in earning income. It is not limited to a particular structure of tax rates, or by a specific definition of the taxpaying unit.

The reference tax law baseline is also patterned on a comprehensive income tax, but it is closer to existing law. Reference law tax expenditures are limited to special exceptions from a generally provided tax rule that serve programmatic functions in a way that is analogous to spending programs. Provisions under the reference law baseline are generally tax expenditures under the normal tax baseline, but the reverse is not always true.

Both the normal and reference tax baselines allow several major departures from a pure comprehensive income tax. For example, under the normal and reference tax baselines:

- Income is taxable only when it is realized in exchange. Thus, the deferral of tax on unrealized capital gains is not regarded as a tax expenditure. Accrued income would be taxed under a comprehensive income tax.

Table 16–1. ESTIMATES OF TOTAL INCOME TAX EXPENDITURES FOR FISCAL YEARS 2009-2015

(In millions of dollars)

		Total from corporations and individuals							
		2009	2010	2011	2012	2013	2014	2015	2011–15
	National Defense								
1	Exclusion of benefits and allowances to armed forces personnel	11,930	12,570	11,530	11,570	11,920	12,370	12,860	60,250
	International affairs:								
2	Exclusion of income earned abroad by U.S. citizens	5,320	5,590	5,870	6,160	6,470	6,790	7,130	32,420
3	Exclusion of certain allowances for Federal employees abroad	920	970	1,020	1,070	1,120	1,180	1,240	5,630
4	Inventory property sales source rules exception	2,420	2,620	2,830	3,070	3,320	3,590	3,890	16,700
5	Deferral of income from controlled foreign corporations (normal tax method)	31,580	30,960	32,720	33,870	34,490	33,930	34,130	35,840
6	Deferred taxes for financial firms on certain income earned overseas	5,570	5,460	5,770	5,980	6,090	5,990	6,020	6,320
	General science, space, and technology:								
7	Expensing of research and experimentation expenditures (normal tax method)	3,820	3,500	4,560	5,720	6,690	6,930	7,710	31,610
8	Credit for increasing research activities	8,010	5,890	3,850	3,080	2,460	1,964	1,568	12,922
	Energy:								
9	Expensing of exploration and development costs, fuels	1,640	2,040	1,180	920	900	680	340	4,020
10	Excess of percentage over cost depletion, fuels	340	610	670	940	1,130	1,160	1,190	5,090
11	Alternative fuel production credit	60	50	20	10	0	0	0	30
12	Exception from passive loss limitation for working interests in oil and gas properties	20	20	20	20	20	20	20	100
13	Capital gains treatment of royalties on coal	70	60	60	60	70	80	100	370
14	Exclusion of interest on energy facility bonds	10	10	30	30	30	30	30	150
15	New technology credit	430	880	1,160	1,430	1,530	1,530	1,500	7,150
16	Energy investment credit	270	530	600	680	420	370	450	2,520
17	Alcohol fuel credits [1]	50	1,200	8,870	10,940	6,690	3,610	2,030	32,140
18	Bio-Diesel and small agri-biodiesel producer tax credits [2]	30	10	10	0	0	0	0	10
19	Tax credit and deduction for clean-fuel burning vehicles	130	240	260	130	170	230	390	1,180
20	Exclusion of utility conservation subsidies	140	140	130	120	120	120	120	610
21	Credit for holding clean renewable energy bonds	70	80	100	120	140	140	140	640
22	Deferral of gain from dispositions of transmission property to implement FERC restructuring policy	–10	–150	–400	–460	–490	–500	–470	–2,320
23	Credit for investment in clean coal facilities	180	290	480	550	440	360	250	2,080
24	Temporary 50% expensing for equipment used in the refining of liquid fuels	770	1,140	930	760	630	–300	–790	1,230
25	Natural gas distribution pipelines treated as 15-year property	80	110	120	110	90	80	80	480
26	Amortize all geological and geophysical expenditures over 2 years	40	150	240	240	190	140	90	900
27	Allowance of deduction for certain energy efficient commercial building property	60	80	90	90	130	80	10	400
28	Credit for construction of new energy efficient homes	30	20	20	20	0	0	0	40
29	Credit for energy efficiency improvements to existing homes	570	1,950	1,460	0	0	0	0	1,460
30	Credit for energy efficient appliances	130	130	50	0	0	0	0	50
31	Credit for residential purchases/installations of solar and fuel cells	110	180	180	180	190	190	190	930
32	Qualified energy conservation bonds	0	10	40	80	110	120	120	470
	Natural resources and environment:								
33	Expensing of exploration and development costs, nonfuel minerals	50	90	90	100	100	100	100	490
34	Excess of percentage over cost depletion, nonfuel minerals	700	710	740	750	770	810	830	3,900
35	Exclusion of interest on bonds for water, sewage, and hazardous waste facilities	340	310	420	520	550	580	610	2,680
36	Capital gains treatment of certain timber income	70	60	60	60	70	80	100	370
37	Expensing of multiperiod timber growing costs	210	260	290	290	320	310	310	1,520
38	Tax incentives for preservation of historic structures	430	440	470	490	520	540	570	2,590
39	Expensing of capital costs with respect to complying with EPA sulfur regulations	10	0	0	0	0	0	0	0
40	Exclusion of gain or loss on sale or exchange of certain brownfield sites	40	70	60	40	30	10	0	140
41	Industrial CO2 capture and sequestration tax credit	0	0	0	0	0	60	130	190
42	Deduction for endangered species recovery expenditures	0	20	30	30	30	50	50	190
	Agriculture:								
43	Expensing of certain capital outlays	70	70	70	80	90	90	90	420
44	Expensing of certain multiperiod production costs	120	110	110	110	120	120	120	580
45	Treatment of loans forgiven for solvent farmers	20	20	20	20	20	20	20	100
46	Capital gains treatment of certain income	700	610	590	550	680	830	970	3,620
47	Income averaging for farmers	90	90	90	90	90	90	100	460
48	Deferral of gain on sale of farm refiners	20	20	20	20	20	20	20	100

Table 16–1. ESTIMATES OF TOTAL INCOME TAX EXPENDITURES FOR FISCAL YEARS 2009-2015—Continued
(In millions of dollars)

		Total from corporations and individuals							
		2009	2010	2011	2012	2013	2014	2015	2011–15
	Commerce and housing:								
	Financial institutions and insurance:								
49	Exemption of credit union income	650	650	710	790	880	960	1,030	4,370
50	Exclusion of interest on life insurance savings	20,280	21,140	23,070	24,700	26,420	28,220	29,860	132,270
51	Special alternative tax on small property and casualty insurance companies	40	40	40	50	50	50	60	250
52	Tax exemption of certain insurance companies owned by tax-exempt organizations	190	200	200	210	210	220	220	1,060
53	Small life insurance company deduction	50	50	50	50	50	50	50	250
54	Exclusion of interest spread of financial institutions	–120	520	960	1,070	1,160	1,250	1,330	6,170
	Housing:								
55	Exclusion of interest on owner-occupied mortgage subsidy bonds	960	870	1,190	1,470	1,540	1,610	1,710	7,520
56	Exclusion of interest on rental housing bonds	810	730	1,010	1,240	1,300	1,370	1,450	6,370
57	Deductibility of mortgage interest on owner-occupied homes	79,400	92,180	104,540	116,620	127,840	139,000	149,560	637,560
58	Deductibility of State and local property tax on owner-occupied homes	29,010	18,860	23,710	29,730	31,340	32,700	33,690	151,170
59	Deferral of income from installment sales	720	720	810	880	1,020	1,150	1,260	5,120
60	Capital gains exclusion on home sales	23,500	23,860	31,300	39,510	43,640	48,200	53,230	215,880
61	Exclusion of net imputed rental income	27,040	32,530	37,630	40,810	41,020	48,330	56,100	223,890
62	Exception from passive loss rules for $25,000 of rental loss	6,020	5,910	7,330	8,510	9,670	11,120	13,010	49,640
63	Credit for low-income housing investments	3,800	5,680	6,170	6,660	7,540	7,910	8,030	36,310
64	Accelerated depreciation on rental housing (normal tax method)	3,860	4,640	5,870	7,100	8,380	9,360	9,970	40,680
65	Discharge of mortgage indebtedness	360	260	200	180	120	0	0	500
66	Credit for homebuyer	9,730	16,540	1,530	–1,980	–1,210	–800	–490	–2,950
	Commerce:								
67	Cancellation of indebtedness	300	130	–10	–50	–30	0	40	–50
68	Exceptions from imputed interest rules	50	50	50	50	50	50	50	250
69	Treatment of qualified dividends	22,425	38,012	26,869	0	0	0	0	26,869
70	Capital gains (except agriculture, timber, iron ore, and coal) [3]	52,590	45,360	44,290	41,090	51,120	62,230	72,180	270,910
71	Capital gains exclusion of small corporation stock	50	50	170	290	300	470	690	1,920
72	Step-up basis of capital gains at death	41,370	36,740	44,520	53,270	57,260	61,560	66,180	282,790
73	Carryover basis of capital gains on gifts	1,630	1,430	4,790	2,050	2,740	2,940	3,160	15,680
74	Ordinary income treatment of loss from small business corporation stock sale	50	60	60	60	60	60	60	300
75	Accelerated depreciation of buildings other than rental housing (normal tax method)	–9,350	–11,080	–12,860	–13,960	–15,530	–16,360	–17,540	–76,250
76	Accelerated depreciation of machinery and equipment (normal tax method)	57,400	10,470	1,170	14,120	30,710	44,310	56,400	146,710
77	Expensing of certain small investments (normal tax method)	–130	410	–3,200	–2,820	–710	210	760	–5,760
78	Graduated corporation income tax rate (normal tax method)	2,720	2,860	3,120	3,070	3,150	3,420	3,600	16,360
79	Exclusion of interest on small issue bonds	250	230	320	400	420	430	460	2,030
80	Deduction for US production activities	9,020	11,530	13,640	14,420	15,290	16,210	17,120	76,680
81	Special rules for certain film and TV production	60	50	–60	–110	–90	–60	–50	–370
	Transportation:								
82	Deferral of tax on shipping companies	20	20	20	20	20	20	20	100
83	Exclusion of reimbursed employee parking expenses	2,960	3,020	3,100	3,190	3,320	3,460	3,590	16,660
84	Exclusion for employer-provided transit passes	540	560	530	560	600	640	670	3,000
85	Tax credit for certain expenditures for maintaining railroad tracks	80	110	70	30	10	10	0	120
86	Exclusion of interest on bonds for Financing of Highway Projects and rail-truck transfer facilities	90	100	100	90	60	60	60	370
	Community and regional development:								
87	Investment credit for rehabilitation of structures (other than historic)	30	30	30	30	30	30	30	150
88	Exclusion of interest for airport, dock, and similar bonds	680	610	850	1,040	1,090	1,140	1,210	5,330
89	Exemption of certain mutuals' and cooperatives' income	110	110	110	110	120	120	120	580
90	Empowerment zones and renewal communities	1,130	750	430	580	680	740	730	3,160
91	New markets tax credit	580	720	800	810	780	740	660	3,790
92	Expensing of environmental remediation costs	290	20	–140	–140	–140	–130	–120	–670
93	Credit to holders of Gulf Tax Credit Bonds.	30	80	80	70	50	50	50	300
94	Recovery Zone Bonds [4]	0	0	30	40	40	40	40	190
95	Tribal Economic Development Bonds	0	140	390	470	490	520	550	2,420

Table 16–1. ESTIMATES OF TOTAL INCOME TAX EXPENDITURES FOR FISCAL YEARS 2009-2015—Continued

(In millions of dollars)

		Total from corporations and individuals							
		2009	2010	2011	2012	2013	2014	2015	2011–15
	Education, training, employment, and social services:								
	Education:								
96	Exclusion of scholarship and fellowship income (normal tax method)	2,080	2,160	2,250	2,340	2,440	2,540	2,650	12,220
97	HOPE tax credit	2,920	0	840	4,250	4,460	4,680	4,900	19,130
98	Lifetime Learning tax credit	3,860	2,910	3,360	4,780	5,010	5,250	5,510	23,910
99	American Opportunity Tax Credit	2,460	13,590	11,380	0	0	0	0	11,380
100	Education Individual Retirement Accounts	40	60	70	80	80	90	100	420
101	Deductibility of student-loan interest	1,250	1,260	1,130	590	610	640	660	3,630
102	Deduction for higher education expenses	1,790	520	0	0	0	0	0	0
103	State prepaid tuition plans	1,200	1,390	1,580	1,750	1,860	1,950	2,050	9,190
104	Exclusion of interest on student-loan bonds	440	400	550	670	710	740	780	3,450
105	Exclusion of interest on bonds for private nonprofit educational facilities	1,780	1,610	2,220	2,720	2,850	3,000	3,170	13,960
106	Credit for holders of zone academy bonds	190	220	260	290	280	250	230	1,310
107	Exclusion of interest on savings bonds redeemed to finance educational expenses	20	20	20	20	20	20	20	100
108	Parental personal exemption for students age 19 or over	4,440	2,710	2,780	3,140	2,950	2,750	2,550	14,170
109	Deductibility of charitable contributions (education)	4,170	4,290	4,940	5,370	5,800	6,190	6,610	28,910
110	Exclusion of employer-provided educational assistance	660	690	30	0	0	0	0	30
111	Special deduction for teacher expenses	180	160	0	0	0	0	0	0
112	Discharge of student loan indebtedness	20	20	20	20	20	20	20	100
113	Qualified school construction bonds	20	110	310	630	940	1,060	1,060	4,000
	Training, employment, and social services:								
114	Work opportunity tax credit	870	910	830	540	260	130	60	1,820
115	Welfare-to-work tax credit	50	30	10	10	0	0	0	20
116	Employer provided child care exclusion	770	1,210	1,370	1,410	1,480	1,550	1,630	7,440
117	Employer-provided child care credit	10	20	10	0	0	0	0	10
118	Assistance for adopted foster children	450	460	490	520	550	580	610	2,750
119	Adoption credit and exclusion	530	580	460	90	90	90	90	820
120	Exclusion of employee meals and lodging (other than military)	1,010	1,060	1,110	1,170	1,230	1,300	1,370	6,180
121	Child credit [5]	25,640	23,450	18,550	10,870	10,610	10,320	9,990	60,340
122	Credit for child and dependent care expenses	4,330	3,750	2,200	1,890	1,830	1,730	1,650	9,300
123	Credit for disabled access expenditures	20	20	20	30	30	30	30	140
124	Deductibility of charitable contributions, other than education and health	36,710	37,720	43,850	47,730	51,570	55,140	58,850	257,140
125	Exclusion of certain foster care payments	440	420	400	390	390	390	370	1,940
126	Exclusion of parsonage allowances	580	620	660	700	740	790	840	3,730
127	Employee retention credit for employers in certain federal disaster areas	140	40	0	0	0	0	0	0
128	Exclusion for benefits provided to volunteer EMS and firefighters	80	80	60	0	0	0	0	60
129	Temporary income exclusion for employer provided lodging in Midwestern disaster area	20	0	0	0	0	0	0	0
130	Making work pay tax credit [6]	9,340	23,450	14,160	0	0	0	0	14,160
	Health:								
131	Exclusion of employer contributions for medical insurance premiums and medical care [7]	144,412	159,868	176,964	191,540	208,650	228,040	248,600	1,053,794
132	Self-employed medical insurance premiums	4,870	5,250	5,740	6,150	6,580	7,120	7,780	33,370
133	Medical Savings Accounts / Health Savings Accounts	1,930	2,030	2,130	2,240	2,350	2,470	2,590	11,780
134	Deductibility of medical expenses	8,760	9,090	10,030	10,980	11,970	13,260	14,910	61,150
135	Exclusion of interest on hospital construction bonds	2,690	2,440	3,350	4,110	4,310	4,540	4,790	21,100
136	Deductibility of charitable contributions (health)	4,150	4,260	4,950	5,380	5,810	6,230	6,640	29,010
137	Tax credit for orphan drug research	270	290	320	350	380	410	450	1,910
138	Special Blue Cross/Blue Shield deduction	760	890	690	660	590	530	690	3,160
139	Tax credit for health insurance purchased by certain displaced and retired individuals [8]	10	10	10	10	10	10	10	50
140	Distributions from retirement plans for premiums for health and long-term care insurance	260	300	330	360	400	440	490	2,020
	Income security:								
141	Exclusion of railroad retirement system benefits	330	320	300	280	260	250	250	1,340
142	Exclusion of workers' compensation benefits	5,810	5,870	5,940	6,070	6,170	6,270	6,370	30,820
143	Exclusion of public assistance benefits (normal tax method)	600	640	670	710	740	760	790	3,670
144	Exclusion of special benefits for disabled coal miners	40	40	40	40	40	40	40	200
145	Exclusion of military disability pensions	110	110	110	110	110	110	120	560

Table 16–1. ESTIMATES OF TOTAL INCOME TAX EXPENDITURES FOR FISCAL YEARS 2009-2015—Continued

(In millions of dollars)

		Total from corporations and individuals							
		2009	2010	2011	2012	2013	2014	2015	2011–15
	Net exclusion of pension contributions and earnings:								
146	Employer plans	40,670	41,360	44,630	47,870	49,050	51,950	53,980	247,480
147	401(k) plans	44,126	53,549	67,061	70,168	72,716	74,712	76,183	360,840
148	Individual Retirement Accounts	12,090	12,780	14,080	15,770	16,190	16,400	16,500	78,940
149	Low and moderate income savers credit	1,050	1,180	1,170	1,130	1,060	1,000	960	5,320
150	Keogh plans	12,770	13,890	15,120	17,190	19,740	21,100	22,610	95,760
	Exclusion of other employee benefits:								
151	Premiums on group term life insurance	2,160	2,110	2,160	2,280	2,320	2,350	2,390	11,500
152	Premiums on accident and disability insurance	320	330	340	350	360	360	360	1,770
153	Income of trusts to finance supplementary unemployment benefits	30	40	50	50	50	50	60	260
154	Special ESOP rules	1,700	1,700	1,800	1,900	2,000	2,100	2,200	10,000
155	Additional deduction for the blind	40	30	40	50	50	50	50	240
156	Additional deduction for the elderly	2,230	2,030	2,600	3,100	3,300	3,550	3,690	16,240
157	Tax credit for the elderly and disabled	10	10	10	10	10	10	10	50
158	Deductibility of casualty losses	510	560	640	680	720	750	780	3,570
159	Earned income tax credit [9]	4,420	6,190	6,200	8,380	8,540	8,790	9,090	41,000
160	Additional exemption for housing Hurricane Katrina displaced individuals	10	0	0	0	0	0	0	0
161	Exclusion of unemployment insurance benefits	1,310	5,220	0	0	0	0	0	0
	Social Security:								
	Exclusion of social security benefits:								
162	Social Security benefits for retired workers	20,970	21,410	20,240	21,380	22,560	24,160	26,810	115,150
163	Social Security benefits for disabled workers	6,460	6,950	7,160	7,450	7,750	8,080	8,580	39,020
164	Social Security benefits for spouses, dependents and survivors	3,650	3,850	3,140	3,150	3,170	3,200	3,330	15,990
165	Tax Credit for Certain Government Retirees [10]	40	110	0	0	0	0	0	0
	Veterans benefits and services:								
166	Exclusion of veterans death benefits and disability compensation	3,900	4,130	4,370	4,630	4,910	5,200	5,510	24,620
167	Exclusion of veterans pensions	190	200	220	250	260	270	270	1,270
168	Exclusion of GI bill benefits	300	470	770	1,010	1,270	1,570	1,910	6,530
169	Exclusion of interest on veterans housing bonds	20	30	30	40	50	60	60	240
	General purpose fiscal assistance:								
170	Exclusion of interest on public purpose State and local bonds	22,990	20,810	28,660	35,130	36,900	38,780	40,910	180,380
171	Build America Bonds [11]	–200	–1,300	–2,120	–2,110	–2,030	–1,960	–1,880	–10,100
172	Deductibility of nonbusiness state and local taxes other than on owner-occupied homes	45,310	33,920	46,500	58,100	61,890	65,320	68,250	300,060
	Interest:								
173	Deferral of interest on U.S. savings bonds	1,270	1,180	1,220	1,300	1,320	1,330	1,340	6,510
	Addendum: Aid to State and local governments:								
	Deductibility of:								
	Property taxes on owner-occupied homes	29,010	18,860	23,710	29,730	31,340	32,700	33,690	151,170
	Nonbusiness State and local taxes other than on owner-occupied homes	45,310	33,920	46,500	58,100	61,890	65,320	68,250	300,060
	Exclusion of interest on State and local bonds for:								
	Public purposes	22,990	20,810	28,660	35,130	36,900	38,780	40,910	180,380
	Energy facilities	10	10	30	30	30	30	30	150
	Water, sewage, and hazardous waste disposal facilities	340	310	420	520	550	580	610	2,680
	Small-issues	250	230	320	400	420	430	460	2,030
	Owner-occupied mortgage subsidies	960	870	1,190	1,470	1,540	1,610	1,710	7,520
	Rental housing	810	730	1,010	1,240	1,300	1,370	1,450	6,370
	Airports, docks, and similar facilities	680	610	850	1,040	1,090	1,140	1,210	5,330
	Student loans	440	400	550	670	710	740	780	3,450
	Private nonprofit educational facilities	1,780	1,610	2,220	2,720	2,850	3,000	3,170	13,960
	Hospital construction	2,690	2,440	3,350	4,110	4,310	4,540	4,790	21,100
	Veterans' housing	10	10	20	20	20	20	20	100
	GO Zone and GO Zone mortgage	80	70	90	110	120	120	130	610
	Credit for holders of zone academy bonds	190	220	260	290	280	250	230	1,310

[1] Firms can tax an energy grant in lieu of the energy production credit or the energy investment credit for facilities placed in service in 2009 and 2010 or whose construction commenced in 2009 and 2010.

The effect of the grant on outlays (in millions of dollars) is as follows: 2009 $1,050; 2010 $3,090; 2011 $4,460; 2012 $4,240; 2013 $2,360; 2014 $230; 2015 $30.

[2] In addition, the alcohol fuel credit results in a reduction in excise tax receipts (in millions of dollars) as follows: 2009 $5,160; 2010 $6,100; 2011 $1,940; 2012 $0; 2013 $0; 2014 $0; 2015 $0.

[3] In addition, the biodiesel producer tax credit results in a reduction in excise tax receipts (in millions of dollars) as follows: 2009 $810; 2010 $200; 2011 $0; 2012 $0; 2013 $0; 2014 $0; 2015 $0.

[4] In addition, recovery zone bonds have outlay effects (in millions of dollars) as follows: 2009 $0; 2010 $80; 2011 $150; 2012 $170; 2013 $170; 2014 $170; and 2015 $170.

[5] The figures in the table indicate the effect of the child tax credit on receipts. The effect of the credit on outlays (in millions of dollars) is as follows: 2009 $19,150; 2010 $30,290; 2011 $29,790; 2012 $1,490; 2013 $1,460; 2014 $1,420; and 2015 $1,380.

[6] The figures in the table indicate the effect of the making work pay tax credit on receipts. The effect of the credit on outlays (in millions of dollars) is as follows: 2009 $645; 2010 $32,528; and 2011 $31,490.

[7] The figures in the table indicate the effect on income taxes of the employer contributions for health. In addition, the effect on payroll tax receipts (in millions of dollars) is as follows: 2009 $97,130; 2010 $101,710; 2011 $106,730; 2012 $113,570; 2013 $121,770; 2014 $130,860; and 2015 $140,400.

[8] The figures in the table indicate the effect of the health insurance tax credit on receipts. The effect of the credit on outlays (in millions of dollars) is as follows: 2009 $100; 2010 $110; 2011 $110; 2012 $120; 2013 $130; 2014 $140; and 2015 $150.

[9] The figures in the table indicate the effect of the earned income tax credit on receipts. The effect of the credit on outlays (in millions of dollars) is as follows: 2009 $44,370; 2010 $51,500; 2011 $51,450; 2012 $43,980; 2013 $43,860; 2014 $44,130; and 2015 $44,380.

[10] The figures in the table indicate the effect of the tax credit for certain government retirees on receipts. The effect of the credit on outlays (in millions of dollars) is as follows: 2010 $99.

[11] In addition, Build America Bonds have outlay effects of (in millions of dollars): 2009 $20; 2010 $2,900; 2011 $3,050; 2012 $2,960; 2013 $2,850; 2014 $2,740; and 2015 $2,640.

Table 16–2. ESTIMATES OF TAX EXPENDITURES FOR THE CORPORATE AND INDIVIDUAL INCOME TAXES FOR FISCAL YEARS 2009-2015

(In millions of dollars)

		Corporations								Individuals							
		2009	2010	2011	2012	2013	2014	2015	2011–15	2009	2010	2011	2012	2013	2014	2015	2011–15
National Defense:																	
1	Exclusion of benefits and allowances to armed forces personnel									11,930	12,570	11,530	11,570	11,920	12,370	12,860	60,250
International affairs:																	
2	Exclusion of income earned abroad by U.S. citizens									5,320	5,590	5,870	6,160	6,470	6,790	7,130	32,420
3	Exclusion of certain allowances for Federal employees abroad									920	970	1020	1070	1120	1180	1240	5,630
4	Inventory property sales source rules exception	2,420	2,620	2,830	3,070	3,320	3,590	3,890	16,700								
5	Deferral of income from controlled foreign corporations (normal tax method)	31,580	30,960	32,720	33,870	34,490	33,930	34,130	35,840								
6	Deferred taxes for financial firms on certain income earned overseas	5,570	5,460	5,770	5,980	6,090	5,990	6,020	6,320								
General science, space, and technology:																	
7	Expensing of research and experimentation expenditures (normal tax method)	3,560	3,220	4,250	5,390	6,330	6,550	7,310	29,830	260	280	310	330	360	380	400	1,780
8	Credit for increasing research activities	7,620	5,770	3,850	3,080	2,460	1,964	1,568	12,922	390	120	0	0	0	0	0	0
Energy:																	
9	Expensing of exploration and development costs, fuels	1,370	1,710	990	770	760	570	290	3,380	270	330	190	150	140	110	50	640
10	Excess of percentage over cost depletion, fuels	310	560	610	860	1,030	1,060	1,090	4,650	30	50	60	80	100	100	100	440
11	Alternative fuel production credit	60	50	20	10	0	0	0	30	0	0	0	0	0	0	0	0
12	Exception from passive loss limitation for working interests in oil and gas properties									20	20	20	20	20	20	20	100
13	Capital gains treatment of royalties on coal									70	60	60	60	70	80	100	370
14	Exclusion of interest on energy facility bonds	0	0	10	10	10	10	10	50	10	10	20	20	20	20	20	100
15	Energy production credit [1]	380	770	1,010	1,230	1,300	1,290	1,260	6,090	50	110	150	200	230	240	240	1,060
16	Energy investment credit [1]	230	430	480	540	350	330	400	2,100	40	100	120	140	70	40	50	420
17	Alcohol fuel credits [2]	40	1,190	8,850	10,900	6,640	3,590	2,020	32,000	10	10	20	40	50	20	10	140
18	Bio-Diesel and small agri-biodiesel producer tax credits [3]	20	10	10	0	0	0	0	10	10	0	0	0	0	0	0	0
19	Tax credit and deduction for clean-fuel burning vehicles	80	180	220	120	160	210	340	1,050	50	60	40	10	10	20	50	130
20	Exclusion of utility conservation subsidies	10	10	0	0	0	0	0	0	130	130	130	120	120	120	120	610
21	Credit for holding clean renewable energy bonds	20	20	30	30	40	40	40	180	50	60	70	90	100	100	100	460
22	Deferral of gain from dispositions of transmission property to implement FERC restructuring policy	–10	–150	–400	–460	–490	–500	–470	–2,320								
23	Credit for investment in clean coal facilities	180	290	480	550	440	360	250	2,080	0	0	0	0	0	0	0	0
24	Temporary 50% expensing for equipment used in the refining of liquid fuels	770	1140	930	760	630	–300	–790	1,230	0	0	0	0	0	0	0	0
25	Natural gas distribution pipelines treated as 15-year property	80	110	120	110	90	80	80	480	0	0	0	0	0	0	0	0
26	Amortize all geological and geophysical expenditures over 2 years	30	120	190	190	150	110	70	710	10	30	50	50	40	30	20	190
27	Allowance of deduction for certain energy efficient commercial building property	50	60	70	70	100	60	10	310	10	20	20	20	30	20	0	90
28	Credit for construction of new energy efficient homes	10	10	10	10	0	0	0	20	20	10	10	10	0	0	0	20
29	Credit for energy efficiency improvements to existing homes	0	0	0	0	0	0	0	0	570	1,950	1,460	0	0	0	0	1,460
30	Credit for energy efficient appliances	130	130	50	0	0	0	0	50	0	0	0	0	0	0	0	0
31	Credit for residential energy efficient property	0	0	0	0	0	0	0	0	110	180	180	180	190	190	190	930
32	Qualified energy conservation bonds	0	0	10	20	30	30	30	120	0	10	30	60	80	90	90	350

Table 16–2. ESTIMATES OF TAX EXPENDITURES FOR THE CORPORATE AND INDIVIDUAL INCOME TAXES FOR FISCAL YEARS 2009-2015—Continued

(In millions of dollars)

		Corporations								Individuals							
		2009	2010	2011	2012	2013	2014	2015	2011–15	2009	2010	2011	2012	2013	2014	2015	2011–15
Natural resources and environment:																	
33	Expensing of exploration and development costs, nonfuel minerals	50	90	90	100	100	100	100	490								0
34	Excess of percentage over cost depletion, nonfuel minerals	680	690	720	730	750	780	800	3,780	20	20	20	20	20	30	30	120
35	Exclusion of interest on bonds for water, sewage, and hazardous waste facilities	70	80	140	180	180	190	200	890	270	230	280	340	370	390	410	1,790
36	Capital gains treatment of certain timber income									70	60	60	60	70	80	100	370
37	Expensing of multiperiod timber growing costs	130	170	180	180	210	200	200	970	80	90	110	110	110	110	110	550
38	Tax incentives for preservation of historic structures	330	340	360	380	400	420	440	2,000	100	100	110	110	120	120	130	590
39	Expensing of capital costs with respect to complying with EPA sulfur regulations	10	0	0	0	0	0	0	0								
40	Exclusion of gain or loss on sale or exchange of certain brownfield sites	30	50	40	30	20	10	0	100	10	20	20	10	10	0	0	40
41	Industrial CO2 capture and sequestration tax credit	0	0	0	0	0	60	130	190								
42	Deduction for endangered species recovery expenditures	0	10	20	20	20	30	30	120	0	10	10	10	10	20	20	70
Agriculture:																	
43	Expensing of certain capital outlays	10	10	10	10	10	10	10	50	60	60	60	70	80	80	80	370
44	Expensing of certain multiperiod production costs	10	10	10	10	10	10	10	50	110	100	100	100	110	110	110	530
45	Treatment of loans forgiven for solvent farmers									20	20	20	20	20	20	20	100
46	Capital gains treatment of certain income									700	610	590	550	680	830	970	3,620
47	Income averaging for farmers									90	90	90	90	90	90	100	460
48	Deferral of gain on sale of farm refiners	20	20	20	20	20	20	20	100								
Commerce and housing:																	
	Financial institutions and insurance:																
49	Exemption of credit union income	650	650	710	790	880	960	1,030	4,370								
50	Exclusion of interest on life insurance savings	1,530	1590	1680	1770	1860	1970	2070	9,350	18750	19550	21390	22930	24560	26250	27790	122,920
51	Special alternative tax on small property and casualty insurance companies	40	40	40	50	50	50	60	250								
52	Tax exemption of certain insurance companies owned by tax-exempt organizations	190	200	200	210	210	220	220	1,060								
53	Small life insurance company deduction	50	50	50	50	50	50	50	250								
54	Exclusion of interest spread of financial institutions									–120	520	960	1,070	1,160	1,250	1,330	6,170
	Housing:																
55	Exclusion of interest on owner-occupied mortgage subsidy bonds	200	220	400	510	510	520	550	2,490	760	650	790	960	1,030	1,090	1,160	5,030
56	Exclusion of interest on rental housing bonds	170	180	340	430	430	440	470	2,110	640	550	670	810	870	930	980	4,260
57	Deductibility of mortgage interest on owner-occupied homes									79,400	92,180	104,540	116,620	127,840	139,000	149,560	637,560
58	Deductibility of State and local property tax on owner-occupied homes									29,010	18,860	23,710	29,730	31,340	32,700	33,690	151,170
59	Deferral of income from installment sales									720	720	810	880	1,020	1,150	1,260	5,120
60	Capital gains exclusion on home sales									23,500	23,860	31,300	39,510	43,640	48,200	53,230	215,880
61	Exclusion of net imputed rental income									27,040	32,530	37,630	40,810	41,020	48,330	56,100	223,890
62	Exception from passive loss rules for $25,000 of rental loss									6,020	5,910	7,330	8,510	9,670	11,120	13,010	49,640
63	Credit for low-income housing investments	3,610	5,400	5,860	6,330	7,160	7,510	7,630	34,490	190	280	310	330	380	400	400	1,820

Table 16–2. ESTIMATES OF TAX EXPENDITURES FOR THE CORPORATE AND INDIVIDUAL INCOME TAXES FOR FISCAL YEARS 2009-2015—Continued

(In millions of dollars)

		Corporations								Individuals							
		2009	2010	2011	2012	2013	2014	2015	2011–15	2009	2010	2011	2012	2013	2014	2015	2011–15
64	Accelerated depreciation on rental housing (normal tax method)	500	750	890	1,020	1,350	1,410	1,480	6,150	3,360	3,890	4,980	6,080	7,030	7,950	8,490	34,530
65	Discharge of mortgage indebtedness									360	260	200	180	120	0	0	500
66	Credit for homebuyer									9,730	16,540	1,530	–1,980	–1,210	–800	–490	–2,950
	Commerce:																
67	Cancellation of indebtedness									300	130	–10	–50	–30	0	40	–50
68	Exceptions from imputed interest rules									50	50	50	50	50	50	50	250
69	Treatment of qualified dividends									22,425	38,012	26,869	0	0	0	0	26,869
70	Capital gains (except agriculture, timber, iron ore, and coal)									52,590	45,360	44,290	41,090	51,120	62,230	72,180	270,910
71	Capital gains exclusion of small corporation stock									50	50	170	290	300	470	690	1,920
72	Step-up basis of capital gains at death									41,370	36,740	44,520	53,270	57,260	61,560	66,180	282,790
73	Carryover basis of capital gains on gifts									1,630	1,430	4,790	2,050	2,740	2,940	3,160	15,680
74	Ordinary income treatment of loss from small business corporation stock sale									50	60	60	60	60	60	60	300
75	Accelerated depreciation of buildings other than rental housing (normal tax method)	–2,380	–3,420	–3,760	–3,880	–4,740	–4,730	–5,020	–22,130	–6,970	–7,660	–9,100	–10,080	–10,790	–11,630	–12,520	–54,120
76	Accelerated depreciation of machinery and equipment (normal tax method)	23,040	320	–5,160	1,750	11,810	18,490	24,770	51,660	34,360	10,150	6,330	12,370	18,900	25,820	31,630	95,050
77	Expensing of certain small investments (normal tax method)	–170	190	–350	–360	–50	70	150	–540	40	220	–2,850	–2,460	–660	140	610	–5,220
78	Graduated corporation income tax rate (normal tax method)	2,720	2,860	3,120	3,070	3,150	3,420	3,600	16,360	0	0	0	0	0	0	0	0
79	Exclusion of interest on small issue bonds	50	60	110	140	140	140	150	680	200	170	210	260	280	290	310	1,350
80	Deduction for US production activities	6,930	8,770	10,320	10,910	11,570	12,260	12,950	58,010	2,090	2,760	3,320	3,510	3,720	3,950	4,170	18,670
81	Special rules for certain film and TV production	50	40	–50	–90	–70	–50	–40	–300	10	10	–10	–20	–20	–10	–10	–70
Transportation:																	
82	Deferral of tax on shipping companies	20	20	20	20	20	20	20	100	0	0	0	0	0	0	0	0
83	Exclusion of reimbursed employee parking expenses									2,960	3,020	3,100	3,190	3,320	3,460	3,590	16,660
84	Exclusion for employer-provided transit passes									540	560	530	560	600	640	670	3,000
85	Tax credit for certain expenditures for maintaining railroad tracks	70	100	60	30	10	10	0	110	10	10	10	0	0	0	0	10
86	Exclusion of interest on bonds for Financing of Highway Projects and rail-truck transfer facilities	20	30	30	20	10	10	10	80	70	70	70	70	50	50	50	290
Community and regional development:																	
87	Investment credit for rehabilitation of structures (other than historic)	10	10	10	10	10	10	10	50	20	20	20	20	20	20	20	100
88	Exclusion of interest for airport, dock, and similar bonds	140	150	290	360	360	370	390	1,770	540	460	560	680	730	770	820	3,560
89	Exemption of certain mutuals' and cooperatives' income	110	110	110	110	120	120	120	580								
90	Empowerment zones and renewal communities	270	140	80	110	130	150	140	610	860	610	350	470	550	590	590	2,550
91	New markets tax credit	520	650	720	730	700	660	590	3,400	60	70	80	80	80	80	70	390
92	Expensing of environmental remediation costs	240	20	–120	–120	–120	–110	–100	–570	50	0	–20	–20	–20	–20	–20	–100
93	Credit to holders of Gulf Tax Credit Bonds.	0	20	20	20	10	10	10	70	30	60	60	50	40	40	40	230
94	Recovery Zone Bonds [4]	0	0	10	10	10	10	10	50	0	0	20	30	30	30	30	140
95	Tribal Economic Development Bonds	0	50	130	160	160	170	180	800	0							

Table 16–2. ESTIMATES OF TAX EXPENDITURES FOR THE CORPORATE AND INDIVIDUAL INCOME TAXES FOR FISCAL YEARS 2009-2015—Continued

(In millions of dollars)

		Corporations								Individuals							
		2009	2010	2011	2012	2013	2014	2015	2011–15	2009	2010	2011	2012	2013	2014	2015	2011–15
96	Exclusion of scholarship and fellowship income (normal tax method)									2,080	2,160	2,250	2,340	2,440	2,540	2,650	12,220
97	HOPE tax credit									2,920	0	840	4,250	4,460	4,680	4,900	19,130
98	Lifetime Learning tax credit									3,860	2,910	3,360	4,780	5,010	5,250	5,510	23,910
99	American Opportunity Tax Credit									2,460	13,590	11,380	0	0	0	0	11,380
100	Education Individual Retirement Accounts									40	60	70	80	80	90	100	420
101	Deductibility of student-loan interest									1,250	1,260	1,130	590	610	640	660	3,630
102	Deduction for higher education expenses									1,790	520	0	0	0	0	0	0
103	State prepaid tuition plans									1,200	1,390	1,580	1,750	1,860	1,950	2,050	9,190
104	Exclusion of interest on student-loan bonds	90	100	190	230	230	240	250	1,140	350	300	360	440	480	500	530	2,310
105	Exclusion of interest on bonds for private nonprofit educational facilities	380	400	750	940	940	970	1,020	4,620	1400	1210	1470	1780	1910	2030	2150	9,340
106	Credit for holders of zone academy bonds	190	220	260	290	280	250	230	1,310								
107	Exclusion of interest on savings bonds redeemed to finance educational expenses									20	20	20	20	20	20	20	100
108	Parental personal exemption for students age 19 or over									4,440	2,710	2,780	3,140	2,950	2,750	2,550	14,170
109	Deductibility of charitable contributions (education)	590	610	640	690	740	780	830	3,680	3,580	3,680	4,300	4,680	5,060	5,410	5,780	25,230
110	Exclusion of employer-provided educational assistance									660	690	30	0	0	0	0	30
111	Special deduction for teacher expenses									180	160	0	0	0	0	0	0
112	Discharge of student loan indebtedness									20	20	20	20	20	20	20	100
113	Qualified school construction bonds	10	40	90	170	240	260	260	1,020	10	70	220	460	700	800	800	2,980
	Training, employment, and social services:																
114	Work opportunity tax credit	680	700	620	440	230	110	50	1,450	190	210	210	100	30	20	10	370
115	Welfare-to-work tax credit	40	20	10	10	0	0	0	20	10	10	0	0	0	0	0	0
116	Employer provided child care exclusion .									770	1210	1370	1410	1480	1550	1630	7,440
117	Employer-provided child care credit	10	20	10	0	0	0	0	10								0
118	Assistance for adopted foster children ...									450	460	490	520	550	580	610	2,750
119	Adoption credit and exclusion									530	580	460	90	90	90	90	820
120	Exclusion of employee meals and lodging (other than military)									1,010	1,060	1,110	1,170	1,230	1,300	1,370	6,180
121	Child credit [5]									25,640	23,450	18,550	10,870	10,610	10,320	9,990	60,340
122	Credit for child and dependent care expenses									4,330	3,750	2,200	1,890	1,830	1,730	1,650	9,300
123	Credit for disabled access expenditures	10	10	10	10	10	10	10	50	10	10	10	20	20	20	20	90
124	Deductibility of charitable contributions, other than education and health	1,350	1,370	1,430	1,510	1,600	1,690	1790	8,020	35,360	36,350	42,420	46,220	49,970	53,450	57,060	249,120
125	Exclusion of certain foster care payments									440	420	400	390	390	390	370	1,940
126	Exclusion of parsonage allowances									580	620	660	700	740	790	840	3,730
127	Employee retention credit for employers in certain federal disaster areas	70	20	0	0	0	0	0	0	70	20	0	0	0	0	0	0
128	Exclusion for benefits provided to volunteer EMS and firefighters									80	80	60	0	0	0		60
129	Temporary income exclusion for employer provided lodging in Midwestern disaster area									20	0	0	0	0	0	0	0
130	Making work pay tax credit [6]									9,340	23,450	14,160	0	0	0	0	14,160
	Health:																
131	Exclusion of employer contributions for medical insurance premiums and medical care [7]									144,412	159,868	176,964	191,540	208,650	228,040	248,600	1,053,794
132	Self-employed medical insurance premiums ...									4,870	5,250	5,740	6,150	6,580	7,120	7,780	33,370

Table 16–2. ESTIMATES OF TAX EXPENDITURES FOR THE CORPORATE AND INDIVIDUAL INCOME TAXES FOR FISCAL YEARS 2009-2015—Continued

(In millions of dollars)

		Corporations								Individuals							
		2009	2010	2011	2012	2013	2014	2015	2011–15	2009	2010	2011	2012	2013	2014	2015	2011–15
133	Medical Savings Accounts / Health Savings Accounts									1,930	2,030	2,130	2,240	2,350	2,470	2,590	11,780
134	Deductibility of medical expenses									8,760	9,090	10,030	10,980	11,970	13,260	14,910	61,150
135	Exclusion of interest on hospital construction bonds	570	610	1,130	1,420	1,420	1,470	1,550	6,990	2,120	1,830	2,220	2,690	2,890	3,070	3,240	14,110
136	Deductibility of charitable contributions (health)	180	180	190	200	210	230	240	1,070	3,970	4,080	4,760	5,180	5,600	6,000	6,400	27,940
137	Tax credit for orphan drug research	270	290	320	350	380	410	450	1,910								
138	Special Blue Cross/Blue Shield deduction	760	890	690	660	590	530	690	3,160								
139	Tax credit for health insurance purchased by certain displaced and retired individuals [8]									10	10	10	10	10	10	10	50
140	Distributions from retirement plans for premiums for health and long-term care insurance									260	300	330	360	400	440	490	2,020
Income security:																	
141	Exclusion of railroad retirement system benefits									330	320	300	280	260	250	250	1,340
142	Exclusion of workers' compensation benefits									5,810	5,870	5,940	6,070	6,170	6,270	6,370	30,820
143	Exclusion of public assistance benefits (normal tax method)									600	640	670	710	740	760	790	3,670
144	Exclusion of special benefits for disabled coal miners									40	40	40	40	40	40	40	200
145	Exclusion of military disability pensions									110	110	110	110	110	110	120	560
	Net exclusion of pension contributions and earnings:																
146	Employer plans									40,670	41,360	44,630	47,870	49,050	51,950	53,980	247,480
147	401(k) plans									44,126	53,549	67,061	70,168	72,716	74,712	76,183	360,840
148	Individual Retirement Accounts									12,090	12,780	14,080	15,770	16,190	16,400	16,500	78,940
149	Low and moderate income savers credit									1,050	1,180	1,170	1,130	1,060	1,000	960	5,320
150	Keogh plans									12,770	13,890	15,120	17,190	19,740	21,100	22,610	95,760
	Exclusion of other employee benefits:																
151	Premiums on group term life insurance									2,160	2,110	2,160	2,280	2,320	2,350	2,390	11,500
152	Premiums on accident and disability insurance									320	330	340	350	360	360	360	1,770
153	Income of trusts to finance supplementary unemployment benefits									30	40	50	50	50	50	60	260
154	Special ESOP rules	1,280	1,250	1,330	1,410	1,480	1,550	1,620	7,390	420	450	470	490	520	550	580	2,610
155	Additional deduction for the blind									40	30	40	50	50	50	50	240
156	Additional deduction for the elderly									2,230	2,030	2,600	3,100	3,300	3,550	3,690	16,240
157	Tax credit for the elderly and disabled									10	10	10	10	10	10	10	50
158	Deductibility of casualty losses									510	560	640	680	720	750	780	3,570
159	Earned income tax credit [9]									4,420	6,190	6,200	8,380	8,540	8,790	9,090	41,000
160	Additional exemption for housing disaster related displaced individuals									10	0	0	0	0	0	0	0
161	Exclusion of unemployment insurance benefits									1,310	5,220	0	0	0	0	0	0
Social Security:																	
	Exclusion of social security benefits:																
162	Social Security benefits for retired workers									20,970	21,410	20,240	21,380	22,560	24,160	26,810	115,150
163	Social Security benefits for disabled workers									6,460	6,950	7,160	7,450	7,750	8,080	8,580	39,020
164	Social Security benefits for spouses, dependents and survivors									3,650	3,850	3,140	3,150	3,170	3,200	3,330	15,990
165	Tax Credit for Certain Government Retirees [10]									40	110	0	0	0	0	0	
Veterans benefits and services:																	
166	Exclusion of veterans death benefits and disability compensation									3,900	4,130	4,370	4,630	4,910	5,200	5,510	24,620
167	Exclusion of veterans pensions									190	200	220	250	260	270	270	1,270

Table 16–2. ESTIMATES OF TAX EXPENDITURES FOR THE CORPORATE AND INDIVIDUAL INCOME TAXES FOR FISCAL YEARS 2009-2015—Continued

(In millions of dollars)

	Corporations								Individuals							
	2009	2010	2011	2012	2013	2014	2015	2011–15	2009	2010	2011	2012	2013	2014	2015	2011–15
168 Exclusion of GI bill benefits									300	470	770	1,010	1,270	1,570	1,910	6,530
169 Exclusion of interest on veterans housing bonds	10	10	10	10	20	20	20	80	10	20	20	30	30	40	40	160
General purpose fiscal assistance:																
170 Exclusion of interest on public purpose State and local bonds	4,850	5,180	9,690	12,140	12,170	12,570	13,200	59,770	18,140	15,630	18,970	22,990	24,730	26,210	27,710	120,610
171 Build America Bonds [11]	–40	–390	–540	–570	–550	–530	–510	–2,700	–160	–910	–1,580	–1,540	–1,480	–1,430	–1,370	–7,400
172 Deductibility of nonbusiness State and local taxes other than on owner-occupied homes									45,310	33,920	46,500	58,100	61,890	65,320	68,250	300,060
Interest:																
173 Deferral of interest on U.S. savings bonds									1,270	1,180	1,220	1,300	1,320	1,330	1,340	6,510
Addendum: Aid to State and local governments:																
Deductibility of:																
Property taxes on owner-occupied homes									29,010	18,860	23,710	29,730	31,340	32,700	33,690	151,170
Nonbusiness State and local taxes other than on owner-occupied homes									45,310	33,920	46,500	58,100	61,890	65,320	68,250	300,060
Exclusion of interest on State and local bonds for:																
Public purposes	4,850	5,180	9,690	12,140	12,170	12,570	13,200	59,770	18,140	15,630	18,970	22,990	24,730	26,210	27,710	120,610
Energy facilities	0	0	10	10	10	10	10	50	10	10	20	20	20	20	20	100
Water, sewage, and hazardous waste disposal facilities	70	80	140	180	180	190	200	890	270	230	280	340	370	390	410	1,790
Small-issues	50	60	110	140	140	140	150	680	200	170	210	260	280	290	310	1,350
Owner-occupied mortgage subsidies	200	220	400	510	510	520	550	2,490	760	650	790	960	1,030	1,090	1,160	5,030
Rental housing	170	180	340	430	430	440	470	2,110	640	550	670	810	870	930	980	4,260
Airports, docks, and similar facilities	140	150	290	360	360	370	390	1,770	540	460	560	680	730	770	820	3,560
Student loans	90	100	190	230	230	240	250	1,140	350	300	360	440	480	500	530	2,310
Private nonprofit educational facilities	380	400	750	940	940	970	1,020	4,620	1,400	1,210	1,470	1,780	1,910	2,030	2,150	9,340
Hospital construction	570	610	1,130	1,420	1,420	1,470	1,550	6,990	2,120	1,830	2,220	2,690	2,890	3,070	3,240	14,110
Veterans' housing	0	0	10	10	10	10	10	50	10	10	10	10	10	10	10	50
GO Zone and GO Zone mortgage	20	20	30	40	40	40	40	230	60	50	60	70	80	80	90	380
Credit for holders of zone academy bonds	190	220	260	290	280	250	230	1,310								

[1] Firms can tax an energy grant in lieu of the energy production credit or the energy investment credit for facilities placed in service in 2009 and 2010 or whose construction commenced in 2009 and 2010. The effect of the grant on outlays (in millions of dollars) is as follows: 2009 $1,050; 2010 $3,090; 2011 $4,460; 2012 $4,240; 2013 $2,360; 2014 $230; 2015 $30.

[2] In addition, the alcohol fuel credit results in a reduction in excise tax receipts (in millions of dollars) as follows: 2009 $5,160; 2010 $6,100; 2011 $1,940; 2012 $0; 2013 $0; 2014 $0; 2015 $0.

[3] In addition, the biodiesel producer tax credit results in a reduction in excise tax receipts (in millions of dollars) as follows: 2009 $810; 2010 $200; 2011 $0; 2012 $0; 2013 $0; 2014 $0; 2015 $0.

[4] In addition, recovery zone bonds have outlay effects (in millions of dollars) as follows: 2009 $0; 2010 $80; 2011 $150; 2012 $170; 2013 $170; 2014 $170; and 2015 $170.

[5] The figures in the table indicate the effect of the child tax credit on receipts. The effect of the credit on outlays (in millions of dollars) is as follows: 2009 $19,150; 2010 $30,290; 2011 $29,790; 2012 $1,490; 2013 $1,460; 2014 $1,420; and 2015 $,1380.

[6] The figures in the table indicate the effect of the making work pay tax credit on receipts. The effect of the credit on outlays (in millions of dollars) is as follows: 2009 $645; 2010 $32,528; and 2011 $31,490.

[7] The figures in the table indicate the effect on income taxes of the employer contributions for health. In addition, the effect on payroll tax receipts (in millions of dollars) is as follows: 2009 $97,130; 2010 $101,710; 2011 $106,730; 2012 $113,570; 2013 $121,770; 2014 $130,860; and 2015 $140,400.

[8] The figures in the table indicate the effect of the health insurance tax credit on receipts. The effect of the credit on outlays (in millions of dollars) is as follows: 2009 $100; 2010 $110; 2011 $110; 2012 $120; 2013 $130; 2014 $140; and 2015 $150.

[9] The figures in the table indicate the effect of the earned income tax credit on receipts. The effect of the credit on outlays (in millions of dollars) is as follows:2009 $44,370; 2010 $51,500; 2011 $51,450; 2012 $43,980; 2013 $43,860; 2014 $44,130; and 2015 $44,380.

[10] The figures in the table indicate the effect of the tax credit for certain government retirees on receipts. The effect of the credit on outlays (in millions of dollars) is as follows: 2010 $99.

[11] In addition, Build America Bonds have outlay effects of (in millions of dollars): 2009 $20; 2010 $2,900; 2011 $3,050; 2012 $2,960; 2013 $2,850; 2014 $2,740; and 2015 $2,640.

Note: Provisions with estimates denoted normal tax method have no revenue loss under the reference tax law method.

All estimates have been rounded to the nearest $10 million. Provisions with estimates that rounded to zero in each year are not included in the table.

Table 16–3. INCOME TAX EXPENDITURES RANKED BY TOTAL FISCAL YEAR 2011-2015 PROJECTED REVENUE EFFECT

(In millions of dollars)

	Provision	2011	2011–15
131	Exclusion of employer contributions for medical insurance premiums and medical care	176,964	1,053,794
57	Deductibility of mortgage interest on owner-occupied homes	104,540	637,560
147	401(k) plans	67,061	360,840
172	Deductibility of nonbusiness State and local taxes other than on owner-occupied homes	46,500	300,060
72	Step-up basis of capital gains at death	44,520	282,790
70	Capital gains (except agriculture, timber, iron ore, and coal)	44,290	270,910
124	Deductibility of charitable contributions, other than education and health	43,850	257,140
146	Employer plans	44,630	247,480
61	Exclusion of net imputed rental income	37,630	223,890
60	Capital gains exclusion on home sales	31,300	215,880
170	Exclusion of interest on public purpose State and local bonds	28,660	180,380
58	Deductibility of State and local property tax on owner-occupied homes	23,710	151,170
76	Accelerated depreciation of machinery and equipment (normal tax method)	1,170	146,710
50	Exclusion of interest on life insurance savings	23,070	132,270
162	Social Security benefits for retired workers	20,240	115,150
150	Keogh plans	15,120	95,760
148	Individual Retirement Accounts	14,080	78,940
80	Deduction for US production activities	13,640	76,680
134	Deductibility of medical expenses	10,030	61,150
121	Child credit	18,550	60,340
1	Exclusion of benefits and allowances to armed forces personnel	11,530	60,250
62	Exception from passive loss rules for $25,000 of rental loss	7,330	49,640
159	Earned income tax credit	6,200	41,000
64	Accelerated depreciation on rental housing (normal tax method)	5,870	40,680
163	Social Security benefits for disabled workers	7,160	39,020
63	Credit for low-income housing investments	6,170	36,310
5	Deferral of income from controlled foreign corporations (normal tax method)	32,720	35,840
132	Self-employed medical insurance premiums	5,740	33,370
2	Exclusion of income earned abroad by U.S. citizens	5,870	32,420
17	Alcohol fuel credits	8,870	32,140
7	Expensing of research and experimentation expenditures (normal tax method)	4,560	31,610
142	Exclusion of workers' compensation benefits	5,940	30,820
136	Deductibility of charitable contributions (health)	4,950	29,010
109	Deductibility of charitable contributions (education)	4,940	28,910
69	Treatment of qualified dividends	26,869	26,869
166	Exclusion of veterans death benefits and disability compensation	4,370	24,620
98	Lifetime Learning tax credit	3,360	23,910
135	Exclusion of interest on hospital construction bonds	3,350	21,100
97	HOPE tax credit	840	19,130
4	Inventory property sales source rules exception	2,830	16,700
83	Exclusion of reimbursed employee parking expenses	3,100	16,660
78	Graduated corporation income tax rate (normal tax method)	3,120	16,360
156	Additional deduction for the elderly	2,600	16,240
164	Social Security benefits for spouses, dependents and survivors	3,140	15,990
73	Carryover basis of capital gains on gifts	4,790	15,680
108	Parental personal exemption for students age 19 or over	2,780	14,170
130	Making work pay tax credit	14,160	14,160
105	Exclusion of interest on bonds for private nonprofit educational facilities	2,220	13,960
8	Credit for increasing research activities	3,850	12,922
96	Exclusion of scholarship and fellowship income (normal tax method)	2,250	12,220
133	Medical Savings Accounts / Health Savings Accounts	2,130	11,780
151	Premiums on group term life insurance	2,160	11,500
99	Lifetime Learning tax credit	11,380	11,380
154	Special ESOP rules	1,800	10,000
122	Credit for child and dependent care expenses	2,200	9,300
103	State prepaid tuition plans	1,580	9,190
55	Exclusion of interest on owner-occupied mortgage subsidy bonds	1,190	7,520
116	Employer provided child care exclusion	1,370	7,440
15	New technology credit	1,160	7,150
168	Exclusion of GI bill benefits	770	6,530

Table 16–3. INCOME TAX EXPENDITURES RANKED BY TOTAL FISCAL YEAR 2011-2015 PROJECTED REVENUE EFFECT—Continued

(In millions of dollars)

	Provision	2011	2011–15
173	Deferral of interest on U.S. savings bonds	1,220	6,510
56	Exclusion of interest on rental housing bonds	1,010	6,370
6	Deferred taxes for financial firms on certain income earned overseas	5,770	6,320
120	Exclusion of employee meals and lodging (other than military)	1,110	6,180
54	Exclusion of interest spread of financial institutions	960	6,170
3	Exclusion of certain allowances for Federal employees abroad	1,020	5,630
88	Exclusion of interest for airport, dock, and similar bonds	850	5,330
149	Low and moderate income savers credit	1,170	5,320
59	Deferral of income from installment sales	810	5,120
10	Excess of percentage over cost depletion, fuels	670	5,090
49	Exemption of credit union income	710	4,370
9	Expensing of exploration and development costs, fuels	1,180	4,020
113	Qualified school construction bonds	310	4,000
34	Excess of percentage over cost depletion, nonfuel minerals	740	3,900
91	New markets tax credit	800	3,790
126	Exclusion of parsonage allowances	660	3,730
143	Exclusion of public assistance benefits (normal tax method)	670	3,670
101	Deductibility of student-loan interest	1,130	3,630
46	Capital gains treatment of certain income	590	3,620
158	Deductibility of casualty losses	640	3,570
104	Exclusion of interest on student-loan bonds	550	3,450
90	Empowerment zones, Enterprise communities, and Renewal communities	430	3,160
138	Special Blue Cross/Blue Shield deduction	690	3,160
84	Exclusion for employer-provided transit passes	530	3,000
118	Assistance for adopted foster children	490	2,750
35	Exclusion of interest on bonds for water, sewage, and hazardous waste facilities	420	2,680
38	Tax incentives for preservation of historic structures	470	2,590
16	Energy investment credit	600	2,520
95	Tribal Economic Development Bonds	390	2,420
23	Credit for investment in clean coal facilities	480	2,080
79	Exclusion of interest on small issue bonds	320	2,030
140	Distributions from retirement plans for premiums for health and long-term care insurance	330	2,020
125	Exclusion of certain foster care payments	400	1,940
71	Capital gains exclusion of small corporation stock	170	1,920
137	Tax credit for orphan drug research	320	1,910
114	Work opportunity tax credit	830	1,820
152	Premiums on accident and disability insurance	340	1,770
37	Expensing of multiperiod timber growing costs	290	1,520
29	Credit for energy efficiency improvements to existing homes	1,460	1,460
141	Exclusion of railroad retirement system benefits	300	1,340
106	Credit for holders of zone academy bonds	260	1,310
167	Exclusion of veterans pensions	220	1,270
24	Temporary 50% expensing for equipment used in the refining of liquid fuels	930	1,230
19	Tax credit and deduction for clean-fuel burning vehicles	260	1,180
52	Tax exemption of certain insurance companies owned by tax-exempt organizations	200	1,060
31	30% credit for residential purchases/installations of solar and fuel cells	180	930
26	Amortize all geological and geophysical expenditures over 2 years	240	900
119	Adoption credit and exclusion	460	820
21	Credit for holding clean renewable energy bonds	100	640
20	Exclusion of utility conservation subsidies	130	610
44	Expensing of certain multiperiod production costs	110	580
89	Exemption of certain mutuals' and cooperatives' income	110	580
145	Exclusion of military disability pensions	110	560
65	Discharge of mortgage indebtedness	200	500
33	Expensing of exploration and development costs, nonfuel minerals	90	490
25	Natural gas distribution pipelines treated as 15-year property	120	480
32	Qualified energy conservation bonds	40	470
47	Income averaging for farmers	90	460
43	Expensing of certain capital outlays	70	420
100	Education Individual Retirement Accounts	70	420

Table 16–3. INCOME TAX EXPENDITURES RANKED BY TOTAL FISCAL YEAR 2011-2015 PROJECTED REVENUE EFFECT—Continued

(In millions of dollars)

	Provision	2011	2011–15
27	Allowance of deduction for certain energy efficient commercial building property	90	400
13	Capital gains treatment of royalties on coal	60	370
36	Capital gains treatment of certain timber income	60	370
86	Exclusion of interest on bonds for Financing of Highway Projects and rail-truck transfer facilities	100	370
74	Ordinary income treatment of loss from small business corporation stock sale	60	300
93	Credit to holders of Gulf Tax Credit Bonds.	80	300
153	Income of trusts to finance supplementary unemployment benefits	50	260
51	Special alternative tax on small property and casualty insurance companies	40	250
53	Small life insurance company deduction	50	250
68	Exceptions from imputed interest rules	50	250
155	Additional deduction for the blind	40	240
169	Exclusion of interest on veterans housing bonds	30	240
144	Exclusion of special benefits for disabled coal miners	40	200
41	Industrial CO2 capture and sequestration tax credit	0	190
42	Deduction for endangered species recovery expenditures	30	190
94	Recovery Zone Bonds	30	190
14	Exclusion of interest on energy facility bonds	30	150
87	Investment credit for rehabilitation of structures (other than historic)	30	150
40	Exclusion of gain or loss on sale or exchange of certain brownfield sites	60	140
123	Credit for disabled access expenditures	20	140
85	Tax credit for certain expenditures for maintaining railroad tracks	70	120
12	Exception from passive loss limitation for working interests in oil and gas properties	20	100
45	Treatment of loans forgiven for solvent farmers	20	100
48	Deferral of gain on sale of farm refiners	20	100
82	Deferral of tax on shipping companies	20	100
107	Exclusion of interest on savings bonds redeemed to finance educational expenses	20	100
112	Discharge of student loan indebtedness	20	100
128	Exclusion for benefits provided to volunteer EMS and firefighters	60	60
30	Credit for energy efficient appliances	50	50
139	Tax credit for health insurance purchased by certain displaced and retired individuals	10	50
157	Tax credit for the elderly and disabled	10	50
28	Credit for construction of new energy efficient homes	20	40
11	Alternative fuel production credit	20	30
110	Exclusion of employer-provided educational assistance	30	30
115	Welfare-to-work tax credit	10	20
18	Bio-Diesel and small agri-biodiesel producer tax credits	10	10
117	Employer-provided child care credit	10	10
39	Expensing of capital costs with respect to complying with EPA sulfur regulations	0	0
102	Deduction for higher education expenses	0	0
111	Special deduction for teacher expenses	0	0
127	Employee retention credit for employers affected by Hurricane Katrina, Rita, and Wilma	0	0
129	Temporary income exclusion for employer provided lodging in Midwestern disaster area	0	0
160	Additional exemption for housing Hurricane Katrina displaced individuals	0	0
161	Exclusion of unemployment insurance benefits	0	0
165	Tax Credit for Certain Government Retirees	0	0
67	Cancellation of indebtedness	–10	–50
81	Special rules for certain film and TV production	–60	–370
92	Expensing of environmental remediation costs	–140	–670
22	Deferral of gain from dispositions of transmission property to implement FERC restructuring policy	–400	–2,320
67	Credit for homebuyer	1,530	–2,950
77	Expensing of certain small investments (normal tax method)	–3,200	–5,760
171	Build America Bonds	–2,120	–10,100
75	Accelerated depreciation of buildings other than rental housing (normal tax method)	–12,860	–76,250

Table 16–4. PRESENT VALUE OF SELECTED TAX EXPENDITURES FOR ACTIVITY IN CALENDAR YEAR 2009
(In millions of dollars)

	Provision	2009 Present Value of Revenue Loss
5	Deferral of income from controlled foreign corporations (normal tax method)	20,060
6	Deferred taxes for financial firms on income earned overseas	3,540
7	Expensing of research and experimentation expenditures (normal tax method)	2,750
21	Credit for holding clean renewable energy bonds	350
9	Expensing of exploration and development costs—fuels	275
33	Expensing of exploration and development costs—nonfuels	130
37	Expensing of multiperiod timber growing costs	90
44	Expensing of certain multiperiod production costs—agriculture	180
43	Expensing of certain capital outlays—agriculture	120
50	Deferral of income on life insurance and annuity contracts	19,400
64	Accelerated depreciation on rental housing	6,980
75	Accelerated depreciation of buildings other than rental	–15,850
76	Accelerated depreciation of machinery and equipment	3,150
77	Expensing of certain small investments (normal tax method)	–40
82	Deferral of tax on shipping companies	20
106	Credit for holders of zone academy bonds	610
63	Credit for low-income housing investments	5,420
103	Deferral for state prepaid tuition plans	7,100
146	Exclusion of pension contributions—employer plans	74,280
147	Exclusion of 401(k) contributions	113,000
148	Exclusion of IRA contributions and earnings	4,000
148	Exclusion of Roth earnings and distributions	11,200
148	Exclusion of non-deductible IRA earnings	510
150	Exclusion of contributions and earnings for Keogh plans	6,270
170	Exclusion of interest on public-purpose bonds	26,470
	Exclusion of interest on non-public purpose bonds	11,460
173	Deferral of interest on U.S. savings bonds	270

- There is a separate corporate income tax. Under a comprehensive income tax, corporate income would be taxed only once – at the shareholder level, whether or not distributed in the form of dividends.
- Noncorporate tax rates vary by level of income.
- Individual tax rates, including brackets, standard deduction, and personal exemptions, are allowed to vary with marital status.
- Values of assets and debt are not generally adjusted for inflation. A comprehensive income tax would adjust the cost basis of capital assets and debt for changes in the general price level. Thus, under a comprehensive income tax baseline, the failure to take account of inflation in measuring depreciation, capital gains, and interest income would be regarded as a negative tax expenditure (i.e., a tax penalty), and failure to take account of inflation in measuring interest costs would be regarded as a positive tax expenditure (i.e., a tax subsidy).

Although the reference law and normal tax baselines are generally similar, areas of difference include:

Tax rates. The separate schedules applying to the various taxpaying units are included in the reference law baseline. Thus, corporate tax rates below the maximum statutory rate do not give rise to a tax expenditure. The normal tax baseline is similar, except that, by convention, it specifies the current maximum rate as the baseline for the corporate income tax. The lower tax rates applied to the first $10 million of corporate income are thus regarded as a tax expenditure under the normal tax. By convention, the Alternative Minimum Tax is treated as part of the baseline rate structure under both the reference and normal tax methods.

Income subject to the tax. Income subject to tax is defined as gross income less the costs of earning that income. Under the reference tax rules, gross income does not include gifts defined as receipts of money or property that are not consideration in an exchange nor does gross income include most transfer payments from the Government.[2] The normal tax baseline also excludes gifts between individuals from gross income. Under the normal tax baseline, however, all cash transfer payments from the Government to private individuals are counted in gross income, and exemptions of such transfers from tax are identified as tax expenditures. The costs of earning income are generally deductible in determining taxable income under both the reference and normal tax baselines.[3]

[2] Gross income does, however, include transfer payments associated with past employment, such as Social Security benefits.

[3] In the case of individuals who hold "passive" equity interests in businesses, the pro-rata shares of sales and expense deductions reportable in a year are limited. A passive business activity is defined generally to be one in which the holder of the interest, usually a partnership interest, does not actively perform managerial or other participatory functions. The taxpayer may generally report no larger deductions for a year than will reduce taxable income from such activities to zero. Deductions in excess of the limitation may be taken in subsequent years, or when the interest is liquidated. In addition, costs of earning income may be limited under the Alternative Minimum Tax.

Capital recovery. Under the reference tax law baseline no tax expenditures arise from accelerated depreciation. Under the normal tax baseline, the depreciation allowance for property is computed using estimates of economic depreciation.

Treatment of foreign income. Both the normal and reference tax baselines allow a tax credit for foreign income taxes paid (up to the amount of U.S. income taxes that would otherwise be due), which prevents double taxation of income earned abroad. Under the normal tax method, however, controlled foreign corporations (CFCs) are not regarded as entities separate from their controlling U.S. shareholders. Thus, the deferral of tax on income received by CFCs is regarded as a tax expenditure under this method. In contrast, except for tax haven activities, the reference law baseline follows current law in treating CFCs as separate taxable entities whose income is not subject to U.S. tax until distributed to U.S. taxpayers. Under this baseline, deferral of tax on CFC income is not a tax expenditure because U.S. taxpayers generally are not taxed on accrued, but unrealized, income.

Descriptions of Income Tax Provisions

Descriptions of the individual and corporate income tax expenditures reported on in this chapter follow. These descriptions relate to current law as of December 31, 2009, and do not reflect proposals made elsewhere in the Budget. Legislation enacted in 2009, such as the American Recovery and Reinvestment Act of 2009, and the Worker, Homeownership and Business Assistance Act of 2009, introduced many changes which for the most part expanded the scope of existing provisions in the Tax Code. New provisions include recovery zone bonds, tribal economic development bonds, American opportunity tax credit, qualified school construction bonds, making work pay tax credits, credits for certain government retirees, and Build America Bonds. Provisions significantly expanded include the child and earned income tax credits, energy and investment related incentives, housing related subsidies, and health insurance premiums for the unemployed. In addition, a number of provisions which were set to expire were expected to be extended for another year, but the extensions had not yet occurred and are not included in these estimates.

National Defense

1. ***Benefits and allowances to Armed Forces personnel.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income because they represent accretions to wealth that do not materially differ from cash wages. As an example, a rental voucher of $100 is (approximately) equal in value to $100 of cash income. In contrast to this treatment, certain housing and meals, in addition to other benefits provided military personnel, either in cash or in kind, as well as certain amounts of pay related to combat service, are excluded from income subject to tax International Affairs.

2. ***Income earned abroad.***—Under the baseline tax system, all compensation received by U.S. citizens is properly included in their taxable income. It makes no difference whether the compensation is a result of working abroad or whether it is labeled as a housing allowance. In contrast to this treatment, U.S. tax law allows U.S. citizens who live abroad, work in the private sector, and satisfy a foreign residency requirement to exclude up to $80,000 in foreign earned income from U.S. taxes. In addition, if these taxpayers receive a specific allowance for foreign housing from their employers, then they may also exclude the value of that allowance. If they do not receive a specific allowance for housing expenses, they may deduct against their U.S. taxes that portion of such expenses that exceeds one-sixth the salary of a civil servant at grade GS–14, step 1 ($83,445 in 2009, which excludes regional pay adjustments).

3. ***Exclusion of certain allowances for Federal employees abroad.***—In general, all compensation received by U.S. citizens is properly included in their taxable income. It makes no difference whether the compensation is a result of working abroad or whether it is labeled as an allowance for the high cost of living abroad. In contrast to this treatment, U.S. Federal civilian employees and Peace Corps members who work outside the continental United States are allowed to exclude from U.S. taxable income certain special allowances they receive to compensate them for the relatively high costs associated with living overseas. The allowances supplement wage income and cover expenses such as rent, education, and the cost of travel to and from the United States.

4. ***Sales source rule exceptions.***—The United States generally taxes the worldwide income of U.S. persons, with taxpayers receiving a credit for foreign taxes paid, limited to the pre-credit U.S. tax on the foreign source income. In contrast, the sales source rules for inventory property allow U.S. exporters to use more foreign tax credits by allowing the exporters to attribute a larger portion of their earnings abroad than would be the case if the allocation of earnings was based on actual economic activity.

5. ***Income of U.S.-controlled foreign corporations.***—The United States generally taxes the worldwide income of U.S. persons and business entities. In contrast, certain active income of foreign corporations controlled by U.S. shareholders is not subject to U.S. taxation when it is earned. The income becomes taxable only when the controlling U.S. shareholders receive dividends or other distributions from their foreign stockholding. The reference law tax baseline reflects this tax treatment where only realized income is taxed. Under the normal tax method, however, the currently attributable foreign source pre-tax income from such a controlling interest is considered to be subject to U.S. taxation, whether or not distributed. Thus, the normal tax method considers the amount of controlled foreign corporation income not yet distributed to a U.S. shareholder as tax-deferred income.

6. ***Exceptions under subpart F for active financing income.***—The United States generally taxes the worldwide income of U.S. persons and business entities. It would not allow the deferral of tax or other relief targeted at particular industries or activities. In contrast, under current law, financial firms may defer taxes on income earned overseas in an active business.

General Science, Space, and Technology

7. ***Expensing R&E expenditures.***—Research and experimentation (R&E) projects can be viewed as investments because, if successful, their benefits accrue for several years. It is often difficult, however, to identify whether a specific R&E project is successful and, if successful, what its expected life will be. Because of this ambiguity, the reference law baseline tax system would allow of expensing of R&E expenditures. In contrast, under the normal tax method, the expensing of R&E expenditures is viewed as a tax expenditure. The baseline assumed for the normal tax method is that all R&E expenditures are successful and have an expected life of five years.

8. ***R&E credit.***—The baseline tax system would uniformly tax all returns to investments and not allow credits for particular activities, investments, or industries. In contrast, the Tax Code allows an R&E credit of 20 percent of qualified research expenditures in excess of a base amount.

The base amount is generally determined by multiplying a "fixed-base percentage" by the average amount of the company's gross receipts for the prior four years. The taxpayer's fixed base percentage generally is the ratio of its research expenses to gross receipts for 1984 through 1988. Taxpayers can elect the alternative simplified credit regime, which is equal to 14 percent (12 percent prior to 2009) of qualified research expenses that exceed 50 percent of the average qualified research expenses for the three preceding taxable years. Prior to January 1, 2009, taxpayers could also elect an alternative incremental credit regime. Under the alternative incremental credit regime the taxpayer was assigned a three-tiered fixed base percentage that is lower than the fixed-base percentage that would otherwise apply, and the credit rate was reduced. The rates for the alternative incremental credit ranged from 3 percent to 5 percent. The research credit expired on December 31, 2009.

Energy

9. ***Exploration and development costs.***—Under the baseline tax system, the costs of exploring and developing oil and gas wells would be capitalized and then amortized (or depreciated) over an estimate of the economic life of the well. This insures that the net income from the well is measured appropriately each year.

In contrast to this treatment, current law allows intangible drilling costs for successful investments in domestic oil and gas wells (such as wages, the cost of using machinery for grading and drilling, and the cost of unsalvageable materials used in constructing wells) to be deducted immediately, i.e., expensed. Because it allows recovery of costs sooner, expensing is more generous for the taxpayer than would be amortization. Integrated oil companies may deduct only 70 percent of such costs and must amortize the remaining 30 percent over five years. The same rule applies to the exploration and development costs of surface stripping and the construction of shafts and tunnels for other fuel minerals.

10. ***Percentage depletion.***—The baseline tax system would allow recovery of the costs of developing certain oil and mineral properties using cost depletion. Cost depletion is similar in concept to depreciation, in that the costs of developing or acquiring the asset are capitalized and then gradually reduced over an estimate of the asset's productive life, as is appropriate for measuring net income.

In contrast, the Tax Code generally allows independent fuel and mineral producers and royalty owners to take percentage depletion deductions rather than cost depletion on limited quantities of output. Under percentage depletion, taxpayers deduct a percentage of gross income from mineral production. In certain cases the deduction is limited to a fraction of the asset's net income. Over the life of an investment, percentage depletion deductions can exceed the cost of the investment. Consequently, percentage depletion offers more generous tax treatment than would cost depletion, which would limit deductions to an investment's cost.

11. ***Alternative fuel production credit.***—The baseline tax system would not allow credits for particular activities, investments, or industries. Instead, it generally would seek to tax uniformly all returns from investment-like activities. In contrast, the Tax Code provides a credit of $3 per oil-equivalent barrel of production (in 2004 dollars) for coke or coke gas during a four-year period for qualified facilities placed in service before January 1, 2010.

12. ***Oil and gas exception to passive loss limitation.***—The baseline tax system accepts current law's general rule limiting taxpayers' ability to deduct losses from passive activities against nonpassive income (e.g., wages, interest, and dividends). Passive activities generally are defined as those in which the taxpayer does not materially participate and there are numerous additional considerations brought to bear on the determination of which activities are passive for a given taxpayer. Losses are limited in an attempt to limit tax sheltering activities. Passive losses that are unused may be carried forward and applied against future passive income.

In contrast to the general restrictions on passive losses, the Tax Code exempts owners of working interests in oil and gas properties from "passive income" limitations, such that the working interest-holder who manages the development of wells and incurs all operating costs on behalf of himself and all other owners may aggregate negative taxable income (i.e., losses) from such interests with his other income. Thus, these taxpayers are able to fully deduct passive losses against nonpassive income, in contradiction to the general prohibition against such deductions.

13. ***Capital gains treatment of royalties on coal.***—For individuals in 2009, tax rates on regular income vary from 10 percent to 35 percent, depending on the taxpayer's income. The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low tax rates to apply to certain types or sources of income. In contrast, current law allows capital gains to be taxed at a preferentially low rate that is no higher than 15 percent. Certain sales of coal under royalty contracts qualify for taxation as capital gains rather than ordinary income, and so benefit from the preferentially low 15 percent maximum tax rate on capital gains.

14. ***Energy facility bonds.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, the Tax Code allows interest earned on State and local bonds used to finance construction of certain energy facilities to be exempt from tax. These bonds are generally subject to the State private-activity-bond annual volume cap.

15. ***Energy production credit.***—The baseline tax system would not allow credits for particular activities, investments, or industries. Instead, it generally would seek to tax uniformly all returns from investment-like activities. In contrast, the Tax Code provides a credit for certain electricity produced from wind energy, biomass, geothermal energy, solar energy, small irrigation power, municipal solid waste, or qualified hydropower and sold to an unrelated party. In addition to the electricity production credit, an income tax credit is allowed for the production of refined coal and Indian coal at qualified facilities.

16. ***Energy investment credit.***—The baseline tax system would not allow credits for particular activities, investments, or industries. Instead, it generally would seek to tax uniformly all returns from investment-like activities. However, the Tax Code provides credits for investments in solar and geothermal energy property, qualified fuel cell power plants, stationary microturbine power plants, geothermal heat pumps, small wind property and combined heat and power property. Owners of renewable power facilities that qualify for the energy production credit may instead elect to take an energy investment credit.

17. ***Alcohol fuel credits.***—The baseline tax system would not allow credits for particular activities, investments, or industries. Instead, it generally would seek to tax uniformly all returns from investment-like activities. In contrast, the Tax Code provides an income tax credit for ethanol derived from renewable sources and used as fuel. In lieu of the alcohol mixture credit, the taxpayer may claim a refundable excise tax credit. In addition, small ethanol producers are eligible for a separate income tax credit for ethanol production and a separate income tax credit is available for qualified cellulosic biofuel production.

18. ***Bio-Diesel tax credit.***—The baseline tax system would not allow credits for particular activities, investments, or industries. Instead, it generally would seek to tax uniformly all returns from investment-like activities. However, the Tax Code allows an income tax credit for bio-diesel used or sold and for bio-diesel derived from virgin

sources. In lieu of the bio-diesel credit, the taxpayer may claim a refundable excise tax credit. In addition, small agri-biodiesel producers are eligible for a separate income tax credit for ethanol production and a separate credit is available for qualified renewable diesel fuel mixtures.

19. ***Credit for alternative motor vehicles and refueling property.***—The baseline tax system would not allow credits or deductions for particular activities, investments, or industries. Instead, it generally would seek to tax uniformly all returns from investment-like activities. In contrast, the Tax Code allows a number of credits for certain types of vehicles and property. These are available for alternative motor vehicles (including fuel cell, advanced lean burn technology, hybrid, and alternative fuel motor vehicles), alternative fuel vehicle refueling property, and plug-ins (including plug-in electric vehicles, plug-in electric drive motor vehicles, and plug-in conversion kits).

20. ***Exclusion of utility conservation subsidies.***—The baseline tax system generally takes a comprehensive view of taxable income that includes a wide variety of (measurable) accretions to wealth. In certain circumstances, public utilities offer rate subsidies to non-business customers who invest in energy conservation measures. These rate subsidies are equivalent to payments from the utility to its customer, and so represent accretions to wealth, income, that would be taxable to the customer under the baseline tax system. In contrast, the Tax Code exempts these subsidies from the non-business customer's gross income.

21. ***Credit to holders of clean renewable energy bonds.***—The baseline tax system would uniformly tax all returns to investments and not allow credits for particular activities, investments, or industries. In contrast, the Tax Code provides for the issuance of Clean Renewable Energy Bonds which entitles the bond holder to a Federal income tax credit in lieu of interest. The limit on the volume issued in 2009 is $2.4 billion.

22. ***Deferral of gain from dispositions of transmission property to implement FERC restructuring policy.***—The baseline tax system generally would tax gains from sale when realized. However, the Tax Code allows utilities to defer gains from the sale of their transmission assets to a FERC-approved independent transmission company.

23. ***Credit for investment in clean coal facilities.***—The baseline tax system would uniformly tax all returns to investments and not allow credits for particular activities, investments, or industries. Instead, it generally would seek to tax uniformly all returns from investment-like activities. In contrast, the Tax Code provides investment tax credits for clean coal facilities producing electricity and for industrial gasification combined cycle projects.

24. ***Temporary 50 percent expensing for equipment used in the refining of liquid fuels.***—The baseline tax system allows the taxpayer to deduct the decline in the economic value of an investment over time. However, the Tax Code provides for an accelerated recovery of the cost of certain investments in refineries by allowing partial expensing of the cost, thereby giving such investments a tax advantage.

25. ***Natural gas distribution pipelines treated as 15-year property.***—The baseline tax system allows taxpayers to deduct the decline in the economic value of an investment over time. However, the Tax Code allows depreciation of natural gas distribution pipelines (placed in service between 2005 and 2011) over a 15 year period. These deductions are accelerated relative to deductions based on economic depreciation.

26. ***Amortize all geological and geophysical expenditures over two years.***—The baseline tax system allows taxpayers to deduct the decline in the economic value of an investment over time. However, the Tax Code allows geological and geophysical expenditures incurred in connection with oil and gas exploration in the United States to be amortized over two years for non-integrated oil companies.

27. ***Allowance of deduction for certain energy efficient commercial building property.***—The baseline tax system would not allow deductions in addition to normal depreciation allowances for particular investments in particular industries. Instead, it generally would seek to tax uniformly all returns from investment-like activities. In contrast, the Tax Code allows a deduction, per square foot, for certain energy efficient commercial buildings.

28. ***Credit for construction of new energy efficient homes.***—The baseline tax system would not allow credits for particular activities, investments, or industries. Instead, it generally would seek to tax uniformly all returns from investment-like activities. However, the Tax Code allows contractors a tax credit of $2,000 for the construction of a qualified new energy-efficient home that has an annual level of heating and cooling energy consumption at least 50 percent below the annual consumption of a comparable dwelling unit. The credit equals $1,000 in the case of a new manufactured home that meets a 30 percent standard.

29. ***Credit for energy efficiency improvements to existing homes.***—The baseline tax system would not allow credits for particular activities, investments, or industries. However, the Tax Code provides an investment tax credit for expenditures made on insulation, exterior windows, and doors that improve the energy efficiency of homes and meet certain standards. The Tax Code also provides a credit for purchases of advanced main air circulating fans, natural gas, propane, or oil furnaces or hot water boilers, and other qualified energy efficient property.

30. ***Credit for energy efficient appliances.***—The baseline tax system would not allow credits for particular activities, investments, or industries. Instead, it generally would seek to tax uniformly all returns from investment-like activities. In contrast, the Tax Code provides tax credits for the manufacture of efficient dishwashers, clothes washers, and refrigerators. The size of the credit depends on the efficiency of the appliance.

31. ***Credit for residential energy efficient property.***—The baseline tax system would uniformly tax all returns to investments and not allow credits for particular activities, investments, or industries. However, the Tax Code provides a credit for the purchase of a qualified pho-

tovoltaic property and solar water heating property, as well as for fuel cell power plants, geothermal heat pumps and small wind property.

32. ***Credit for qualified energy conservation bonds.***—The baseline tax system would uniformly tax all returns to investments and not allow credits for particular activities, investments, or industries. However, the Tax Code provides for the issuance of energy conservation bonds which entitle the bond holder to a Federal income tax credit in lieu of interest. The limit on the volume issued in 2009 is $3.2 billion.

Natural Resources and Environment

33. ***Exploration and development costs.***—The baseline tax system allows the taxpayer to deduct the depreciation of an asset according to the decline in its economic value over time. However, certain capital outlays associated with exploration and development of nonfuel minerals may be expensed rather than depreciated over the life of the asset.

34. ***Percentage depletion.***—The baseline tax system allows the taxpayer to deduct the decline in the economic value of an investment over time. Under current law, however, most nonfuel mineral extractors may use percentage depletion (whereby the deduction is fixed as a percentage of revenue and can exceed total costs) rather than cost depletion, with percentage depletion rates ranging from 22 percent for sulfur to 5 percent for sand and gravel. Over the life of an investment, percentage depletion deductions can exceed the cost of the investment. Consequently, percentage depletion offers more generous tax treatment than would cost depletion, which would limit deductions to an investment's cost.

35. ***Sewage, water, solid and hazardous waste facility bonds.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, the Tax Code allows interest earned on State and local bonds used to finance construction of sewage, water, or hazardous waste facilities to be exempt from tax. These bonds are generally subject to the State private-activity-bond annual volume cap.

36. ***Capital gains treatment of certain timber.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low tax rates to apply to certain types or sources of income. However, under current law certain timber sales can be treated as a capital gain rather than ordinary income and therefore subject to the lower capital-gains tax rate. For individuals in 2009, tax rates on regular income vary from 10 percent to 35 percent, depending on the taxpayer's income. In contrast, current law allows capital gains to be taxed at a preferentially low rate that is no higher than 15 percent.

37. ***Expensing multi-period timber growing costs.***—The baseline tax system requires the taxpayer to capitalize costs associated with investment property. However, most of the production costs of growing timber may be expensed under current law rather than capitalized and deducted when the timber is sold, thereby accelerating cost recovery.

38. ***Historic preservation.***—The baseline tax system would not allow credits for particular activities, investments, or industries. However, expenditures to preserve and restore certified historic structures qualify for an investment tax credit of 20 percent under current law for certified rehabilitation activities.

39. ***Expensing of capital costs with respect to complying with EPA sulfur regulations.***—The baseline tax system allows the taxpayer to deduct the decline in the economic value of an investment over time. However, the Tax Code allows small refiners to deduct 75 percent of qualified capital costs incurred during the taxable year, thereby accelerating cost recovery relative to economic depreciation.

40. ***Exclusion of gain or loss on sale or exchange of certain brownfield sites.***—In general, a tax-exempt organization must pay taxes on income from activities unrelated to its nonprofit status. The Tax Code, however, provides a special exclusion from unrelated business taxable income of the gain or loss from the sale or exchange of certain qualifying brownfield properties.

41. ***Industrial CO2 capture and sequestration tax credit***.—The baseline tax system would uniformly tax all returns to investments and not allow credits for particular activities, investments, or industries. In contrast, the Tax Code allows a credit of $20 per metric ton for qualified carbon dioxide captured at a qualified facility and disposed of in secure geological storage. In addition, the provision allows a credit of $10 per metric ton of qualified carbon dioxide that is captured at a qualified facility and as a tertiary injectant in a qualified enhanced oil or natural gas recovery project.

42. ***Deduction for endangered species recovery expenditures.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low tax rates to apply to certain types or sources of income. In contrast, under current law farmers can deduct up to 25 percent of their gross income for expenses incurred as a result of site and habitat improvement activities that will benefit endangered species on their farm land, in accordance with site specific management actions included in species recovery plans approved pursuant to the Endangered Species Act of 1973.

Agriculture

43. ***Expensing certain capital outlays.***—The baseline tax system requires the taxpayer to capitalize costs associated with investment property. However, farmers may expense certain expenditures for feed and fertilizer as well as for soil and water conservation measures as well as other capital improvements under current law.

44. ***Expensing multi-period livestock and crop production costs.***—The baseline tax system requires the taxpayer to capitalize costs associated with an investment over time. However, the production of livestock and

crops with a production period greater than two years (e.g., establishing orchards or constructing barns) is exempt from the uniform cost capitalization rules, thereby accelerating cost recovery.

45. ***Loans forgiven solvent farmers.***—The baseline tax system requires debtors to include the amount of loan forgiveness as income or else reduce their recoverable basis in the property related to the loan. If the amount of forgiveness exceeds the basis, the excess forgiveness is taxable. However, for bankrupt debtors, the amount of loan forgiveness reduces carryover losses, unused credits, and then basis, with the remainder of the forgiven debt excluded from taxation.

46. ***Capital gains treatment of certain income.***—For individuals in 2009, tax rates on regular income vary from 10 percent to 35 percent, depending on the taxpayer's income. The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low tax rates to apply to certain types or sources of income. In contrast, current law allows capital gains to be taxed at a preferentially low rate that is no higher than 15 percent. Certain agricultural income, such as unharvested crops, qualify for taxation as capital gains rather than ordinary income, and so benefit from the preferentially low 15 percent maximum tax rate on capital gains.

47. ***Income averaging for farmers.***—The baseline tax system generally taxes all earned income each year at the rate determined by the income tax. However, taxpayers may average their taxable income from farming and fishing over the previous three years.

48. ***Deferral of gain on sales of farm refiners.***—The baseline tax system generally subjects capital gains to taxes the year that they are realized. However, the Tax Code allows a taxpayer who sells stock in a farm refiner to a farmers' cooperative to defer recognition of the gain if the proceeds are re-invested in a qualified replacement property.

Commerce and Housing

This category includes a number of tax expenditure provisions that also affect economic activity in other functional categories. For example, provisions related to investment, such as accelerated depreciation, could be classified under the energy, natural resources and environment, agriculture, or transportation categories.

49. ***Credit union income exemption.***—Under the baseline tax system, corporations pay taxes on their profits under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. However, in the Tax Code the earnings of credit unions not distributed to members as interest or dividends are exempt from the income tax.

50. ***Deferral of income on life insurance and annuity contracts.***—Under the baseline tax system, individuals and corporations pay taxes on their income when it is (actually or constructively) received or accrued, depending on their method of accounting. Nevertheless, the Tax Code provides favorable tax treatment for investment income earned within qualified life insurance and annuity contracts. In general, investment income earned on qualified life insurance contracts held until death is permanently exempt from income tax. Investment income distributed prior to the death of the insured is generally tax-deferred. Investment income earned on annuities benefits from tax deferral.

51. ***Small property and casualty insurance companies.***—Under the baseline tax system, corporations pay taxes on their profits under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. Under current law, however, stock non-life insurance companies are generally exempt from tax if their gross receipts for the taxable year do not exceed $600,000 and more than 50 percent of such gross receipts consists of premiums. Mutual non-life insurance companies are generally tax-exempt if their annual gross receipts do not exceed $150,000 and more than 35 percent of gross receipts consist of premiums. Also, non-life insurance companies with no more than $1.2 million of annual net premiums may elect to pay tax only on their taxable investment income.

52. ***Insurance companies owned by exempt organizations.***—Under the baseline tax system, corporations pay taxes on their profits under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. Generally the income generated by life and property and casualty insurance companies is subject to tax, albeit by special rules. Insurance operations conducted by such exempt organizations as fraternal societies, voluntary employee benefit associations, and others, however, are exempt from tax.

53. ***Small life insurance company deduction.***—Under the baseline tax system, corporations pay taxes on their profits under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. However, under current law small life insurance companies (with gross assets of less than $500 million) can deduct 60 percent of the first $3 million of otherwise taxable income. The deduction phases out for otherwise taxable income between $3 million and $15 million.

54. ***Exclusion of interest spread of financial institutions.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. Consumers and nonprofit organizations pay for some deposit-linked services, such as check cashing, by accepting a below-market interest rate on their demand deposits. If they received a market rate of interest on those deposits and paid explicit fees for the associated services, they would pay taxes on the full market rate and (unlike businesses) could not deduct the fees. The Government thus foregoes tax on the difference between the risk-free market interest rate and below-market interest rates on demand deposits, which under competitive conditions should equal the value added of deposit services.

55. ***Mortgage housing bonds.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, the Tax Code allows interest earned on State and local bonds used to finance homes purchased by first-time, low-to-moderate-income buyers to be exempt. These bonds are generally subject to the State private-activity-bond annual volume cap.

56. ***Rental housing bonds.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, the Tax Code allows interest earned on State and local government bonds used to finance multifamily rental housing projects to be tax-exempt.

57. ***Interest on owner-occupied homes.***—The baseline tax system would allow the write-off of expenses incurred in earning income. It would not allow the deductibility of expenses when income or the return on investments are not taxed. In contrast, the Tax Code provides that owner-occupants of homes may deduct mortgage interest on their primary and secondary residences as itemized nonbusiness deductions even though the value of owner-occupied housing services is not included in a taxpayer's taxable income. In general, the mortgage interest deduction is limited to interest on debt no greater than the owner's basis in the residence, and is also limited to interest on debt of no more than $1 million. Interest on up to $100,000 of other debt secured by a lien on a principal or second residence is also deductible, irrespective of the purpose of borrowing, provided the debt does not exceed the fair market value of the residence.

58. ***Taxes on owner-occupied homes.***—The Tax Code allows owner-occupants of homes to deduct property taxes on their primary and secondary residences even though they are not required to report the value of owner-occupied housing services as gross income.

59. ***Installment sales.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates, or deferral of tax, to apply to certain types or sources of income. Dealers in real and personal property (i.e., sellers who regularly hold property for sale or resale) cannot defer taxable income from installment sales until the receipt of the loan repayment. Nondealers (i.e., sellers of real property used in their business) are required to pay interest on deferred taxes attributable to their total installment obligations in excess of $5 million. Only properties with sales prices exceeding $150,000 are includable in the total. The payment of a market rate of interest eliminates the benefit of the tax deferral. The tax exemption for nondealers with total installment obligations of less than $5 million is, therefore, a tax expenditure.

60. ***Capital gains exclusion on home sales.***—The baseline tax system would not allow deductions and exemptions to certain types of income. In contrast, under current law, a homeowner can exclude from tax up to $500,000 ($250,000 for singles) of the capital gains from the sale of a principal residence. The exclusion may not be used more than once every two years.

61. ***Imputed net rental income on owner-occupied housing.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. Under current law, the implicit rental value of home ownership, net of expenses such as mortgage interest and depreciation, is excluded from income.

62. ***Passive loss real estate exemption.***—The baseline tax system accepts current law's general rule limiting taxpayers' ability to deduct losses from passive activities against nonpassive income (e.g., wages, interest, and dividends). Passive activities generally are defined as those in which the taxpayer does not materially participate and there are numerous additional considerations brought to bear on the determination of which activities are passive for a given taxpayer. Losses are limited in an attempt to limit tax sheltering activities. Passive losses that are unused may be carried forward and applied against future passive income.

In contrast to the general restrictions on passive losses, the Tax Code exempts owners of rental real estate activities from "passive income" limitations. The exemption is limited to $25,000 in losses and phases out for taxpayers with income between $100,000 and $150,000.

63. ***Low-income housing credit.***—The baseline tax system would uniformly tax all returns to investments and not allow credits for particular activities, investments, or industries. However, under current law taxpayers who invest in certain low-income housing are eligible for a tax credit. The credit rate is set so that the present value of the credit is equal to 70 percent for new construction and 30 percent for (1) housing receiving other Federal benefits (such as tax-exempt bond financing), or (2) substantially rehabilitated existing housing. The credit can exceed these levels in certain statutorily defined and State designated areas where project development costs are higher. The credit is allowed in equal amounts over 10 years and is generally subject to a volume cap.

64. ***Accelerated depreciation of residential rental property.***—Under an economic income tax, the costs of acquiring a building are capitalized and depreciated over time in accordance with the decline in the property's economic value due to wear and tear or obsolescence. This insures that the net income from the rental property is measured appropriately each year. However, the depreciation provisions of the Tax Code are part of the reference law rules, and thus do not give rise to tax expenditures under reference law. Under normal law, however, depreciation allowances reflect estimates of economic depreciation.

65. ***Discharge of mortgage indebtedness.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, the Tax Code allows an exclusion from the income of a taxpayer any discharge of

indebtedness of a qualified principal residence. The provision sunsets on December 31, 2012.

66. ***Credit for homebuyer.***—The baseline tax system would not allow credits for particular activities, investments, or industries. Instead, it generally would seek to tax uniformly all returns from investment-like activities. In contrast, the Tax Code allows a tax credit for home buyers on purchases before May 1, 2010.

67. ***Cancellation of indebtedness.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, under current law individuals are not required to report the cancellation of certain indebtedness as current income. If the canceled debt is not reported as current income, however, the basis of the underlying property must be reduced by the amount canceled.

68. ***Imputed interest rules.***—Holders (issuers) of debt instruments are generally required to report interest earned (paid) in the period it accrues, not when paid. In addition, the amount of interest accrued is determined by the actual price paid, not by the stated principal and interest stipulated in the instrument. In general, any debt associated with the sale of property worth less than $250,000 is excepted from the general interest accounting rules. This general $250,000 exception is not a tax expenditure under reference law but is under normal law. Exceptions above $250,000 are a tax expenditure under reference law; these exceptions include the following: (1) sales of personal residences worth more than $250,000, and (2) sales of farms and small businesses worth between $250,000 and $1 million.

69. ***Treatment of qualified dividends.***—For individuals in 2009, tax rates on regular income vary from 10 percent to 35 percent, depending on the taxpayer's income. The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low tax rates to apply to certain types or sources of income. In contrast, current law allows qualified dividends to be taxed at a preferentially low rate that is no higher than 15 percent.

70. ***Capital gains (other than agriculture, timber, and coal).***—For individuals in 2009, tax rates on regular income vary from 10 percent to 35 percent, depending on the taxpayer's income. The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low tax rates to apply to certain types or sources of income. In contrast, current law allows capital gains on assets held for more than one year to be taxed at a preferentially low rate that is no higher than 15 percent.

71. ***Capital gains exclusion for small business stock.***—The baseline tax system would not allow deductions and exemptions to certain types of income. In contrast, the Tax Code provides an exclusion of 50 percent (from a 28 percent tax rate) for capital gains from qualified small business stock held by individuals for more than 5 years; 75 percent for stock issued in 2009 and 2010. A qualified small business is a corporation whose gross assets do not exceed $50 million as of the date of issuance of the stock.

72. ***Step-up in basis of capital gains at death.***—The baseline tax system would not allow deductions and exemptions to certain types of income. In contrast, capital gains on assets held at the owner's death are not subject to capital gains tax under current law. The cost basis of the appreciated assets is adjusted to the market value at the owner's date of death.

73. ***Carryover basis of capital gains on gifts.***—The baseline tax system would not allow deductions and exemptions to certain types of income. In contrast, when a gift of appreciated asset is made under current law, the donor's basis in the transferred property (the cost that was incurred when the transferred property was first acquired) carries over to the donee. The carryover of the donor's basis allows a continued deferral of unrealized capital gains.

74. ***Ordinary income treatment of losses from sale of small business corporate stock shares.***—The baseline tax system limits to $3,000 the write-off of losses from capital assets, with carryover of the excess to future years. In contrast, the Tax Code allows up to $100,000 in losses from the sale of small business corporate stock (capitalization less than $1 million) to be treated as ordinary losses and fully deducted.

75. ***Depreciation of non-rental-housing buildings.***—Under an economic income tax, the costs of acquiring a building are capitalized and depreciated over time in accordance with the decline in the property's economic value due to wear and tear or obsolescence. This insures that the net income from the property is measured appropriately each year. However, the depreciation provisions of the Tax Code are part of the reference law rules, and thus do not give rise to tax expenditures under reference law. Under normal law, however, depreciation allowances reflect estimates of economic depreciation.

76. ***Accelerated depreciation of machinery and equipment.***—Under an economic income tax, the costs of acquiring machinery and equipment are capitalized and depreciated over time in accordance with the decline in the property's economic value due to wear and tear or obsolescence. This insures that the net income from the property is measured appropriately each year. However, the depreciation provisions of the Tax Code are part of the reference law rules, and thus do not give rise to tax expenditures under reference law. Under normal law, however, depreciation allowances reflect estimates of economic depreciation.

77. ***Expensing of certain small investments.***—Under the reference law baseline, the costs of acquiring tangible property and computer software would be depreciated using the Tax Code's depreciation provisions. Under the normal tax baseline, depreciation allowances are estimates of economic depreciation. However, the Tax Code allows qualifying investments by small businesses in tangible property and certain computer software to be expensed rather than depreciated over time.

78. ***Graduated corporation income tax rate schedule.***—Because the corporate rate schedule is part of refer-

ence tax law, it is not considered a tax expenditure under the reference method. A flat corporation income tax rate is taken as the baseline under the normal tax method; therefore the lower rate is considered a tax expenditure under this concept.

79. ***Small issue industrial development bonds.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, the Tax Code allows interest earned on small issue industrial development bonds (IDBs) issued by State and local governments to finance manufacturing facilities to be tax exempt. Depreciable property financed with small issue IDBs must be depreciated, however, using the straight-line method. The annual volume of small issue IDBs is subject to the unified volume cap discussed in the mortgage housing bond section above.

80. ***Deduction for U.S. production activities.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, the Tax Code allows for a deduction equal to a portion of taxable income attributable to domestic production.

81. ***Special rules for certain film and TV production.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, under current law taxpayers may deduct up to $15 million per production ($20 million in certain distressed areas) in non-capital expenditures incurred during the year.

Transportation

82. ***Deferral of tax on U.S. shipping companies.***—The baseline tax system generally would tax all profits and income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, the Tax Code allows certain companies that operate U.S. flag vessels to defer income taxes on that portion of their income used for shipping purposes, primarily construction, modernization and major repairs to ships, and repayment of loans to finance these investments.

83. ***Exclusion of employee parking expenses.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income because they represent accretions to wealth that do not materially differ from cash wages. In contrast, under current law employee parking expenses that are paid for by the employer or that are received in lieu of wages are excludable from the income of the employee. In 2009, the maximum amount of the parking exclusion is $230 (indexed) per month. The tax expenditure estimate does not include parking at facilities owned by the employer.

84. ***Exclusion of employee transit pass expenses.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income because they represent accretions to wealth that do not materially differ from cash wages. In contrast, under current law transit passes, tokens, fare cards, and vanpool expenses paid for by an employer or provided in lieu of wages to defray an employee's commuting costs are excludable from the employee's income. The recent stimulus legislation included a provision that equalized the transit subsidy maximum to that for employee parking expenses through the end of 2010. In 2009, the maximum amount of the exclusion is $230 (indexed) per month.

85. ***Tax credit for certain expenditures for maintaining railroad tracks.***—The baseline tax system would not allow credits for particular activities, investments, or industries. However, under current law eligible taxpayers may claim a credit equal to the lesser of 50 percent of maintenance expenditures and the product of $3,500 and the number of miles of track owned or leased.

86. ***Exclusion of interest on bonds for financing of highway projects and rail-truck transfer facilities.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, the Tax Code provides for $15 billion of tax-exempt bond authority to finance qualified highway or surface freight transfer facilities. The authority to issue these bonds expires on December 31, 2015.

Community and Regional Development

87. ***Rehabilitation of structures.***—The baseline tax system would uniformly tax all returns to investments and not allow credits for particular activities, investments, or industries. However, the Tax Code allows a 10-percent investment tax credit for the rehabilitation of buildings that are used for business or productive activities and that were erected before 1936 for other than residential purposes. The taxpayer's recoverable basis must be reduced by the amount of the credit.

88. ***Airport, dock, and similar facility bonds.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, the Tax Code allows interest earned on State and local bonds issued to finance high-speed rail facilities and Government-owned airports, docks, wharves, and sport and convention facilities to be tax-exempt. These bonds are not subject to a volume cap.

89. ***Exemption of income of mutuals and cooperatives.***—Under the baseline tax system, corporations pay taxes on their profits under the regular tax rate schedule. In contrast, the Tax Code provides for the incomes of mutual and cooperative telephone and electric companies to be exempt from tax if at least 85 percent of their revenues are derived from patron service charges.

90. ***Empowerment zones and renewal communities.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income, tax credits, and write-offs faster than economic depreciation. In contrast, under current law qualifying businesses in designated economically depressed areas can receive tax benefits such as an employer wage credit, increased expensing of investment in equipment, special tax-exempt financing, accelerated depreciation, and certain capital gains incentives.

91. ***New markets tax credit.***—The baseline tax system would not allow credits for particular activities, investments, or industries. However, under current law taxpayers who make qualified equity investments in a community development entity (CDE), which then makes qualified investments in low-income communities, are eligible for a tax credit received over 7 years. The total equity investment available for the credit across all CDEs is $5 billion in 2009.

92. ***Expensing of environmental remediation costs.***—Under the baseline tax system, the costs would be amortized (or depreciated) over an estimate of the economic life of the building. This insures that the net income from the buildings is measured appropriately each year. However, the Tax Code allows taxpayers who clean up certain hazardous substances at a qualified site to expense the clean-up costs, even though the expenses will generally increase the value of the property significantly or appreciably prolong the life of the property.

93. ***Credit to holders of Gulf and Midwest Tax Credit Bonds.***—The baseline tax system would not allow credits for particular activities, investments, or industries. Instead, under current law taxpayers that own Gulf and Midwest Tax Credit bonds receive a non-refundable tax credit rather than interest. The credit is included in gross income.

94. ***Recovery Zone Bonds.***—The baseline tax system would not allow credits for particular activities, investments, or industries. In addition, it would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, the Tax Code allows local governments to issue up $10 billion in taxable Recovery Zone Economic Development Bonds in 2009 and 2010 and receive a direct payment from Treasury equal to 45 percent of interest expenses. In addition, they would be allowed to allocate up to $15 billion in tax exempt Recovery Zone Facility Bonds. These bonds finance certain kinds of business development in areas of economic distress.

95. ***Tribal Economic Development Bonds.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, the Tax Code was modified in 2009 to allow Indian tribal governments to issue tax exempt "tribal economic development bonds." There is a national bond limitation of $2 billion.

Education, Training, Employment, and Social Services

96. ***Scholarship and fellowship income.***—Scholarships and fellowships are excluded from taxable income to the extent they pay for tuition and course-related expenses of the grantee. Similarly, tuition reductions for employees of educational institutions and their families are not included in taxable income. From an economic point of view, scholarships and fellowships are either gifts not conditioned on the performance of services, or they are rebates of educational costs. Thus, under the baseline tax system of the reference law method, this exclusion is not a tax expenditure because this method does not include either gifts or price reductions in a taxpayer's gross income. The exclusion, however, is considered a tax expenditure under the normal tax method, which includes gift-like transfers of Government funds in gross income (many scholarships are derived directly or indirectly from Government funding).

97. ***HOPE tax credit.***—The baseline tax system would not allow credits for particular activities, investments, or industries. Under current law, however, the non-refundable HOPE tax credit allows a credit for 100 percent of an eligible student's first $1,200 of tuition and fees and 50 percent of the next $1,200 of tuition and fees. The credit only covers tuition and fees paid during the first two years of a student's post-secondary education. In 2009, the credit is phased out ratably for taxpayers with modified AGI between $100,000 and $120,000 ($50,000 and $60,000 for singles), indexed.

98. ***Lifetime Learning tax credit.***—The baseline tax system would not allow credits for particular activities, investments, or industries. Under current law, however, the non-refundable Lifetime Learning tax credit allows a credit for 20 percent of an eligible student's tuition and fees, up to a maximum credit per return of $2,000. The credit is phased out ratably for taxpayers with modified AGI between $100,000 and $120,000 ($50,000 and $60,000 for singles), indexed. The credit applies to both undergraduate and graduate students.

99. ***American Opportunity Tax Credit.***—The baseline tax system would not allow credits for particular activities, investments, or industries. In contrast, the Tax Code was modified in 2009 to provide a tax credit in 2009 and 2010 of up to $2,500 per eligible student for qualified tuition and related expenses paid for each of the first four years of the student's post-secondary education. The credit is phased out for taxpayers with modified adjusted gross income between $80,000 and $90,000 ($160,000 and $180,000 for married taxpayers filing a joint return).

100. ***Education Individual Retirement Accounts (IRA).***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. Contributions to an education IRA are not tax-deductible. However, investment income earned by education IRAs is not taxed when earned, and investment income from an education IRA is tax-exempt when withdrawn to pay for a student's tuition

and fees. The maximum contribution to an education IRA in 2008 is $2,000 per beneficiary. The maximum contribution is phased down ratably for taxpayers with modified AGI between $190,000 and $220,000 ($95,000 and $110,000 for singles).

101. ***Student-loan interest.***—The baseline tax system accepts current law's general rule limiting taxpayers' ability to deduct non-business interest expenses. In contrast, taxpayers may claim an above-the-line deduction of up to $2,500 on interest paid on an education loan. Interest may only be deducted for the first five years in which interest payments are required. In 2009, the maximum deduction is phased down ratably for taxpayers with modified AGI between $110,000 and $140,000 ($55,000 and $70,000 for singles), indexed.

102. ***Deduction for higher education expenses.***—The baseline tax system would not allow a deduction for personal expenditures. In contrast, the Tax Code provides a maximum annual deduction of $4,000 in 2009 for qualified higher education expenses for taxpayers with adjusted gross income up to $130,000 on a joint return ($65,000 for singles). Taxpayers with adjusted gross income up to $160,000 on a joint return ($80,000 for singles) may deduct up to $2,000.

103. ***State prepaid tuition plans.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. Some States have adopted prepaid tuition plans and prepaid room and board plans, which allow persons to pay in advance for college expenses for designated beneficiaries. Under current law, investment income is not taxed when earned, and is tax-exempt when withdrawn to pay for qualified expenses.

104. ***Student-loan bonds.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, interest earned on State and local bonds issued to finance student loans is tax-exempt under current law. The volume of all such private activity bonds that each State may issue annually is limited.

105. ***Bonds for private nonprofit educational institutions.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, under current law interest earned on State and local Government bonds issued to finance the construction of facilities used by private nonprofit educational institutions is not taxed.

106. ***Credit for holders of zone academy bonds.***—The baseline tax system would not allow credits for particular activities, investments, or industries. Under current law, however, financial institutions that own zone academy bonds receive a non-refundable tax credit rather than interest. The credit is included in gross income. Proceeds from zone academy bonds may only be used to renovate, but not construct, qualifying schools and for certain other school purposes. The total amount of zone academy bonds that may be issued is limited to $1.4 billion in 2009 and 2010.

107. ***U.S. savings bonds for education.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. Under current law, however, interest earned on U.S. savings bonds issued after December 31, 1989 is tax-exempt if the bonds are transferred to an educational institution to pay for educational expenses. The tax exemption is phased out for taxpayers with AGI between $100,650 and $130,650 ($67,100 and $81,100 for singles) in 2009.

108. ***Dependent students age 19 or older.***—The tax rate schedule, including personal exemptions and the standard deduction, are part of the baseline tax system. Additional exemptions to targeted groups are not allowed. In contrast, the Tax Code provides taxpayers personal exemptions for dependent children who are over the age of 18 or under the age of 24 and who (1) reside with the taxpayer for over half the year (with exceptions for temporary absences from home, such as for school attendance), (2) are full-time students, and (3) do not claim a personal exemption on their own tax returns. However, under current law, the dependent/student is not eligible to claim a personal exemption on his or her own tax return.

109. ***Charitable contributions to educational institutions.***—The baseline tax system would not allow a deduction for personal expenditures. In contrast, the Tax Code provides taxpayers a deduction for contributions to nonprofit educational institutions. Moreover, taxpayers who donate capital assets to educational institutions can deduct the asset's current value without being taxed on any appreciation in value. An individual's total charitable contribution generally may not exceed 50 percent of adjusted gross income; a corporation's total charitable contributions generally may not exceed 10 percent of pre-tax income.

110. ***Employer-provided educational assistance.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income because they represent accretions to wealth that do not materially differ from cash wages. Under current law, however, employer-provided educational assistance is excluded from an employee's gross income even though the employer's costs for this assistance are a deductible business expense.

111. ***Special deduction for teacher expenses.***—The baseline tax system would not allow a deduction for personal expenditures. In contrast, under current law educators in both public and private elementary and secondary schools, who work at least 900 hours during a school year as a teacher, instructor, counselor, principal or aide, may subtract up to $250 of qualified expenses when figuring their adjusted gross income (AGI). This provision expired at end of December 31, 2008.

112. ***Discharge of student loan indebtedness.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income. In contrast, the Tax Code al-

lows certain professionals who perform in underserved areas, and as a consequence get their student loans discharged, not to recognize such discharge as income.

113. ***Qualified school construction bonds.***—The baseline tax system would not allow credits for particular activities, investments, or industries. Instead, it generally would seek to tax uniformly all returns from investment-like activities. In contrast, the Tax Code was modified in 2009 to provide a tax credit in lieu of interest to holders of qualified school construction bonds. The national volume limit is $22 billion over 2009 and 2010.

114. ***Work opportunity tax credit (WOTC).***—The baseline tax system would not allow credits for particular activities, investments, or industries. Instead, it generally would seek to tax uniformly all returns from investment-like activities. In contrast, the Tax Code provides employers with a tax credit for qualified wages paid to individuals. The credit applies to employees who begin work on or before August 31, 2011 and who are certified as members of various targeted groups. The amount of the credit that can be claimed is 25 percent of qualified wages for employment less than 400 hours and 40 percent for employment of 400 hours or more. Generally, the maximum credit per employee is $2,400 and can only be claimed on the first year of wages an individual earns from an employer. However, the credit for long-term welfare recipients can be claimed on second year wages as well and has a $9,000 maximum. Employees must work at least 120 hours to be eligible for the credit. Employers must reduce their deduction for wages paid by the amount of the credit claimed.

115. ***Welfare-to-work tax credit.***—The baseline tax system would not allow credits for particular activities, investments, or industries. Instead, it generally would seek to tax uniformly all returns from investment-like activities. In contrast, under current law an employer is eligible for a tax credit on the first $20,000 of eligible wages paid to qualified long-term family assistance recipients during the first two years of employment. The welfare-to-work credit expired on December 31, 2006. After this date, long-term welfare recipients became a WOTC target group.

116. ***Employer-provided child care exclusion.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income. In contrast, under current law up to $5,000 of employer-provided child care is excluded from an employee's gross income even though the employer's costs for the child care are a deductible business expense.

117. ***Employer-provided child care credit.***—The baseline tax system would not allow credits for particular activities, investments, or industries. Instead, current law provides a credit equal to 25 percent of qualified expenses for employee child care and 10 percent of qualified expenses for child care resource and referral services. Employer deductions for such expenses are reduced by the amount of the credit. The maximum total credit is limited to $150,000 per taxable year.

118. ***Assistance for adopted foster children.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income. Taxpayers who adopt eligible children from the public foster care system can receive monthly payments for the children's significant and varied needs and a reimbursement of up to $2,000 for nonrecurring adoption expenses. These payments are excluded from gross income under current law.

119. ***Adoption credit and exclusion.***—The baseline tax system would not allow credits for particular activities. Instead, taxpayers can receive a nonrefundable tax credit for qualified adoption expenses under current law. The maximum credit is $12,150 per child for 2009, and is phased-out ratably for taxpayers with modified AGI between $182,180 and $220,180. The credit amounts and the phase-out thresholds are indexed for inflation. Taxpayers may also exclude qualified adoption expenses from income, subject to the same maximum amounts and phase-out as the credit. The same expenses cannot qualify for tax benefits under both programs; however, a taxpayer may use the benefits of the exclusion and the tax credit for different expenses.

120. ***Employer-provided meals and lodging.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income. In contrast, under current law employer-provided meals and lodging are excluded from an employee's gross income even though the employer's costs for these items are a deductible business expense.

121. ***Child credit.***—The baseline tax system would not allow credits for particular activities or targeted at specific groups. Under current law, however, taxpayers with children under age 17 can qualify for a $1,000 partially refundable per child credit. The maximum credit declines to $500 in 2011 and later years. The credit is phased out for taxpayers at the rate of $50 per $1,000 of modified AGI above $110,000 ($75,000 for singles).

122. ***Child and dependent care expenses.***—The baseline tax system would not allow credits for particular activities or targeted at specific groups. In contrast, the Tax Code provides married couples with child and dependent care expenses a tax credit when one spouse works full time and the other works at least part time or goes to school. The credit may also be claimed by single parents and by divorced or separated parents who have custody of children. In 2009, expenditures up to a maximum $3,000 for one dependent and $6,000 for two or more dependents are eligible for the credit. The credit is equal to 35 percent of qualified expenditures for taxpayers with incomes of $15,000. The credit is reduced to a minimum of 20 percent by one percentage point for each $2,000 of income in excess of $15,000.

123. ***Disabled access expenditure credit.***—The baseline tax system would not allow credits for particular activities, investments, or industries. In contrast, the Tax Code provides small businesses (less than $1 million in gross receipts or fewer than 31 full-time employees) a 50-percent credit for expenditures in excess of $250 to

remove access barriers for disabled persons. The credit is limited to $5,000.

124. ***Charitable contributions, other than education and health.***—The baseline tax system would not allow a deduction for personal expenditures. In contrast, the Tax Code provides taxpayers a deduction for contributions to charitable, religious, and certain other nonprofit organizations. Taxpayers who donate capital assets to charitable organizations can deduct the assets' current value without being taxed on any appreciation in value. An individual's total charitable contribution generally may not exceed 50 percent of adjusted gross income; a corporation's total charitable contributions generally may not exceed 10 percent of pre-tax income.

125. ***Foster care payments.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. Foster parents provide a home and care for children who are wards of the State, under contract with the State. However, compensation received for this service is excluded from the gross incomes of foster parents; the expenses they incur are nondeductible.

126. ***Parsonage allowances.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income. In contrast, the value of a clergyman's housing allowance and the rental value of parsonages are not included in a minister's taxable income under current law.

127. ***Provide an employee retention credit to employers affected by hurricanes Katrina, Rita, Wilma, and Ike.***—The baseline tax system would not allow credits for particular activities, investments, or industries. In contrast, the Tax Code provides tax credits against the wages paid to eligible employees in areas affected by natural disasters such as hurricanes Katrina, Rita, Wilma, and Ike.

128. ***Exclusion for benefits provided to volunteer EMS and firefighters.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income. In contrast, the Tax Code provides that certain benefits received by volunteer EMS and firefighters excluded from income.

129. ***Temporary income exclusion for employer provided lodging in Midwestern disaster area.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income. In contrast, under current law employer-provided meals and lodging in disaster areas are excluded from an employee's gross income even though the employer's costs for these items are a deductible business expense.

130. ***Making work pay tax credit.***—The baseline tax system would not allow credits for particular activities. In contrast, the Tax Code was modified in 2009 to provide for a tax credit in 2009 and 2010 of the lesser of 6.2 percent of an individual's earned income or $400 ($800 for joint filers). It is phased out at a rate of 2 percent of modified AGI above $75,000 ($150,000 for joint filers).

Health

131. ***Employer-paid medical insurance and expenses.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income. In contrast, under current law, employer-paid health insurance premiums and other medical expenses (including long-term care) are deducted as a business expense by employers, but they are not included in employee gross income. The self-employed also may deduct part of their family health insurance premiums.

132. ***Self-employed medical insurance premiums.***—Under the baseline tax system, all compensation and remuneration, including dedicated payments and in-kind benefits, should be included in taxable income. In contrast, under current law self-employed taxpayers may deduct a percentage of their family health insurance premiums. Taxpayers without self-employment income are not eligible for the special percentage deduction. The deductible percentage is 60 percent in 2001, 70 percent in 2002, and 100 percent in 2003 and thereafter.

133. ***Medical and health savings accounts.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income. Also, the baseline tax system would not allow a deduction for personal expenditures. In contrast, individual contributions to Archer Medical Savings Accounts (Archer MSAs) and Health Savings Accounts (HSAs) are allowed as a deduction in determining adjusted gross income whether or not the individual itemizes deductions. Employer contributions to Archer MSAs and HSAs are excluded from income and employment taxes. Archer MSAs and HSAs require that the individual have coverage by a qualifying high deductible health plan. Earnings from the accounts are excluded from taxable income. Distributions from the accounts used for medical expenses are not taxable. The rules for HSAs are generally more flexible than for Archer MSAs and the deductible contribution amounts are greater (in 2009, $3000 for taxpayers with individual coverage and $5,950 for taxpayers with family coverage). Thus, HSAs have largely replaced MSAs.

134. ***Medical care expenses.***—The baseline tax system would not allow a deduction for personal expenditures. In contrast, under current law personal expenditures for medical care (including the costs of prescription drugs) exceeding 7.5 percent of the taxpayer's adjusted gross income are deductible.

135. ***Hospital construction bonds.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, under current law interest earned on State and local government debt issued to finance hospital construction is excluded from income subject to tax.

136. ***Charitable contributions to health institutions.***—The baseline tax system would not allow a deduction for personal expenditures. In contrast, the Tax Code provides individuals and corporations a deduction for con-

tributions to nonprofit health institutions. Tax expenditures resulting from the deductibility of contributions to other charitable institutions are listed under the education, training, employment, and social services function.

137. ***Orphan drugs.***—The baseline tax system would not allow credits for particular activities, investments, or industries. In contrast, under current law drug firms can claim a tax credit of 50 percent of the costs for clinical testing required by the Food and Drug Administration for drugs that treat rare physical conditions or rare diseases.

138. ***Blue Cross and Blue Shield.***—The baseline tax system generally would tax all profits under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, Blue Cross and Blue Shield health insurance providers in existence on August 16, 1986 and certain other nonprofit health insurers are provided exceptions from otherwise applicable insurance company income tax accounting rules that substantially reduce (or even eliminate) their tax liabilities.

139. ***Tax credit for health insurance purchased by certain displaced and retired individuals.***—The baseline tax system would not allow credits for particular activities, investments, or industries. In contrast, the Trade Act of 2002 provides a refundable tax credit of 65 percent for the purchase of health insurance coverage by individuals eligible for Trade Adjustment Assistance and certain Pension Benefit Guarantee Corporation pension recipients.

140. ***Distributions for premiums for health and long-term care insurance.***—Under the baseline tax system, all compensation, including dedicated and deferred payments, should be included in taxable income. In contrast, the Tax Code provides for tax-free distributions of up to $3,000 from governmental retirement plans for premiums for health and long term care premiums of public safety officers.

Income Security

141. ***Railroad retirement benefits.***—Under the baseline tax system, all compensation, including dedicated and deferred payments, should be included in taxable income. In contrast, railroad retirement benefits are not generally subject to the income tax unless the recipient's gross income reaches a certain threshold under current law. The threshold is discussed more fully under the Social Security function.

142. ***Workers' compensation benefits.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income. However, workers compensation provides payments to disabled workers. These benefits, although income to the recipients, are not subject to the income tax under current law.

143. ***Public assistance benefits.***—Under the reference law baseline tax system, gifts and transfers are not treated as income to the recipients. In contrast, the normal tax method considers cash transfers from the Government as part of the recipients' income, and thus, treats the exclusion for public assistance benefits under current law as tax expenditure.

144. ***Special benefits for disabled coal miners.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income. However, disability payments to former coal miners out of the Black Lung Trust Fund, although income to the recipient, are not subject to the income tax.

145. ***Military disability pensions.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income. In contrast, most of the military pension income received by current disabled retired veterans is excluded from their income subject to tax.

146. ***Employer-provided pension contributions and earnings.***—Under the baseline tax system, all compensation, including deferred and dedicated payments, should be included in taxable income. In contrast, under current law certain employer contributions to pension plans are excluded from an employee's gross income even though the employer can deduct the contributions. In addition, the tax on the investment income earned by the pension plans is deferred until the money is withdrawn.

147. ***401(k) plans.***—Under the baseline tax system, all compensation, including deferred and dedicated payments, should be included in taxable income. In contrast, under current law individual taxpayers can make tax-preferred contributions to certain types of employer-provided 401(k) plans (and 401(k)-type plans like 403(b) plans and the Federal Government's Thrift Savings Plan). In 2009, an employee could exclude up to $16,500 (indexed) of wages from AGI under a qualified arrangement with an employer's 401(k) plan. Employees age 50 or over could exclude up to $22,000 in contributions (indexed). The tax on the investment income earned by 401(k)-type plans is deferred until withdrawn.

148. ***Individual Retirement Accounts (IRAs).***—Under the baseline tax system, all compensation, including deferred and dedicated payments, should be included in taxable income. In contrast, under current law individual taxpayers can take advantage of several different IRAs to defer or otherwise reduce the tax on the return to their retirement savings. These arrangements include deductible IRAs, nondeductible IRAs and Roth IRAs. The IRA contribution limit is $5,000 in 2009 (indexed thereafter) and allows taxpayers over age 50 to make additional "catch-up" contributions of $1,000. Taxpayers can make a deductible IRA contribution only up to certain levels of AGI depending on whether they are active participants in employer plans. Above those AGI limits, the amount that may be deducted is reduced and eventually phased out. There is no income limit for nondeductible IRA contributions, which still benefit from deferral of tax on earnings. Roth IRA contributions are not deductible, but earnings and withdrawals are exempt from taxation under certain conditions. AGI limits also apply to Roth IRA contributions.

149. ***Low and moderate-income savers' credit.***—The baseline tax system would not allow credits for par-

ticular activities or targeted at specific group. In contrast, the Tax Code provides an additional incentive for lower-income taxpayers to save through a nonrefundable credit of up to 50 percent on IRA and other retirement contributions of up to $2,000. This credit is in addition to any deduction or exclusion. The credit is completely phased out by $55,500 for joint filers and $27,750 for single filers.

150. ***Keogh plans.***—Under the baseline tax system, all compensation, including deferred and dedicated payments, should be included in taxable income. In contrast, under current law self-employed individuals can make deductible contributions to their own retirement (Keogh) plans equal to 25 percent of their income, up to a maximum of $49,000 in 2009. Total plan contributions are limited to 25 percent of a firm's total wages. The tax on the investment income earned by Keogh plans is deferred until withdrawn.

151. ***Employer-provided life insurance benefits.***—Under the baseline tax system, all compensation, including deferred and dedicated payments, should be included in taxable income. In contrast, under current law employer-provided life insurance benefits are excluded from an employee's gross income even though the employer's costs for the insurance are a deductible business expense, but only to the extent that the employer's share of the total costs does not exceed the cost of $50,000 of such insurance.

152. ***Employer-provided accident and disability benefits.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income. In contrast, employer-provided accident and disability benefits are excluded from an employee's gross income even though the employer's costs for the benefits are a deductible business expense.

153. ***Employer-provided supplementary unemployment benefits.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income. Employers may establish trusts to pay supplemental unemployment benefits to employees separated from employment. Interest payments to such trusts are exempt from taxation.

154. ***Employer Stock Ownership Plan (ESOP) provisions.***—ESOPs are a special type of tax-exempt employee benefit plan. Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income. In contrast, employer-paid contributions (the value of stock issued to the ESOP) are deductible by the employer as part of employee compensation costs. They are not included in the employees' gross income for tax purposes, however, until they are paid out as benefits. The following special income tax provisions for ESOPs are intended to increase ownership of corporations by their employees: (1) annual employer contributions are subject to less restrictive limitations; (2) ESOPs may borrow to purchase employer stock, guaranteed by their agreement with the employer that the debt will be serviced by his payment (deductible by him) of a portion of wages (excludable by the employees) to service the loan; (3) employees who sell appreciated company stock to the ESOP may defer any taxes due until they withdraw benefits; and (4) dividends paid to ESOP-held stock are deductible by the employer.

155. ***Additional deduction for the blind.***—The tax rate schedule, including personal exemptions and the standard deduction, are part of the baseline tax system. Additional exemptions to targeted groups are not allowed. In contrast, the Tax Code provides taxpayers who are blind an additional $1,400 standard deduction if single, or $1,100 if married in 2009.

156. ***Additional deduction for the elderly.***—The tax rate schedule, including personal exemptions and the standard deduction, are part of the baseline tax system. Additional exemptions to targeted groups are not allowed. In contrast, the Tax Code provides taxpayers who are 65 years or older an additional $1,400 standard deduction if single, or $1,100 if married in 2009.

157. ***Tax credit for the elderly and disabled.***—The baseline tax system would not allow credits for particular activities or targeted at specific group. Under current law, however, individuals who are 65 years of age or older, or who are permanently disabled, can take a tax credit equal to 15 percent of the sum of their earned and retirement income. Income is limited to no more than $5,000 for single individuals or married couples filing a joint return where only one spouse is 65 years of age or older, and up to $7,500 for joint returns where both spouses are 65 years of age or older. These limits are reduced by one-half of the taxpayer's adjusted gross income over $7,500 for single individuals and $10,000 for married couples filing a joint return.

158. ***Casualty losses.***—Under the baseline tax system, neither the purchase of property nor insurance premiums to protect its value are deductible as costs of earning income. Therefore, reimbursement for insured loss of such property is not reportable as a part of gross income and uninsured losses not deductible. In contrast, the Tax Code provides a deduction for uninsured casualty and theft losses of more than $100 each, but only to the extent that total losses during the year exceed 10 percent of AGI.

159. ***Earned income tax credit (EITC).***—The baseline tax system would not allow credits for particular activities or targeted at specific group. In contrast, the Tax Code provides an EITC to low-income workers at a maximum rate of 40 percent of income. For a family with one qualifying child, the credit is 34 percent of the first $8,950 of earned income in 2009. The credit is 40 percent of the first $12,570 of income for a family with two or more qualifying children. The credit is 45 percent of the first $12,570 of income for a family with three or more qualifying children. Low-income workers with no qualifying children are eligible for a 7.65 percent credit on the first $5,970 of earned income. The credit is phased out at income levels and rates which depend upon how many qualifying children are eligible and marital status. Earned income tax credits in excess of tax liabilities owed through the individual income tax system are refundable to individuals.

160. ***Additional exemption for housing natural disaster displaced individuals.***—The tax rate schedule, including personal exemptions and the standard deduction, are part of the baseline tax system. Additional exemptions to targeted groups are not allowed. In contrast, the Tax Code provides additional exemption to persons displaced by natural disasters such as hurricane Katrina.

161. ***Exclusion of unemployment benefits.***—The baseline tax system would not allow deductions and exemptions to certain types of income. In contrast the Tax Code was modified in 2009 to allow an exclusion of up to $2,400 of unemployment insurance benefits from gross income for taxable year 2009.

Social Security

162. ***Social Security benefits for retired workers.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income because they represent accretions to wealth that do not materially differ from cash wages. In contrast, the Tax Code may not tax all of the Social Security benefits that exceed the beneficiary's contributions out of taxed income. These additional retirement benefits are paid for partly by employers' contributions that were not included in employees' taxable compensation and partly by earnings on employee and employer contributions. Portions of benefits (reaching as much as 85 percent) of recipients' Social Security and tier 1 railroad retirement benefits are included in (phased-in) the income tax base, however, if the recipient's provisional income exceeds certain base amounts. Provisional income is equal to adjusted gross income plus foreign or U.S. possession income and tax-exempt interest, and one half of Social Security and tier 1 railroad retirement benefits. The tax expenditure is limited to the portion of the benefits received by taxpayers who are below the income amounts at which 85 percent of the benefits are taxable.

163. ***Social Security benefits for the disabled.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income because they represent accretions to wealth that do not materially differ from cash wages. Under current law, however, benefit payments from the Social Security Trust Fund for disability are fully or partially excluded from a beneficiary's gross incomes. (See provision number 156, Social Security benefits for retired workers.)

164. ***Social Security benefits for dependents and survivors.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income because they represent accretions to wealth that do not materially differ from cash wages. Under current law, however, benefit payments from the Social Security Trust Fund for dependents and survivors are fully or partially excluded from a beneficiary's gross income.

165. ***Tax Credit for Certain Government Retirees.***—The baseline tax system would not allow credits for particular activities or targeted at specific group. In contrast, the Tax Code was modified in 2009 to provide a tax credit of $250 for certain government retirees who do not receive social security benefits. This credit is provided so as to equalize the treatment with social security beneficiaries who received $250 in stimulus payments in 2009.

Veterans Benefits and Services

166. ***Veterans death benefits and disability compensation.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income because they represent accretions to wealth that do not materially differ from cash wages. In contrast, all compensation due to death or disability paid by the Veterans Administration is excluded from taxable income under current law.

167. ***Veterans pension payments.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income because they represent accretions to wealth that do not materially differ from cash wages. Under current law, however, pension payments made by the Veterans Administration are excluded from gross income.

168. ***G.I. Bill benefits.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income because they represent accretions to wealth that do not materially differ from cash wages. Under current law, however, G.I. Bill benefits paid by the Veterans Administration are excluded from gross income.

169. ***Tax-exempt mortgage bonds for veterans.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, under current law, interest earned on general obligation bonds issued by State and local governments to finance housing for veterans is excluded from taxable income.

General Government

170. ***Public purpose State and local bonds.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, under current law interest earned on State and local government bonds issued to finance public-purpose construction (e.g., schools, roads, sewers), equipment acquisition, and other public purposes is tax-exempt. Interest on bonds issued by Indian tribal governments for essential governmental purposes is also tax-exempt.

171. ***Build America Bonds.***—The baseline tax system would not allow credits for particular activities or targeted at specific group. In contrast, the Tax Code in 2009 allowed State and local governments to issue taxable bonds and receive a direct payment from Treasury equal to 35 percent of interest expenses. Alternatively, State and local governments may issue taxable bonds and the private

lenders receive the 35 percent credit which is included in taxable income.[4]

172. ***Deductibility of certain nonbusiness State and local taxes.***—The baseline tax system would not allow a deduction for personal expenditures. In contrast, the Tax Code provides taxpayers who itemize a deduction for State and local income taxes and property taxes (or at the taxpayer's election state and local sales taxes) even though these taxes primarily pay for services that, if purchased directly by taxpayers, would not be deductible.

Interest

173. ***U.S. savings bonds.***—The baseline tax system would uniformly tax all returns to investments and not allow an exemption or deferral for particular activities, investments, or industries. In contrast, taxpayers may defer paying tax on interest earned on U.S. savings bonds until the bonds are redeemed.

APPENDIX A

PERFORMANCE MEASURES AND THE ECONOMIC EFFECTS OF TAX EXPENDITURES

The Government Performance and Results Act of 1993 (GPRA) directs Federal agencies to develop annual and strategic plans for their programs and activities. These plans set out performance objectives to be achieved over a specific time period. Most of these objectives are achieved through direct expenditure programs. Tax expenditures, however, may also contribute to achieving these goals. This Appendix responds to the report of the Senate Governmental Affairs Committee on GPRA[5] calling on the Executive Branch to undertake a series of analyses to assess the effect of specific tax expenditures on the achievement of agencies' performance objectives.

Comparison of tax expenditure, spending, and regulatory policies. Tax expenditures by definition work through the tax system and, particularly, the income tax. Thus, they may be relatively advantageous policy approaches when the benefit or incentive is related to income and is intended to be widely available.[6] Because there is an existing public administrative and private compliance structure for the tax system, the incremental administrative and compliance costs for a tax expenditure may be low in many cases. In addition, some tax expenditures actually simplify the operation of the tax system, (for example, the exclusion for up to $500,000 of capital gains on home sales). Tax expenditures also implicitly subsidize certain activities. Spending, regulatory or tax-disincentive policies can also modify behavior, but may have different economic effects. Finally, a variety of tax expenditure tools can be used, e.g., deductions; credits; exemptions; deferrals, floors, ceilings; phase-ins; phase-outs; and these can be dependent on income, expenses, or demographic characteristics (age, number of family members, etc.). This wide range of policy instruments means that tax expenditures can be flexible and can have very different economic effects.

Tax expenditures also have limitations. In many cases they add to the complexity of the tax system, which raises both administrative and compliance costs. For example, personal exemptions, deductions, credits, and phase-outs can complicate filing and decision-making. The income tax system may have little or no contact with persons who have no or very low incomes, and does not require information on certain characteristics of individuals used in some spending programs, such as wealth. These features may reduce the effectiveness of tax expenditures for addressing socioeconomic disparity. Tax expenditures also generally do not enable the same degree of agency discretion as an outlay program. For example, grant or direct Federal service delivery programs can prioritize activities to be addressed with specific resources in a way that is difficult to emulate with tax expenditures.

Outlay programs have advantages where direct Government service provision is particularly warranted such as equipping and providing the armed forces or administering the system of justice. Outlay programs may also be specifically designed to meet the needs of low-income families who would not otherwise be subject to income taxes or need to file a tax return. Outlay programs may also receive more year-to-year oversight and fine tuning through the legislative and executive budget process. In addition, many different types of spending programs including direct Government provision; credit programs; and payments to State and local governments, the private sector, or individuals in the form of grants or contracts provide flexibility for policy design. On the other hand, certain outlay programs, such as direct Government service provision may rely less directly on economic incentives and private-market provision than tax incentives, which may reduce the relative efficiency of spending programs for some goals. Finally, spending programs, particularly on the discretionary side, may respond less readily

[4] This payment is treated as an outlay and has no direct revenue effects. To the extent that these bonds displace traditional tax exempt bonds, the outlays are in part offset by revenue gains from such displacement. Following tax expenditure estimating conventions on behavioral effects, the reported revenue gain estimates in the Tables should be set to zero. Nevertheless, such estimates are provided to highlight the dynamics of these new bonds in substituting for traditional bonds as well as reflecting on the keen public interest in this provision.

[5] Committee on Government Affairs, United States Senate, "Government Performance and Results Act of 1993" (Report 103–58, 1993).

[6] Although this chapter focuses upon tax expenditures under the income tax, tax expenditures also arise under the unified transfer, payroll, and excise tax systems. Such provisions can be useful when they relate to the base of those taxes, such as an excise tax exemption for certain types of consumption deemed meritorious.

to changing activity levels and economic conditions than tax expenditures.

Regulations have more direct and immediate effects than outlay and tax-expenditure programs because regulations apply directly and immediately to the regulated party (i.e., the intended actor) generally in the private sector. Regulations can also be fine-tuned more quickly than tax expenditures because they can often be changed as needed by the Executive Branch without legislation. Like tax expenditures, regulations often rely largely on voluntary compliance, rather than detailed inspections and policing. As such, the public administrative costs tend to be modest relative to the private resource costs associated with modifying activities. Historically, regulations have tended to rely on proscriptive measures, as opposed to economic incentives. This reliance can diminish their economic efficiency, although this feature can also promote full compliance where (as in certain safety-related cases) policymakers believe that trade-offs with economic considerations are not of paramount importance. Also, regulations generally do not directly affect Federal outlays or receipts. Thus, like tax expenditures, they may escape the degree of scrutiny that outlay programs receive. However, major regulations are subjected to a formal regulatory analysis that goes well beyond the analysis required for outlays and tax-expenditures. To some extent, the GPRA requirement for performance evaluation will address this lack of formal analysis.

Some policy objectives are achieved using multiple approaches. For example, minimum wage legislation, the earned income tax credit, and the food stamp program are regulatory, tax expenditure, and direct outlay programs, respectively, all having the objective of improving the economic welfare of low-wage workers.

Tax expenditures, like spending and regulatory programs, have a variety of objectives and effects. When measured against a comprehensive income tax, for example, these include: encouraging certain types of activities (e.g., saving for retirement or investing in certain sectors); increasing certain types of after-tax income (e.g., favorable tax treatment of Social Security income); reducing private compliance costs and Government administrative costs (e.g., the exclusion for up to $500,000 of capital gains on home sales); and promoting tax neutrality (e.g., accelerated depreciation in the presence of inflation). Some of these objectives are well suited to quantitative measurement, while others are less well suited. Also, many tax expenditures, including those cited above, may have more than one objective. For example, accelerated depreciation may encourage investment. In addition, the economic effects of particular provisions can extend beyond their intended objectives (e.g., a provision intended to promote an activity or raise certain incomes may have positive or negative effects on tax neutrality).

Performance measurement is generally concerned with inputs, outputs, and outcomes. In the case of tax expenditures, the principal input is usually the revenue effect. Outputs are quantitative or qualitative measures of goods and services, or changes in income and investment, directly produced by these inputs. Outcomes, in turn, represent the changes in the economy, society, or environment that are the ultimate goals of programs.

Thus, for a provision that reduces taxes on certain investment activity, an increase in the amount of investment would likely be a key output. The resulting production from that investment, and, in turn, the associated improvements in national income, welfare, or security, could be the outcomes of interest. For other provisions, such as those designed to address a potential inequity or unintended consequence in the Tax Code, an important performance measure might be how they change effective tax rates (the discounted present value of taxes owed on new investments or incremental earnings) or excess burden (an economic measure of the distortions caused by taxes). Effects on the incomes of members of particular groups may be an important measure for certain provisions.

An Overview of Evaluation Issues by Budget Function

The discussion below considers the types of measures that might be useful for some major programmatic groups of tax expenditures. The discussion is intended to be illustrative and not all encompassing. However, it is premised on the assumption that the data needed to perform the analysis are available or can be developed. In practice, data availability is likely to be a major challenge, and data constraints may limit the assessment of the effectiveness of many provisions. In addition, such assessments can raise significant challenges in economic modeling.

National defense. Some tax expenditures are intended to assist governmental activities. For example, tax preferences for military benefits reflect, among other things, the view that benefits such as housing, subsistence, and moving expenses are intrinsic aspects of military service, and are provided, in part, for the benefit of the employer, the U.S. Government. Tax benefits for combat service are intended to reduce tax burdens on military personnel undertaking hazardous service for the Nation. A portion of the tax expenditure associated with foreign earnings is targeted to benefit U.S. Government civilian personnel working abroad by offsetting the living costs that can be higher than those in the United States. These tax expenditures should be considered together with direct agency budget costs in making programmatic decisions.

International affairs. Tax expenditures are also aimed at goals such as tax neutrality. These include the exclusion for income earned abroad by nongovernmental employees and exclusions for income of U.S.-controlled foreign corporations. Measuring the effectiveness of these provisions raises challenging issues.

General science, space and technology, energy, natural resources and the environment, agriculture, and commerce and housing. A series of tax expenditures reduces the cost of investment, both in specific activities such as research and experimentation, extractive industries, and certain financial activities and more generally, through accelerated depreciation for plant and equipment. These provisions can be evaluated along a number of dimensions. For example, it could be useful to consider the strength of the incentives by measuring their effects on the cost of capital (the interest rate which investments must yield to cover their costs) and effective tax rates. The impact of these provisions on the amounts of corresponding forms of investment (e.g., research spending, exploration activity, equipment) might also be estimated. In some cases, such as research, there is evidence that the investment can provide significant positive externalities—that is, economic benefits that are not reflected in the market transactions between private parties. It could be useful to quantify these externalities and compare them with the size of tax expenditures. Measures could also indicate the effects on production from these investments such as numbers or values of patents, energy production and reserves, and industrial production. Issues to be considered include the extent to which the preferences increase production (as opposed to benefiting existing output) and their cost-effectiveness relative to other policies. Analysis could also consider objectives that are more difficult to measure but still are ultimate goals, such as promoting the Nation's technological base, energy security, environmental quality, or economic growth. Such an assessment is likely to involve tax analysis as well as consideration of non-tax matters such as market structure, scientific, and other information (such as the effects of increased domestic fuel production on imports from various regions, or the effects of various energy sources on the environment).

Housing investment also benefits from tax expenditures. The imputed net rental income from owner-occupied housing is excluded from the tax base. The mortgage interest deduction and property tax deduction on personal residences also are reported as tax expenditures because the value of owner-occupied housing services is not included in a taxpayer's taxable income. Taxpayers also may exclude up to $500,000 of the capital gains from the sale of personal residences. Measures of the effectiveness of these provisions could include their effects on increasing the extent of home ownership and the quality of housing. Similarly, analysis of the extent of accumulated inflationary gains is likely to be relevant to evaluation of the capital gains for home sales. Deductibility of State and local property taxes assists with making housing more affordable as well as easing the cost of providing community services through these taxes. Provisions intended to promote investment in rental housing could be evaluated for their effects on making such housing more available and affordable. These provisions should then be compared with alternative programs that address housing supply and demand.

Transportation. Employer-provided parking is a fringe benefit that, for the most part, is excluded from taxation. The tax expenditure estimates reflect the cost of parking that is leased by employers for employees; an estimate is not currently available for the value of parking owned by employers and provided to their employees. The exclusion for employer-provided transit passes is intended to promote use of this mode of transportation, which has environmental and congestion benefits. The tax treatments of these different benefits could be compared with alternative transportation policies.

Community and regional development. A series of tax expenditures is intended to promote community and regional development by reducing the costs of financing specialized infrastructure, such as airports, docks, and stadiums. Empowerment zone and enterprise community provisions are designed to promote activity in disadvantaged areas. These provisions can be compared with grants and other policies designed to spur economic development.

Education, training, employment, and social services. Major provisions in this function are intended to promote post-secondary education, to offset costs of raising children, and to promote a variety of charitable activities. The education incentives can be compared with loans, grants, and other programs designed to promote higher education and training. The child credits are intended to adjust the tax system for the costs of raising children; as such, they could be compared to other Federal tax and spending policies, including related features of the tax system, such as personal exemptions (which are not defined as a tax expenditure). Evaluation of charitable activities requires consideration of the beneficiaries of these activities, who are generally not the parties receiving the tax reduction.

Health. Individuals also benefit from favorable treatment of employer-provided health insurance. Measures of these benefits could include increased coverage and pooling of risks. The effects of insurance coverage on final outcome measures of actual health (e.g., infant mortality, days of work lost due to illness, or life expectancy) or intermediate outcomes (e.g., use of preventive health care or health care costs) could also be investigated.

Income security, Social Security, and veterans benefits and services. Major tax expenditures in the income security function benefit retirement savings, through employer-provided pensions, individual retirement accounts, and Keogh plans. These provisions might be evaluated in terms of their effects on boosting retirement incomes, private savings, and national savings (which would include the effect on private savings as well as public savings or deficits). Interactions with other programs, including Social Security, also may merit analysis. As in the case of employer-provided health insurance, analysis of employer-provided pension programs requires imputing the value of benefits funded at the firm level to individuals.

Other provisions principally affect the incomes of members of certain groups, rather than affecting incentives. For example, tax-favored treatment of Social Security benefits, certain veterans' benefits, and deductions for the blind and elderly provide increased incomes to eligible parties. The earned-income tax credit, in contrast, should be evaluated for its effects on labor force participation as well as the income it provides lower-income workers.

General purpose fiscal assistance and interest. The tax-exemption for public purpose State and local bonds reduces the costs of borrowing for a variety of purposes (borrowing for non-public purposes is reflected under other budget functions). The deductibility of certain State and local taxes reflected under this function primarily relates to personal income taxes (property tax deductibility is reflected under the commerce and housing function). Tax preferences for Puerto Rico and other U.S. possessions are also included here. These provisions can be compared with other tax and spending policies as means of benefiting fiscal and economic conditions in the States, localities, and possessions. Finally, the tax deferral for interest on U.S. savings bonds benefits savers who invest in these instruments. The extent of these benefits and any effects on Federal borrowing costs could be evaluated.

The above illustrative discussion, although broad, is nevertheless incomplete, omitting important details both for the provisions mentioned and the many that are not explicitly cited. Developing a framework that is sufficiently comprehensive, accurate, and flexible to reflect the objectives and effects of the wide range of tax expenditures will be a significant challenge. OMB, Treasury, and other agencies will work together, as appropriate, to address this challenge. As indicated above, over the next few years the Executive Branch's focus will be on the availability of the data needed to assess the effects of the tax expenditures designed to increase savings.

SPECIAL TOPICS

17. AID TO STATE AND LOCAL GOVERNMENTS

State and local governments play a vital role in providing government services. In the most recent decade for which data are available (1999-2008), programs provided by State and local governments represented about 44 percent of all government spending. More than a third of State budgets are devoted to education, 20 percent to health care programs, and 14 percent to programs related to public safety.[1]

Yet the recent recession has caused the steepest decline in State tax receipts on record. As a result, State and local governments have turned to the Federal Government for assistance. Through the American Recovery and Reinvestment Act of 2009 (Recovery Act) and other key actions, including expanded Federal support for many safety net programs administered by States, the Federal Government has responded to the urgent State and local needs. Through the Recovery Act, the Federal Government is providing over $280 billion in funds to State and local governments. As discussed further below, these funds have been used to relieve State budget shortfalls and, also, to supplement State spending in such areas as transportation and job training. The Recovery Act also indirectly helps States by providing grants supporting State and local priorities directly to organizations, small businesses, or individuals.

While these investments are essential, States continue to struggle to close budget gaps. The Federal Government will continue to examine new ways to assist State and local governments as they work to tackle these fiscal challenges.

Already, Federal grants in aid to State and local governments are a key source of financing for State and local programs. In the most recent decade, Federal grants in aid financed about one-fifth of State budgets. Although data are not yet available, that share will likely increase in the period from 2009-2011 due to the Federal Government's actions to stabilize State budgets, discussed further below.

In 2011, outlays for Federal grants in aid will equal $645.7 billion. As shown in Table 17-1, 49 percent of this aid will be for health programs, with most of the funding going to Medicaid. Medicaid—which offers health insurance to low-income Americans—was established by the Federal Government but is administered by the States. The Federal Government normally matches State medical assistance expenditures at more than half of the cost of covered services, on average, though this share would be increased to 67 percent in 2011 under enacted and proposed State fiscal relief, discussed further below. In 2011, another 19 percent of the aid will go to income security programs; 13 percent to education, training, and social services; 11 percent to transportation; and the remainder to a variety of other areas.

Though grant outlays will increase from 2009 to 2010, the amounts spent in 2011 will be somewhat below those in 2010. In 2009, Federal outlays for grants in aid to States were $538.0 billion, and these outlays are estimated to be $653.7 billion in 2010. The drop-off in 2011 will be primarily due to the gradual phase-down of the Federal Government's State and local fiscal relief efforts detailed below.

The Federal Government also indirectly provides aid to States through the Federal tax code. In particular, State and local governments can issue bonds that pay interest which is exempt from Federal income taxation, allowing the States and localities to pay a lower interest rate on their debt than they would otherwise.[2] Also, State and local personal property and income taxes (or, at the taxpayer's elections, sales taxes) are deductible from income for taxpayers who itemize deductions. This may help States and localities indirectly by allowing them to tax at higher rates than they otherwise would. Altogether, these two policies will cost the Federal Government $109.2 billion in 2011. Such costs are known as "tax expenditures," and Chapter 16 of this volume, "Tax Expenditures," provides a detailed discussion of the definition and measurement of them. Tax expenditures that especially aid State and local governments are displayed separately at the end of Tables 16-1 and 16-2.[3]

Table 17-2 at the end of this chapter includes funding for every Federal aid program. An Appendix to this chapter includes State-by-State estimates of major grant programs.

STATE AND LOCAL FISCAL RELIEF

The recent recession has had a sharply negative effect on State and local finances. When the economy enters recession, State and local governments, absent policy changes, take in less revenue than they otherwise would and also see spending increase on programs that benefit the unemployed or low-income populations. This also happens to the Federal Government—an effect on the

[1] Bureau of Economic Analysis, National Income and Product Accounts

[2] The Budget also proposes to continue, with modifications, the Build America Bonds (BABs) program, which was created in the American Recovery and Reinvestment Act of 2009 and is scheduled to expire after 2010. Under the BABs program, State and local governments issue bonds that pay taxable interest and, in place of the tax exemption, the Federal government directly pays a subsidy to State and local governments that is equal to a share of the interest paid by the State and local governments on the bonds. The modified BABs program has been designed to provide more support to State and local governments than do tax-exempt bonds, but at the same cost to the Federal Government.

[3] As described in that chapter, the estimates of individual tax expenditures are derived independently and the figure in the preceding sentence does not account for interactive effects.

Federal budget that is detailed in Chapter 3, "Interactions Between the Economy and the Budget."

Unlike the Federal Government, though, State governments are constrained in the amount that they can borrow to cover budget shortfalls. All states except Vermont have either constitutional or statutory requirements that they balance their budgets and Vermont consistently produces a balanced budget without a requirement. While the definition of "balance" varies across the States, this constraint forces States to either cut programs or increase taxes to offset the effects of the recession on their budgets. This policy response works as a drag on the economy relative to their running deficits instead, as State and local employees and contractors lose their jobs as governments cut back on programs and taxpayers are left with less disposable income due to tax increases.

The Federal Government does not collect information on projected amounts by which State and local governments must either cut programs or raise taxes to meet their balanced budget constraints, but outside research groups have attempted to quantify the size of the State-level shortfalls due to the recent recession. According to the National Council of State Legislatures in their "State Budget Update: November 2009," combined State budget shortfalls for State fiscal years 2009 and 2010 were in the range of $291 billion and some States are already predicting additional budget shortfalls totaling $55 billion in 2011 and $69 billion in 2012.

During times of economic expansion, most States accumulate excess funds in budget stabilization or "rainy day" accounts. These accounts, along with fiscal year-end balances, peaked at about $69 billion (more than 11 percent of total expenditures) as of the end of 2006, according to the "Fiscal Survey of States" published jointly by the National Association of State Budget Officers and the National Governors Association in December 2009. While these were the largest reserves relative to the size of State budgets in more than 25 years, they have been insufficient to cover the large shortfalls States have faced due to the recent recession.

In light of the extraordinary economic and fiscal circumstances facing State and local governments and the negative ramifications for jobs and the economy, the Administration worked with Congress last year to enact temporary relief for State and local governments as part of the Recovery Act. The Recovery Act will provide over $280 billion in funds to State and local governments. These funds supplement State spending in such areas as transportation and job training. They also go toward relieving State budget shortfalls. This relief is being primarily delivered in two ways:

State Fiscal Stabilization Fund. $53.5 billion in relief is being delivered through the State Fiscal Stabilization Fund, most of which goes to State and local education programs. $48.6 billion of this funding is split among the States based on a combination of a State's total population and its population aged 5-24. Of this, $39.8 billion, or more than 80 percent, must go toward the ongoing operations (such as to pay for teachers' salaries and school maintenance) of public schools, both K to 12 schools and institutions of higher education, while the remainder is a flexible block grant to the States. In exchange for accepting these funds, States must at least maintain the same support for their public education systems as in 2006. Most of the remainder of the stabilization fund is used to fund innovative educational initiatives such as reforming teacher pay to, for instance, attract more highly qualified teachers into hard-to-staff schools and subjects.

Medicaid Federal matching funds. An estimated $84.5 billion in relief to States is being provided through the first quarter of 2011 through a temporary change in the Federal Government's share of Medicaid costs. As noted, the Medicaid program is administered by the States, and the Federal Government shares in the cost of the program. Absent the Recovery Act, the Federal Government would match about 57 percent of State medical assistance expenditures, on average. For all States, the Recovery Act temporarily increases the Federal Government's share of the State's Medicaid costs by 6.2 percentage points. Additional relief is provided to States that have suffered high increases in unemployment.

Evidence suggests that the Recovery Act's State and local fiscal relief has helped these governments avoid taking steps that would have otherwise harmed economic growth and cost jobs. According to an analysis by the Council of Economic Advisers (CEA), States that received more Medicaid payment relief through the beginning of July had experienced better labor market outcomes, controlling for other factors.[4] Furthermore, the CEA found a positive relationship between total Recovery Act payments to the States through the beginning of July and change in employment in such areas as public safety, education, health care, and other sectors where State governments provide a large amount of financial support.

In light of the projected shortfalls in State and local budgets and the need to continue bolstering job creation and the economy, the Budget proposes a six-month extension of the Recovery Act's Federal Medical Assistance Percentage (FMAP) relief — through the end of June 2011. This will help State and local governments to avoid potential program cuts or tax increases to balance their FY 2011 budgets. (FY 2011 starts in July 2010 for many of these governments.)

HIGHLIGHTS OF FEDERAL AID TO STATES AND LOCALITIES

Several proposals in the 2011 Budget affect Federal aid to State and local governments and the important relationships between the levels of government. Highlights of these proposals are presented below.

[4] "The Economic Impact of the American Reinvestment and Recovery Act of 2009", September 10, 2009.

Natural Resources and Environment

Grant outlays for natural resources and environment programs are estimated to be $8.5 billion in 2011.

The 2011 Budget requests $3.3 billion for the Clean Water and Drinking Water State Revolving Funds (SRFs). The Federal SRF funding provides grants to States for low-interest loans to communities through a combination of Federal capitalization, State matches, State leveraging, interest, and loan repayments. Since loan interest and principal payments are returned to the program, the SRFs continue to generate funding for new loans even without continued Federal funding. The Federal contribution to water and waste water infrastructure has been substantially incorporated into SRFs. These Funds, combined, now produce approximately $5 billion in repayments each year. As the Funds have grown, the need for Federal capitalization will decline over the next decade. Some ongoing contribution will be maintained to ensure that the neediest communities are adequately served. For 2011, the Environmental Protection Agency proposes a new approach to helping small drinking water systems, as well as reforms to improve the long-term financial, managerial, and environmental sustainability of the SRFs. As part of that strategy, the Administration is working to ensure that Federal dollars provided through the SRFs act as a catalyst for efficient system-wide planning; improvements in technical, financial and managerial capacity; and the design, construction and on-going management of sustainable water infrastructure.

The Budget requests $1.3 billion, a 14 percent increase from 2010 enacted and the highest level ever, for grants that support eligible States and Tribes that implement environmental programs. Included in this increase is $25 million to aid States in permitting activities for greenhouse gas (GHG) emissions under the New Source Review and Title V operating permits programs. Additionally, the Budget recognizes State fiscal constraints and provides substantial increases for select State and tribal programs, including a $45 million increase for State water pollution control grants and a $58 million increase for air quality management grants. The Budget includes $30 million for a new tribal multimedia grant program targeted at Tribes and tribal consortia that can implement environmental program requirements on tribal lands.

Transportation

Federal grants support State and local highway, transit, and airport construction programs. For 2011, grant outlays for transportation are estimated to be $68.2 billion.

Fulfilling the President's campaign promise, the Budget includes $4 billion to create a National Infrastructure Innovation and Finance Fund to invest in projects of regional or national significance. This marks an important departure from the Federal Government's traditional way of spending on infrastructure through grants to specific States and localities. Established as a new operational unit within the Department of Transportation, the Fund will directly provide resources for projects through grants or loans or a blend of both, and will effectively leverage non-Federal resources, including private capital. The Fund will allocate resources based on demonstrable merit and analytical measures of performance. The Fund will provide planning, feasibility, and analytical capacity to help sponsors identify projects from around the country and then carefully select the most worthwhile.

ments in the response, recovery, and mitigation against emergency and disaster events.

The Administration supports tribal self-determination and will assist tribal governments in enhancing their management capacity. The Budget provides increased funding to better compensate Tribes for the work they perform in managing Federal programs under self-determination contracts and self-governance compacts. In addition, the Budget includes proposals to foster better coordination between the Departments of the Interior and Justice on Indian law enforcement issues.

Education, Training, Employment, and Social Services

Grant outlays for education, training, employment, and social service programs are estimated to be $84.1 billion in 2011.

The Budget supports the Administration's new vision for the Elementary and Secondary Education Act (ESEA). The reauthorized law would encourage States to adopt higher, clearer standards that set the expectation that every student will graduate from high school ready for college and a career. The new law would support dramatic improvements in the quality of assessments to measure complex skills and help teachers identify and respond to students' strengths and needs. The reauthorization would also recognize and reward schools for helping students make important gains, even if they are not yet at grade-level, and offer new flexibility for successful States and districts to pursue new solutions to helping all students meet high standards. At the same time, the law would require vigorous efforts to turn around persistently low-performing schools, applying comprehensive strategies that put children first. In support of these efforts, the Budget provides a $3 billion increase in funding for K to 12 education programs authorized in the ESEA and the Administration will request up to $1 billion in additional funding if Congress successfully completes ESEA reauthorization. Together, these measures would represent the largest funding increase for K to 12 ESEA programs ever requested. The Budget also provides $900 million for School Turnaround Grants.

The $4 billion "Race to the Top," created by the Recovery Act, began a competition among States to spur systemic and innovative reform across four areas: supporting high academic standards; improving teacher effectiveness and distributing effective teachers more equitably; using data to improve achievement; and turning around low-performing schools. Not all States will receive Race to the Top grants, but the competition itself has galvanized key stakeholders across the Nation to reform State laws and to develop new plans for lifting student achievement. The Budget provides $1.4 billion to continue the President's Race to the Top challenge and to expand the competition from States to school districts that are ready for comprehensive reform.

Increasing the number of great teachers, especially in disadvantaged schools, will require major new efforts to help all teachers improve their skills; recognize and reward excellence in the classroom; and help struggling teachers improve or, if need be, exit the classroom. Today, taxpayers invest nearly $3 billion a year in a teacher quality block grant that heavily supports investments with little evidentiary support or impact on increasing learning. As part of the overhaul of ESEA, the Administration will require States taking formula funds to develop the preconditions for an effective human capital system, beginning with strong evaluation systems. At the same time, the Administration will invest $950 million in a new competitive fund for States and districts that support bold approaches to recruiting, developing, retaining, and rewarding more effective teachers, particularly in the lowest-performing schools. The Administration is also investing $405 million in supporting successful and innovative pathways into teaching and school leadership.

As part of a $1.8 billion investment in the Supporting Student Success initiative, the Budget funds comprehensive supports so that students are mentally and physically healthy and ready to learn. The initiative also reforms the 21st Century Community Learning Centers program to focus funding on models that redesign and extend the school day, week or year to provide additional time for students to engage in academic activities, additional time for enrichment activities, and time for educators to collaborate and improve instruction. Also as part of this initiative, the Budget includes dedicated support for Promise Neighborhoods, modeled after the Harlem Children's Zone, which aims to improve college going rates by combining a rigorous K-12 education with a full network of supportive services in an entire neighborhood. This initiative would support comprehensive programs that address the needs of children and youth in a targeted area from before the time they are born to their attendance in college. The core principle behind this initiative is that combining both effective academic programs and strong health and social service systems can combat the effects of poverty and improve the education and life outcomes of children.

The Department of Education funds dozens of programs that narrowly limit what States, districts, and schools can do with funds. Some of these programs have little evidence of success, while others are demonstrably failing to improve student achievement. The President's Budget eliminates six programs and consolidates 38 others into 11 new programs that emphasize using competition to allocate funds, giving communities more choices around activities, and using rigorous evidence to fund what works. Building on the Recovery Act, the Administration also proposes $500 million to expand the Investing in Innovation Fund, which will expand proven models—and fund and evaluate promising ones—for achieving student success. Finally, the Budget dedicates funds for the rigorous evaluation of education programs to permit scaling up what works and eliminating what does not.

The Administration supports pending legislation that will establish a new Early Learning Challenge Fund administered by the Department of Education and the Department of Health and Human Services to help States improve the quality of early childhood programs to help children enter school ready to succeed.

The Budget reflects the Administration's investment in improving science, technology, engineering, and mathematics (STEM) outcomes and creating the next generation of scientists and engineers who can help drive economic growth in the coming decades. The Budget provides $300 million in new grants to States to develop and implement curricula and improve teaching and learning in science and math aligned to new high standards. The Budget also dedicates $150 million within the Investing in Innovation Fund to competitive grants for school districts, nonprofits, and other organizations to test, validate, and scale promising strategies to improve teaching and accelerate student learning in STEM subjects. The Department of Education will work with the National Science Foundation and other Federal agencies to identify the most effective interventions that can help States, schools, and teachers improve STEM outcomes.

The Budget reflects the Administration's commitment to rigorous evaluations that distinguish between what works and what doesn't to avoid wasting taxpayer dollars. Compared to two years ago, the current request represents an increase of over 20 percent in the investment in the development, evaluation, and dissemination of education interventions that increase student learning and achievement through the Institute of Education Sciences. Additional funds will be used to evaluate Federal education programs rigorously, particularly investments launched under the Recovery Act. The increase in education research and evaluation will provide practitioners and policy makers with effective tools for preparing students for success in college and the workforce.

Health

Grant outlays for health related programs are estimated to be $317.6 billion in 2011.

In addition to the six-month extension of the Recovery Act's FMAP relief described in the previous section, this Budget puts forward a robust set of proposals to strengthen Medicaid and the Children's Health Insurance Program (CHIP) program integrity actions, including proposals aimed at preventing fraud and abuse before they occur, detecting it as early as possible when it does occur, and vigorously enforcing all penalties and recourses available when fraud is identified. It proposes $250 million in additional resources that, among other things, will help to expand the Health Care Fraud Prevention & Enforcement Action Team (HEAT) initiative, a joint effort by the Departments of Health and Human Services and Justice. As a result, the Administration will be better able to minimize inappropriate payments, close loopholes, and provide greater value for program expenditures to beneficiaries and taxpayers.

The Budget increases resources for the Ryan White program to support the care and treatment needs for an estimated 10,000 additional persons living with HIV/AIDS who are unable to afford health care and related support services.

Income Security

Grant outlays for income security programs are estimated to be $121.7 billion in 2011.

The Budget provides $7.6 billion for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) to fully serve all eligible individuals. This funding supports more than 10 million participants in the WIC program, which is critical to the health of pregnant women, new mothers, and their infants. The Budget also supports a strong Child Nutrition and WIC reauthorization package that will ensure that schoolchildren have access to healthy meals and to help fulfill the President's pledge to end childhood hunger. The Budget provides $10 billion over 10 years for program reforms aimed at improving program access, establishing high standards for the nutritional quality of food available in school, exploring new strategies for reducing hunger and improving children's food choices, and improving program management.

The President continues to support the nutrition provisions incorporated in the Recovery Act. Participants in the Supplemental Nutrition Assistance Program (SNAP) will continue to receive enhanced benefits at an average value of about $20 per person per month. The Budget also proposes to extend the Recovery Act provision in SNAP that temporarily eliminates the time limits for certain working-age, low-income adults without dependents for an additional fiscal year. This extension helps remove access barriers to SNAP and increase food purchasing power among some of hardest-to-reach populations.

The Budget provides critical support for young children and their families by building on historic increases provided in the Recovery Act. The Budget provides an additional $989 million for Head Start and Early Head Start to continue to serve 64,000 additional children and families funded in the Recovery Act. The Budget also provides an additional $1.6 billion for the Child Care and Development Block Grant (CCDBG), in preparation for reauthorization to expand child care opportunities and improve health, safety, and outcomes for children. This request will allow States to provide child care subsidies to 1.6 million children, approximately 235,000 more than could have been served without the additional funds.

The Budget includes $3.3 billion for the Low Income Home Energy Assistance Program (LIHEAP) to help low-income families with their home heating and cooling expenses. In addition, the Administration proposes a trigger mechanism to provide automatic increases in energy assistance whenever there is a spike in energy costs or large numbers of families in poverty. The trigger allows the program to be more responsive to volatile energy markets and to increased demand for energy assistance during times of economic hardship. Using probabilistic scoring, the Administration expects the trigger to provide roughly $2 billion in additional assistance in FY 2011 and $6.5 billion over ten years.

The Administration proposes to allow States to elect cash assistance in lieu of low-income housing tax credits (LIHTC) for 2010 to finance certain low-income residential rental properties, extending a provision in the Recover Act. States would be required to use the cash assistance by December 31, 2012, to finance the construction or rehabilitation (including acquisition) of qualified low-income housing projects generally subject to the same rental requirements and recapture rules as properties financed with LIHTC. The Department of the Treasury would be provided additional authority to ensure that the cash assistance is used in compliance with LIHTC rules.

The President's Budget requests $19.6 billion for the Housing Choice Voucher program to help more than two million extremely low- to low-income families with rental assistance to live in decent housing in neighborhoods of their choice. The Budget continues funding for all existing mainstream vouchers and provides flexibility to support new vouchers that were leased and $85 million in special purpose vouchers for homeless and at-risk of homelessness families with children and persons with disabilities. The Administration remains committed to working with the Congress to focus the goals and objectives of the program. In addition, the Administration would like to address the program's costly inefficiencies, alleviate the administrative burdens on the Public Housing Authorities, and establish a funding mechanism that is transparent and predictable in order to serve more needy families.

The Budget provides $9.4 billion for the Project-Based Rental Assistance program to preserve approximately 1.3 million affordable rental units through increased funding for contracts with private owners of multifamily properties. This critical investment will help extremely low- to low-income households to obtain or retain decent, safe, and sanitary housing.

The Budget requests $350 million to fund the first phase of a multi-year initiative to regionalize the Housing Choice Voucher program and convert Public Housing to property-based rental assistance. The primary goals of the Transforming Rental Assistance initiative are to improve the physical condition and management of the public housing stock, increase the mobility of assisted families, and streamline the Department of Housing and Urban Development's (HUD's) oversight of its rental assistance programs.

By providing $250 million in 2011, the Budget continues HUD's effort to make a range of transformative investments in high-poverty neighborhoods where public and assisted housing is concentrated. A central element of the Administration's place-based agenda, this Choice Neighborhoods initiative will invest in public, private, and nonprofit partners that have transformative neighborhood interventions and provide the greatest returns on Federal investment.

As part of the President's Partnership for Sustainable Communities Initiative, the Budget includes $150 million to help stimulate comprehensive regional and community planning efforts that integrate transportation and housing investments that result in more regional and local sustainable development patterns, reduce greenhouse gases, and increase more transit accessible housing choices for residents. HUD's Sustainable Communities Initiative also expands and better coordinates Federal efforts to incentivize State and local governments to plan for and implement pre-disaster mitigation strategies. Coordinating hazard mitigation efforts with related sustainability goals and activities will reduce risks while protecting life, property, and the environment. Combined with the Department of Transportation's funding for strengthening the capacity of States and local governments to make smarter infrastructure investments and the Environmental Protection Agency's technical assistance, this interagency partnership aims to lower the cost of living while improving the quality of life in local communities. It will do so by providing more coordinated housing and transportation options, improving environmental quality, and better leveraging Federal investments.

The Administration will boost funding for Unemployment Insurance (UI) integrity efforts and propose legislative changes that would reduce improper payments by over $4 billion and employer tax evasion by almost $300 million over 10 years.

Administration of Justice

Grant outlays for administration of justice programs are estimated to be $5.4 billion in 2011.

The Budget includes $600 billion, an additional $302 million, to support the hiring or retention of police officers in communities across the country. Supporting the hiring of police officers will help States and communities prevent the growth of crime as the Nation's economy recovers.

The Budget includes $538 million, an increase of $120 million, to support women victims of violence, including domestic abuse and sexual assault victims.

The Budget also provides $330 million for the State Criminal Alien Assistance Program to assist States and localities in identifying, determining the status of, and conducting removal proceedings for incarcerated illegal aliens. The Budget also provides $144 million for prisoner reentry programs, including an additional $100 million for the Office of Justice Programs to administer grant programs authorized by the Second Chance Act and $30 million for residential substance abuse treatment programs in State and local prisons and jails. These programs reduce recidivism by providing counseling, job training, drug treatment, and other transitional assistance to former prisoners as they reintegrate into the job market and community life.

The Budget includes $19 million to support 45 additional FBI agents for Indian country and $256 million in grants and technical assistance to increase public safety efforts in tribal areas. The funding for additional FBI agents will be provided on a reimbursable basis through the Department of the Interior. The Departments of Justice and the Interior will coordinate the deployment of Federal public safety resources to best address the public safety needs in Indian Country.

General Government

Grant outlays for general government programs are estimated to be $7.5 billion in 2011.

The Recovery Act created the Build America Bond program as an optional new lower cost borrowing incentive for State and local governments on taxable bonds issued in 2009 and 2010 to finance new investments in governmental capital projects. Under the current program, the Department of the Treasury makes direct subsidy payments to State and local governmental issuers in a subsidy amount equal to 35 percent of the coupon interest on the bonds. The Administration proposes to make the successful Build America Bond program permanent at a reduced subsidy level designed to be approximately revenue neutral in comparison to the Federal tax losses from traditional tax-exempt bonds. The Administration also proposes to expand the Build America Bond program beyond new investments in governmental capital projects to include certain additional program uses for which State and local governments may use tax-exempt bonds under existing law. The proposed modifications to the Build America Bond program would be effective for bonds issued beginning in 2011.

HISTORICAL PERSPECTIVES

In recent decades, Federal aid to State and local governments has become a major factor in the financing of certain government functions. The rudiments of the present system date back to the Civil War. The Morrill Act, passed in 1862, established the land grant colleges and instituted certain federally required standards for States that received the grants, as is characteristic of the present grant programs. Federal aid was later initiated for agriculture, highways, vocational education and rehabilitation, forestry, and public health. In the depression years, Federal aid was extended to meet income security and other social welfare needs. However, Federal grants did not become a significant factor in Federal Government expenditures until after World War II.

Table 17–1 displays trends in Federal grants to State and local governments since 1960. Section A shows Federal grants by function. Functions with a substantial amount of grants are shown separately. Grants for the national defense, energy, social security, and veterans benefits and services functions are combined in the “other functions” line in the table.

Federal grants for transportation increased to $3.0 billion, or 43 percent of all Federal grants, in 1960 after initiation of aid to States to build the Interstate Highway System in the late 1950s.

By 1970 there had been significant increases in the relative amounts for education, training, employment, social services, and health (largely Medicaid).

In the early and mid-1970s, major new grants were created for natural resources and environment (construction of sewage treatment plants), community and regional development (community development block grants), and general government (general revenue sharing).

Since the late 1970s changes in the relative amounts among functions reflect steady growth of grants for health (Medicaid) and income security. The functions with the largest amount of grants are health; income security; education, training, employment, and social services; and transportation, with combined estimated grant outlays of $500.9 billion, or more than 93 percent of total grant outlays in 2009.

The increase in total outlays for grants overall since 1990 has been driven by increases in grants for health, which have increased more than six-fold, from $43.9 billion in 1990 to $268.3 billion in 2009. The income security; education, training, employment, and social services; and transportation functions also increased substantially, but at a slower rate than for health.

Section B of the table distributes grants between mandatory and discretionary spending.

Funding for grant programs classified as mandatory is determined in authorizing legislation. Funding levels for mandatory programs can only be changed by changing eligibility criteria or benefit formulas established in law and are usually not limited by the annual appropriations process. Outlays for mandatory grant programs were $328.2 billion in 2009. The three largest mandatory grant programs are Medicaid, with outlays of $250.9 billion in 2009; Temporary Assistance for Needy Families, $17.9 billion; and child nutrition programs, $15.1 billion.

The funding level for discretionary grant programs is determined annually through appropriations acts. Outlays for discretionary grant programs were $209.7 billion in 2009. The largest four discretionary programs in 2009 were Federal-aid Highways, $36.0 billion; Tenant Based Rental Assistance, $16.0 billion; Accelerating Achievement and Ensuring Equity (Education for the Disadvantaged), $15.8 billion; and Special Education, $12.5 billion.

Table 17–2 at the end of this chapter identifies discretionary and mandatory grant programs separately. For more information on these categories, see Chapter 11, “Budget Concepts” in this volume.

Section C of Table 17–1 divides grants among three major categories: payments for individuals, grants for physical capital, and other grants. Grant outlays for payments for individuals, which are mainly entitlement programs in which the Federal Government and the States share the costs, have grown significantly as a percent of total grants. They increased from about a third of the total in 1960 to slightly less than two-thirds in the mid-1990s, and have remained about that proportion since then.

These grants are distributed through State or local governments to provide cash or in-kind benefits that constitute income transfers to individuals or families. The major grant in this category is Medicaid. Temporary Assistance for Needy Families, child nutrition programs, and housing assistance are also large grants in this category.

Grants for physical capital assist States and localities with construction and other physical capital activities. The major capital grants are for highways, but there are also grants for airports, mass transit, sewage treatment plant construction, community development, and other facilities. Grants for physical capital were almost half of

Table 17–1. TRENDS IN FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS

(Outlays in billions of dollars)

	Actual											Estimate	
	1960	1965	1970	1975	1980	1985	1990	1995	2000	2005	2009	2010	2011
A. Distribution of grants by function:													
Natural resources and environment	0.1	0.2	0.4	2.4	5.4	4.1	3.7	4.0	4.6	5.9	6.3	8.8	8.5
Agriculture	0.2	0.5	0.6	0.4	0.6	2.4	1.3	0.8	0.7	0.9	0.9	1.2	1.1
Transportation	3.0	4.1	4.6	5.9	13.0	17.0	19.2	25.8	32.2	43.4	55.4	72.2	68.2
Community and regional development	0.1	0.6	1.8	2.8	6.5	5.2	5.0	7.2	8.7	20.2	17.4	21.2	22.5
Education, training, employment, and social services	0.5	1.1	6.4	12.1	21.9	17.1	21.8	30.9	36.7	57.2	74.0	111.7	84.1
Health	0.2	0.6	3.8	8.8	15.8	24.5	43.9	93.6	124.8	197.8	268.3	294.6	317.6
Income security	2.6	3.5	5.8	9.4	18.5	27.9	36.8	58.4	68.7	90.9	103.2	121.8	121.7
Administration of justice	....	....	*	0.7	0.5	0.1	0.6	1.2	5.3	4.8	4.8	5.8	5.4
General government	0.2	0.2	0.5	7.1	8.6	6.8	2.3	2.3	2.1	4.4	4.2	7.1	7.5
Other	*	0.1	0.1	0.2	0.7	0.8	0.8	0.8	2.1	2.6	3.5	9.1	9.1
Total	7.0	10.9	24.1	49.8	91.4	105.9	135.3	225.0	285.9	428.0	538.0	653.7	645.7
B. Distribution of grants by BEA category:													
Discretionary	N/A	2.9	10.2	21.0	53.3	55.5	63.3	94.0	116.7	181.7	209.7	281.4	250.9
Mandatory	N/A	8.0	13.9	28.8	38.1	50.4	72.0	131.0	169.2	246.3	328.2	372.3	394.8
Total	7.0	10.9	24.1	49.8	91.4	105.9	135.3	225.0	285.9	428.0	538.0	653.7	645.7
C. Composition:													
Current dollars:													
Payments for individuals [1]	2.5	3.7	8.7	16.8	32.6	50.1	77.3	144.4	182.6	273.9	356.7	394.5	419.2
Physical capital [1]	3.3	5.0	7.1	10.9	22.6	24.9	27.2	39.6	48.7	60.8	75.2	111.3	107.5
Other grants	1.2	2.2	8.3	22.2	36.2	30.9	30.9	41.0	54.6	93.3	106.1	147.8	119.1
Total	7.0	10.9	24.1	49.8	91.4	105.9	135.3	225.0	285.9	428.0	538.0	653.7	645.7
Percentage of total grants:													
Payments for individuals [1]	35.3%	34.1%	36.2%	33.6%	35.7%	47.3%	57.1%	64.2%	63.9%	64.0%	66.3%	60.4%	64.9%
Physical capital [1]	47.3%	45.7%	29.3%	21.9%	24.7%	23.5%	20.1%	17.6%	17.0%	14.2%	14.0%	17.0%	16.6%
Other grants	17.4%	20.2%	34.5%	44.5%	39.6%	29.2%	22.8%	18.2%	19.1%	21.8%	19.7%	22.6%	18.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Constant (FY 2005) dollars:													
Payments for individuals [1]	13.3	18.8	37.3	53.5	71.1	83.5	107.6	175.7	203.2	273.9	328.2	354.9	371.9
Physical capital [1]	19.6	27.9	31.4	30.0	44.9	39.5	37.6	50.0	56.5	60.8	63.5	92.5	87.0
Other grants	12.3	19.2	55.0	103.4	111.1	66.6	53.0	57.9	67.0	93.3	91.1	124.9	98.1
Total	45.3	65.9	123.7	186.9	227.1	189.6	198.1	283.6	326.8	428.0	482.9	572.3	557.0
D. Total grants as a percent of:													
Federal outlays:													
Total	7.6%	9.2%	12.3%	15.0%	15.5%	11.2%	10.8%	14.8%	16.0%	17.3%	15.3%	17.6%	16.8%
Domestic programs [2]	18.0%	18.3%	23.2%	21.7%	22.2%	18.2%	17.1%	21.6%	22.0%	23.5%	19.7%	23.0%	22.5%
State and local expenditures	14.8%	15.5%	20.1%	24.0%	27.4%	22.0%	18.9%	22.8%	22.2%	24.5%	25.9%	N/A	N/A
Gross domestic product	1.4%	1.6%	2.4%	3.2%	3.4%	2.6%	2.4%	3.1%	2.9%	3.4%	3.8%	4.5%	4.2%
E. As a share of total State and local gross investments:													
Federal capital grants	24.6%	25.5%	25.4%	26.0%	35.4%	30.2%	21.9%	26.0%	22.0%	22.0%	21.2%	N/A	N/A
State and local own-source financing	75.4%	74.5%	74.6%	74.0%	64.6%	69.8%	78.1%	74.0%	78.0%	78.0%	78.8%	N/A	N/A
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	N/A	N/A

N/A: Not available.

* 50 million or less.

[1] Grants that are both payments for individuals and capital investment are shown under capital investment.

[2] Excludes national defense, international affairs, net interest, and undistributed offsetting receipts.

total grants in 1960, shortly after grants began for construction of the Interstate Highway System. The relative share of these outlays has declined, as payments for individuals have grown. In 2009, grants for physical capital were $75.2 billion, 14 percent of total grants.

The other grants are primarily for education, training, employment, and social services. These grants were 20 percent of total grants in 2009.

Section D of this table shows grants as a percentage of Federal outlays, State and local expenditures, and gross domestic product. Grants have increased as a percentage of total Federal outlays from 11 percent in 1990 to 15 percent in 2009. Grants as a percentage of domestic programs were 20 percent in 2009. As a percentage of total State and local expenditures, grants have increased from 19 percent in 1990 to 26 percent in 2009.

Section E shows the relative contribution of physical capital grants in assisting States and localities with gross investment. Federal capital grants are estimated to be 21 percent of State and local gross investment in 2009.

Table 17–2. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS

(In millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2009 Actual	2010 Estimate	2011 Estimate	2009 Actual	2010 Estimate	2011 Estimate
National Defense						
Discretionary:						
Department of Homeland Security:						
Federal Emergency Management Agency:						
State and Local Programs	190	48	....	26	82	49
Energy						
Discretionary:						
Department of Energy:						
Energy Programs:						
Energy Efficiency and Renewable Energy	12,342	297	385	455	5,425	5,161
Mandatory:						
Tennessee Valley Authority Fund	544	502	588	544	502	588
Total, Energy	**12,886**	**799**	**973**	**999**	**5,927**	**5,749**
Natural Resources and Environment						
Discretionary:						
Department of Agriculture:						
Farm Service Agency:						
Grassroots Source Water Protection Program	5	5	....	5	5	....
Natural Resources Conservation Service:						
Watershed Rehabilitation Program	3	5	2	1	5	2
Watershed and Flood Prevention Operations	164	20	....	155	276	103
Forest Service:						
State and Private Forestry	262	316	307	266	387	311
Management of National Forest Lands for Subsistence Uses	5	3	3	5	3	3
Department of Commerce:						
National Oceanic and Atmospheric Administration:						
Operations, Research, and Facilities	647	164	164	536	105	105
Pacific Coastal Salmon Recovery	80	80	65	87	74	75
Procurement, Acquisition and Construction	7	....	....	6	....	....
Department of the Interior:						
Office of Surface Mining Reclamation and Enforcement:						
Regulation and Technology	66	71	60	57	62	69
Abandoned Mine Reclamation Fund	28	3	....	76	48	20
United States Geological Survey:						
Surveys, Investigations, and Research	6	6	6	5	6	6
United States Fish and Wildlife Service:						
State and Tribal Wildlife Grants	75	90	90	68	78	81
Cooperative Endangered Species Conservation Fund	75	85	85	95	98	99
Landowner Incentive Program	....	....	....	16	20	16
National Park Service:						
Urban Park and Recreation Fund	–1	....	....	–1	....	....
National Recreation and Preservation	60	68	51	61	66	55
Land Acquisition and State Assistance	24	40	50	52	28	28
Historic Preservation Fund	84	80	55	83	85	76
Environmental Protection Agency:						
State and Tribal Assistance Grants	9,294	4,938	4,772	3,446	5,630	5,526

Table 17–2. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued
(In millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2009 Actual	2010 Estimate	2011 Estimate	2009 Actual	2010 Estimate	2011 Estimate
Hazardous Substance Superfund	40	40	43	53	333	291
Leaking Underground Storage Tank Trust Fund	295	97	97	81	156	135
Total, discretionary	**11,219**	**6,111**	**5,850**	**5,153**	**7,465**	**7,001**
Mandatory:						
Department of the Interior:						
Bureau of Land Management:						
Miscellaneous Permanent Payment Accounts	110	101	91	108	102	96
Minerals Management Service:						
National Forests Fund, Payment to States	9	5	5	9	5	5
Leases of Lands Acquired for Flood Control, Navigation, and Allied Purposes	39	2	2	39	2	2
States Share from Certain Gulf of Mexico Leases	25	2	2	25	2	2
Coastal Impact Assistance	250	250	....	25	172	187
Office of Surface Mining Reclamation and Enforcement:						
Payments to States in Lieu of Coal Fee Receipts	85	85	95	46	48	68
Abandoned Mine Reclamation Fund	90	147	163	65	89	110
Bureau of Reclamation:						
Bureau of Reclamation Loan Program Account	6	5	....	6	5	....
United States Fish and Wildlife Service:						
Federal Aid in Wildlife Restoration	367	508	628	304	376	490
Cooperative Endangered Species Conservation Fund	54	59	65	54	59	65
Sport Fish Restoration	497	477	455	446	500	503
National Park Service:						
Land Acquisition and State Assistance	8	1	1	....	1	3
Department of the Treasury:						
Financial Management Service:						
Payment to Terrestrial Wildlife Habitat Restoration Trust Fund	5	5	....	5	5	....
Corps of Engineers-Civil Works:						
South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund	21	5	4	....	5	4
Total, mandatory	**1,566**	**1,652**	**1,511**	**1,132**	**1,371**	**1,535**
Total, Natural Resources and Environment	**12,785**	**7,763**	**7,361**	**6,285**	**8,836**	**8,536**
Agriculture						
Discretionary:						
Department of Agriculture:						
Departmental Management:						
Departmental Administration	15	....	....	7	....	....
National Institute of Food and Agriculture:						
Extension Activities	498	520	504	467	607	585
Research and Education Activities	296	318	380	277	325	414
Integrated Activities	63	65	30	30	50	40
Agricultural Marketing Service:						
Payments to States and Possessions	2	2	3	14	2	2
Farm Service Agency:						
State Mediation Grants	4	4	4	4	5	5
Total, discretionary	**878**	**909**	**921**	**799**	**989**	**1,046**
Mandatory:						
Department of Agriculture:						
Agricultural Marketing Service:						
Payments to States and Possessions	49	55	55	....	19	38
Farm Service Agency:						
Aquaculture Assistance	50	....	....	50	....	....
Commodity Credit Corporation Fund	88	223	43	88	223	43
Total, mandatory	**187**	**278**	**98**	**138**	**242**	**81**
Total, Agriculture	**1,065**	**1,187**	**1,019**	**937**	**1,231**	**1,127**

Table 17–2. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued
(In millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2009 Actual	2010 Estimate	2011 Estimate	2009 Actual	2010 Estimate	2011 Estimate
Commerce and Housing Credit						
Mandatory:						
Department of Commerce:						
National Oceanic and Atmospheric Administration:						
Promote and Develop Fishery Products and Research Pertaining to American Fisheries	31	8	8	6	29	14
Federal Communications Commission:						
Universal Service Fund	1,602	2,096	2,157	1,602	2,096	2,157
Total, mandatory	**1,633**	**2,104**	**2,165**	**1,608**	**2,125**	**2,171**
Total, Commerce and Housing Credit	**1,633**	**2,104**	**2,165**	**1,608**	**2,125**	**2,171**
Transportation						
Discretionary:						
Department of Transportation:						
Federal Aviation Administration:						
Grants-in-aid for Airports	1,100	....	....	3,938	3,856	3,459
Grants-in-aid for Airports (non-add obligation limitations) [1]	*3,515*	*3,515*	*3,515*	....	....	....
Federal Highway Administration:						
Emergency Relief Program	....	....	....	766	886	567
Highway Infrastructure Investment	27,212	....	....	2,417	11,185	7,078
Highway Infrastructure Programs	....	650	....	....	59	267
Appalachian Development Highway System	10	....	....	75	36	18
Federal-aid Highways	....	....	....	36,049	38,910	40,118
Federal-aid Highways (non-add obligation limitations) [1]	*39,715*	*41,107*	*41,363*	....	....	....
Miscellaneous Appropriations	167	293	....	44	147	181
Miscellaneous Highway Trust Funds	....	–7	....	72	61	58
Federal Motor Carrier Safety Administration:						
Motor Carrier Safety Grants	....	....	....	256	449	397
Motor Carrier Safety Grants (non-add obligation limitations) [1]	*307*	*310*	*310*	....	....	....
National Highway Traffic Safety Administration:						
Highway Traffic Safety Grants	....	....	....	502	713	694
Highway Traffic Safety Grants (non-add obligation limitations) [1]	*620*	*620*	*621*	....	....	....
Federal Railroad Administration:						
Emergency Railroad Rehabilitation and Repair	....	....	....	....	20	....
Intercity Passenger Rail Grant Program	90	....	....	....	6	18
Rail Line Relocation and Improvement Program	25	35	....	....	40	40
Capital Assistance for High Speed Rail Corridors and Intercity Passenger Rail Service	8,000	2,500	1,000	2	388	1,225
Alaska Railroad Rehabilitation	....	....	....	....	1	....
Federal Transit Administration:						
Transit Capital Assistance	7,188	....	....	570	2,459	1,884
Fixed Guideway Infrastructure Investment	750	....	....	76	252	192
Job Access and Reverse Commute Grants	....	....	....	33	17	11
Interstate Transfer Grants-transit	1	1	....	....	1	1
Washington Metropolitan Area Transit Authority	....	150	150	....	33	78
Formula Grants	1	....	....	740	635	373
Grants for Energy Efficiency and Greenhouse Gas Reductions	....	75	....	....	....	11
Capital Investment Grants	2,557	1,998	1,820	2,483	2,617	2,425
Technical Assistance and Workforce Development	....	....	29	....	....	4
Rail Transit Safety Oversight Program	....	....	16	....	....	8
Discretionary Grants (Highway Trust Fund, Mass Transit Account)	....	....	....	16	17	17
Greenhouse Gas and Energy Reduction	....	....	....	....	....	5
Greenhouse Gas and Energy Reduction (non-add obligation limitations) [1]	....	....	*53*	....	....	....
Livable Communities	....	....	....	....	....	46
Livable Communities (non-add obligation limitations) [1]	....	....	*307*	....	....	....
Formula and Bus Grants	....	....	....	7,264	9,252	8,844
Formula and Bus Grants (non-add obligation limitations) [1]	*9,247*	*8,343*	*8,272*	....	....	....
Pipeline and Hazardous Materials Safety Administration:						
Pipeline Safety	35	39	45	35	40	44

Table 17–2. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(In millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2009 Actual	2010 Estimate	2011 Estimate	2009 Actual	2010 Estimate	2011 Estimate
Total, discretionary	**47,136**	**5,734**	**3,060**	**55,338**	**72,080**	**68,063**
Total, obligation limitations (non-add) [1]	*53,404*	*53,895*	*54,441*	....	....	....
Mandatory:						
Department of Homeland Security:						
United States Coast Guard:						
Boat Safety	119	115	106	110	114	105
Department of Transportation:						
Federal Aviation Administration:						
Grants-in-aid for Airports (Airport and Airway Trust Fund) [1]	3,686	3,476	3,373	....	....	....
Federal Highway Administration:						
Federal-aid Highways [1]	29,761	42,586	42,217	....	....	....
Right-of-way Revolving Fund Liquidating Account	–12	....	....	–12	....	....
Miscellaneous Appropriations	1	55	....	2	55	....
Federal Motor Carrier Safety Administration:						
Motor Carrier Safety Grants [1]	300	305	307	....	....	....
National Highway Traffic Safety Administration:						
Highway Traffic Safety Grants [1]	543	587	600	....	....	....
Federal Transit Administration:						
Greenhouse Gas and Energy Reduction [1]	....	....	38	....	....	....
Livable Communities [1]	....	....	307	....	....	....
Formula and Bus Grants [1]	9,247	8,361	8,001	....	....	....
Total, mandatory	**43,645**	**55,485**	**54,949**	**100**	**169**	**105**
Total, Transportation	**90,781**	**61,219**	**58,009**	**55,438**	**72,249**	**68,168**
Community and Regional Development						
Discretionary:						
Department of Agriculture:						
Office of the Secretary:						
Healthy Foods, Healthy Neighborhoods Initiative	....	....	35	....	....	23
Rural Utilities Service:						
Distance Learning, Telemedicine, and Broadband Program	331	88	50	122	54	83
Rural Water and Waste Disposal Program Account	1,919	551	534	585	966	1,086
Rural Housing Service:						
Rural Community Facilities Program Account	298	77	37	207	144	114
Rural Business_Cooperative Service:						
Rural Business Program Account	239	139	58	116	189	133
Department of Commerce:						
Economic Development Administration:						
Economic Development Assistance Programs	408	255	246	243	422	481
Department of Homeland Security:						
Federal Emergency Management Agency:						
State and Local Programs	4,694	3,991	4,001	2,529	2,870	6,251
United States Fire Administration and Training	4	4	4	3	5	5
Mitigation Grants	....	....	....	11	....	....
Disaster Relief	703	3,301	1,268	6,525	7,478	4,636
Department of Housing and Urban Development:						
Community Planning and Development:						
Community Development Fund	6,867	4,405	4,336	6,408	7,230	8,022
Community Development Loan Guarantees Program Account	6	6	....	5	8	....
Brownfields Redevelopment	10	18	....	22	32	29
Empowerment Zones/enterprise Communities/renewal Communities	....	....	....	16	17	17
Office of Lead Hazard Control and Healthy Homes:						
Lead Hazard Reduction	240	139	139	168	196	183
Department of the Interior:						
Bureau of Indian Affairs and Bureau of Indian Education:						
Operation of Indian Programs	155	159	159	149	158	158
Indian Guaranteed Loan Program Account	21	26	8	9	35	9

Table 17–2. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued
(In millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2009 Actual	2010 Estimate	2011 Estimate	2009 Actual	2010 Estimate	2011 Estimate
Appalachian Regional Commission	67	67	67	62	65	67
Delta Regional Authority	13	13	13	9	13	13
Denali Commission	12	13	12	60	79	57
Total, discretionary	**15,987**	**13,252**	**10,967**	**17,249**	**19,961**	**21,367**
Mandatory:						
Department of Housing and Urban Development:						
Community Planning and Development:						
Community Development Loan Guarantees Program Account	3	3	....	3	3	....
Neighborhood Stabilization Program	....	....	....	116	1,260	1,107
Community Development Loan Guarantees Liquidating Account	....	....	....	....	–3	....
Total, mandatory	**3**	**3**	**..........**	**119**	**1,260**	**1,107**
Total, Community and Regional Development	**15,990**	**13,255**	**10,967**	**17,368**	**21,221**	**22,474**
Education, Training, Employment, and Social Services						
Discretionary:						
Department of Commerce:						
National Telecommunications and Information Administration:						
Public Telecommunications Facilities, Planning and Construction	18	18	....	20	24	23
Information Infrastructure Grants	....	....	....	2	1	1
Department of Education:						
Office of Elementary and Secondary Education:						
Indian Student Education	118	123	123	114	108	121
Impact Aid	1,361	1,272	1,272	1,297	1,457	1,281
Accelerating Achievement and Ensuring Equity	25,807	15,864	15,044	15,797	22,157	20,928
Education Improvement Programs	5,703	5,098	3,501	5,247	5,442	5,244
State Fiscal Stabilization Fund	53,542	....	....	12,430	32,117	8,995
Office of Innovation and Improvement:						
Innovation and Instructional Teams	822	958	5,805	653	885	1,128
Office of Safe and Drug-Free Schools:						
Supporting Student Success	610	289	1,786	651	597	511
Office of English Language Acquisition:						
English Learner Education	686	744	794	667	714	724
Office of Special Education and Rehabilitative Services:						
Special Education	22,831	12,367	11,776	12,536	16,553	17,705
Rehabilitation Services and Disability Research	739	148	288	165	525	502
American Printing House for the Blind	23	25	25	21	30	25
Office of Vocational and Adult Education:						
Career, Technical and Adult Education	1,923	1,997	1,924	2,005	2,074	1,953
Office of Postsecondary Education:						
Higher Education	353	364	353	387	520	387
Office of Federal Student Aid:						
Student Financial Assistance	64	64	....	61	67	51
Institute of Education Sciences	310	48	55	34	120	128
Hurricane Education Recovery	....	....	....	60	120	....
Department of Health and Human Services:						
Administration for Children and Families:						
Promoting Safe and Stable Families	63	62	62	63	62	62
Children and Families Services Programs	13,507	8,944	9,941	8,793	12,118	10,467
Administration on Aging:						
Aging Services Programs	1,569	1,493	1,602	1,435	1,577	1,560
Department of the Interior:						
Bureau of Indian Affairs and Bureau of Indian Education:						
Operation of Indian Programs	103	159	111	98	138	108
Department of Labor:						
Employment and Training Administration:						
Training and Employment Services	5,886	3,208	3,378	3,768	5,357	3,201
Community Service Employment for Older Americans	419	549	325	168	315	388

Table 17–2. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(In millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2009 Actual	2010 Estimate	2011 Estimate	2009 Actual	2010 Estimate	2011 Estimate
State Unemployment Insurance and Employment Service Operations	92	87	87	35	95	84
States Paid Leave Fund	....	....	49	....	....	11
Unemployment Trust Fund	1,364	970	964	953	1,230	1,022
Corporation for National and Community Service:						
Domestic Volunteer Service Programs, Operating Expenses	....	....	....	11	....	....
National and Community Service Programs, Operating Expenses	....	....	....	47	....	....
Operating Expenses	464	695	803	315	430	648
Corporation for Public Broadcasting	461	506	466	461	506	466
District of Columbia:						
District of Columbia General and Special Payments:						
Federal Payment for Resident Tuition Support	35	35	35	35	35	35
Federal Payment to Jump Start Public School Reform	20	....	20	20	....	20
Federal Payment for School Improvement	54	74	52	54	74	52
National Endowment for the Arts:						
National Endowment for the Arts: Grants and Administration	71	56	53	51	65	53
Institute of Museum and Library Services:						
Office of Museum and Library Services: Grants and Administration	258	265	248	248	260	262
Total, discretionary	**139,276**	**56,482**	**60,942**	**68,702**	**105,773**	**78,146**
Mandatory:						
Department of Education:						
Office of Special Education and Rehabilitative Services:						
Rehabilitation Services and Disability Research	2,975	3,085	3,085	2,766	2,986	3,080
Department of Health and Human Services:						
Administration for Children and Families:						
Promoting Safe and Stable Families	371	372	372	388	331	365
Social Services Block Grant	1,700	1,700	1,700	1,854	2,118	1,832
Department of Labor:						
Employment and Training Administration:						
Federal Unemployment Benefits and Allowances	686	686	686	276	507	720
Total, mandatory	**5,732**	**5,843**	**5,843**	**5,284**	**5,942**	**5,997**
Total, Education, Training, Employment, and Social Services	**145,008**	**62,325**	**66,785**	**73,986**	**111,715**	**84,143**
Health						
Discretionary:						
Department of Agriculture:						
Food Safety and Inspection Service:						
Salaries and Expenses	51	50	50	49	50	50
Department of Health and Human Services:						
Health Resources and Services Administration:						
Health Resources and Services	2,847	2,847	2,847	3,060	2,987	2,987
Centers for Disease Control and Prevention:						
Disease Control, Research, and Training	2,358	2,434	2,358	2,331	2,397	2,335
Substance Abuse and Mental Health Services Administration	2,669	2,746	2,755	2,888	2,870	2,963
Departmental Management:						
Public Health and Social Services Emergency Fund	394	426	426	671	277	277
Prevention and Wellness Fund	700	....	....	....	158	314
General Departmental Management	139	147	147	239	286	284
Department of Labor:						
Occupational Safety and Health Administration:						
Salaries and Expenses	104	104	117	104	104	117
Mine Safety and Health Administration:						
Salaries and Expenses	9	9	9	9	9	9
Total, discretionary	**9,271**	**8,763**	**8,709**	**9,351**	**9,138**	**9,336**

Table 17–2. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued
(In millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2009 Actual	2010 Estimate	2011 Estimate	2009 Actual	2010 Estimate	2011 Estimate
Mandatory:						
Department of Health and Human Services:						
Centers for Medicare and Medicaid Services:						
Grants to States for Medicaid	254,890	292,678	285,213	250,924	275,383	296,726
Children's Health Insurance Fund	13,834	13,529	13,504	7,547	8,903	10,285
State Grants and Demonstrations	609	583	629	498	980	1,036
Child Enrollment Contingency Fund	2,113	73	82	....	200	200
Departmental Management:						
General Departmental Management	10	10	....	....	9	11
Total, mandatory	**271,456**	**306,873**	**299,428**	**258,969**	**285,475**	**308,258**
Total, Health	**280,727**	**315,636**	**308,137**	**268,320**	**294,613**	**317,594**
Income Security						
Discretionary:						
Department of Agriculture:						
Food and Nutrition Service:						
Commodity Assistance Program	384	251	250	361	289	275
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	7,360	7,257	7,603	6,480	7,704	7,467
Department of Health and Human Services:						
Administration for Children and Families:						
Low Income Home Energy Assistance	5,100	5,100	3,300	4,533	4,993	3,648
Refugee and Entrant Assistance	532	531	678	544	571	675
Payments to States for the Child Care and Development Block Grant	4,120	2,120	2,918	2,346	3,387	3,195
Department of Homeland Security:						
Federal Emergency Management Agency:						
Emergency Food and Shelter	300	200	100	284	216	100
Department of Housing and Urban Development:						
Public and Indian Housing Programs:						
Public Housing Operating Fund	4,455	4,760	4,781	4,449	4,574	4,775
Revitalization of Severely Distressed Public Housing (HOPE VI)	120	198	–65	317	289	262
Native Hawaiian Housing Block Grant	10	13	10	4	7	9
Tenant Based Rental Assistance	16,217	18,084	19,355	15,981	17,739	19,076
Project-based Rental Assistance	292	232	322	279	277	322
Public Housing Capital Fund	6,414	2,475	2,024	3,207	4,044	4,394
Prevention of Resident Displacement	....	....	....	1	....	....
Native American Housing Block Grant	1,152	700	574	644	878	721
Choice Neighborhoods	....	....	313	....	....	8
Transforming Rental Assistance	....	....	350	....	....	53
Community Planning and Development:						
Homeless Assistance Grants	3,167	1,852	2,034	1,484	1,872	2,173
Home Investment Partnership Program	4,071	1,807	1,633	1,915	2,242	4,034
Housing Opportunities for Persons with AIDS	308	332	337	317	333	304
Rural Housing and Economic Development	26	....	....	15	26	18
Permanent Supportive Housing	....	....	....	3	10	15
Housing Programs:						
Homeownership and Opportunity for People Everywhere Grants (HOPE Grants)	....	....	....	4	....	....
Housing for Persons with Disabilities	248	297	89	337	291	295
Housing for the Elderly	763	817	271	979	921	949
Department of Labor:						
Employment and Training Administration:						
Unemployment Trust Fund	3,504	3,267	3,421	3,110	3,619	2,309
Total, discretionary	**58,543**	**50,293**	**50,298**	**47,594**	**54,282**	**55,077**
Mandatory:						
Department of Agriculture:						
Agricultural Marketing Service:						
Funds for Strengthening Markets, Income, and Supply (section 32)	993	1,056	982	929	1,056	982

Table 17–2. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(In millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2009 Actual	2010 Estimate	2011 Estimate	2009 Actual	2010 Estimate	2011 Estimate
Food and Nutrition Service:						
Supplemental Nutrition Assistance Program	5,872	6,355	6,149	5,624	6,627	6,237
Commodity Assistance Program	21	21	21	8	9	9
Child Nutrition Programs	15,003	16,863	19,221	15,083	17,136	19,040
Department of Health and Human Services:						
Administration for Children and Families:						
Payments to States for Child Support Enforcement and Family Support Programs	4,282	4,788	4,255	4,352	4,710	4,324
Low Income Home Energy Assistance	....	....	2,000	....	....	1,460
Contingency Fund	5,000	....	4,355	1,072	4,329	3,406
Payments to States for Foster Care and Adoption Assistance	7,218	7,381	7,456	6,858	7,403	7,442
Child Care Entitlement to States	2,917	2,917	3,717	2,952	2,925	3,417
Temporary Assistance for Needy Families	17,059	17,059	17,408	17,861	17,754	17,595
Department of Labor:						
Employment and Training Administration:						
Unemployment Trust Fund	807	612	31	807	612	31
Department of the Treasury:						
Departmental Offices:						
Grants to States for Low-Income Housing Projects in Lieu of Low-Income Housing Credit Allocations	2,930	3,615	2,265	29	4,975	2,685
Total, mandatory	**62,102**	**60,667**	**67,860**	**55,575**	**67,536**	**66,628**
Total, Income Security	**120,645**	**110,960**	**118,158**	**103,169**	**121,818**	**121,705**
Social Security						
Mandatory:						
Social Security Administration:						
Federal Disability Insurance Trust Fund	24	28	21	45	26	25
Veterans Benefits and Services						
Discretionary:						
Department of Veterans Affairs:						
Veterans Health Administration:						
Medical Services	650	755	855	650	755	855
Departmental Administration:						
Grants for Construction of State Extended Care Facilities	325	100	85	129	148	207
Grants for Construction of State Veterans Cemeteries	42	46	46	30	32	32
Total, discretionary	**1,017**	**901**	**986**	**809**	**935**	**1,094**
Total, Veterans Benefits and Services	**1,017**	**901**	**986**	**809**	**935**	**1,094**
Administration of Justice						
Discretionary:						
Department of Homeland Security:						
Departmental Management and Operations:						
National Security Special Events, State and Local Reimbursement	....	....	20	....	....	18
Department of Housing and Urban Development:						
Fair Housing and Equal Opportunity:						
Fair Housing Activities	54	71	60	46	53	63
Department of Justice:						
Legal Activities and U.S. Marshals:						
Assets Forfeiture Fund	21	21	21	14	21	21
Office of Justice Programs:						
Justice Assistance	139	180	170	246	185	204
State and Local Law Enforcement Assistance	4,294	1,687	1,434	2,335	2,664	1,937
Juvenile Justice Programs	338	394	263	345	333	348
Community Oriented Policing Services	1,181	537	720	227	606	737
Violence against Women Prevention and Prosecution Programs	584	394	441	318	541	451
Equal Employment Opportunity Commission:						
Salaries and Expenses	26	30	30	26	30	30

Table 17–2. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued
(In millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2009 Actual	2010 Estimate	2011 Estimate	2009 Actual	2010 Estimate	2011 Estimate
Federal Drug Control Programs:						
High-intensity Drug Trafficking Areas Program	213	239	210	217	195	211
State Justice Institute:						
State Justice Institute: Salaries and Expenses	4	5	5	4	5	5
Total, discretionary	**6,854**	**3,558**	**3,374**	**3,778**	**4,633**	**4,025**
Mandatory:						
Department of Justice:						
Legal Activities and U.S. Marshals:						
Assets Forfeiture Fund	537	516	447	413	403	500
Office of Justice Programs:						
Crime Victims Fund	591	660	750	519	567	697
Department of the Treasury:						
Departmental Offices:						
Treasury Forfeiture Fund	184	150	150	100	180	150
Total, mandatory	**1,312**	**1,326**	**1,347**	**1,032**	**1,150**	**1,347**
Total, Administration of Justice	**8,166**	**4,884**	**4,721**	**4,810**	**5,783**	**5,372**
General Government						
Discretionary:						
Department of Health and Human Services:						
Administration for Children and Families:						
Disabled Voter Services	....	....	....	1	....	....
Department of the Interior:						
United States Fish and Wildlife Service:						
National Wildlife Refuge Fund	14	14	14	14	14	14
Insular Affairs:						
Assistance to Territories	51	57	56	50	55	54
Trust Territory of the Pacific Islands	....	....	....	....	1	1
District of Columbia:						
District of Columbia Courts:						
Federal Payment to the District of Columbia Courts	248	261	247	241	309	306
Defender Services in District of Columbia Courts	52	55	55	45	65	63
District of Columbia General and Special Payments:						
Federal Support for Economic Development and Management Reforms in the District	54	60	46	54	60	46
Election Assistance Commission:						
Election Reform Programs	106	75	....	78	105	75
Election Data Collection Grants	....	....	....	6	4	....
Total, discretionary	**525**	**522**	**418**	**489**	**613**	**559**
Mandatory:						
Department of Agriculture:						
Forest Service:						
Forest Service Permanent Appropriations	578	493	453	522	584	453
Department of Energy:						
Energy Programs:						
Payments to States under Federal Power Act	3	3	3	3	3	3
Department of Homeland Security:						
Customs and Border Protection:						
Refunds, Transfers, and Expenses of Operation, Puerto Rico	84	92	90	92	92	90
Department of the Interior:						
Minerals Management Service:						
Mineral Leasing and Associated Payments	1,839	1,648	1,960	1,839	1,648	1,960
National Petroleum Reserve, Alaska	16	5	12	16	5	12
Geothermal Lease Revenues, Payment to Counties	13	....	....	13	....	....
Office of Surface Mining Reclamation and Enforcement:						
Payments to States in Lieu of Coal Fee Receipts	123	142	....	28	254	78

Table 17–2. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(In millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2009 Actual	2010 Estimate	2011 Estimate	2009 Actual	2010 Estimate	2011 Estimate
United States Fish and Wildlife Service:						
National Wildlife Refuge Fund	7	10	10	9	10	10
Insular Affairs:						
Assistance to Territories	28	28	28	33	27	29
Payments to the United States Territories, Fiscal Assistance	149	177	146	149	177	146
Department-Wide Programs:						
Payments in Lieu of Taxes	382	395	409	521	395	409
Department of the Treasury:						
Alcohol and Tobacco Tax and Trade Bureau:						
Internal Revenue Collections for Puerto Rico	473	422	439	473	422	439
Internal Revenue Service:						
Build America Bond Payments	....	2,870	3,315	....	2,870	3,315
Corps of Engineers-Civil Works:						
Permanent Appropriations	4	4	4	4	4	4
Total, mandatory	**3,699**	**6,289**	**6,869**	**3,702**	**6,491**	**6,948**
Total, General Government	**4,224**	**6,811**	**7,287**	**4,191**	**7,104**	**7,507**
Total, Grants	**695,141**	**587,920**	**586,589**	**537,991**	**653,665**	**645,714**
Discretionary	**303,238**	**146,870**	**145,910**	**209,743**	**281,376**	**250,924**
Transportation obligation limitations (non-add) [1]	*53,404*	*53,895*	*54,441*	....	....	....
Mandatory	**391,903**	**441,050**	**440,679**	**328,248**	**372,289**	**394,790**

[1] Mandatory contract authority provides budget authority for these programs, but program levels are set by discretionary obligation limitations in appropriations bills and outlays are recorded as discretionary. This table shows the obligation limitations as non-additive items to avoid double counting.

Table 17–2, "Federal Grants to State and Local Governments-Budget Authority and Outlays," provides detailed budget authority and outlay data for grants by budget account, including proposed legislation. This table displays discretionary and mandatory grant programs separately.

OTHER INFORMATION ON FEDERAL AID TO STATE AND LOCAL GOVERNMENTS

Additional information regarding aid to State and local governments can be found elsewhere in this Budget and in other documents.

Major public physical capital investment programs providing Federal grants to State and local governments are identified in Chapter 20, "Federal Investment."

Data for summary and detailed grants to State and local governments can be found in many sections of a separate volume of the Budget entitled *Historical Tables*. Section 12 of that document is devoted exclusively to grants to State and local governments. Additional information on grants can be found in Section 6 (Composition of Federal Government Outlays); Section 9 (Federal Government Outlays for Investment: Major Physical Capital, Research and Development, and Education and Training); Section 11 (Federal Government Payments for Individuals); and Section 15 (Total (Federal and State and Local) Government Finances).

In addition to these sources, a number of other sources of information are available that use slightly different concepts of grants, provide State-by-State information, provide information on how to apply for Federal aid, or display information about audits.

Current and updated grant receipt information by State and local governments can be found on *USAspending.gov*. This public website also contains contract and loan information and is updated twice per month. Additional current and updated information about grants provided specifically by the Recovery Act can be found on *Recovery.gov*.

The Bureau of the Census in the Department of Commerce provides data on public finances, including Federal aid to State and local governments. The Bureau's major reports and databases on grant-making include:

- *Federal Aid to States*, a report on Federal grant spending by State for the most recently completed fiscal year.
- *The Consolidated Federal Funds Report* is an annual document that shows the distribution of Federal spending by State and county areas and by local governmental jurisdictions.
- The Federal Assistance Awards Data System (FAADS) provides computerized information about current grant funding. Data on all direct assistance awards are provided quarterly to the States and to the Congress.
- The Federal Audit Clearinghouse maintains an online database *(harvester.census.gov/sac)* that pro-

vides access to summary information about audits conducted under OMB Circular A–133, "Audits to States, Local Governments, and Non-Profit Organizations." Information is available for each audited entity, including the amount of Federal money expended by program and whether there were audit findings.

The Bureau of Economic Analysis, also in the Department of Commerce, publishes the monthly *Survey of Current Business*, which provides data on the national income and product accounts (NIPA), a broad statistical concept encompassing the entire economy. These accounts include data on Federal grants to State and local governments. Data using the NIPA concepts appear in this volume in Chapter 28, "National Income and Product Accounts."

The *Catalog of Federal Domestic Assistance* is a primary reference source for communities wishing to apply for grants and other domestic assistance. The *Catalog* is prepared by the General Services Administration and contains a detailed listing of grant and other assistance programs; discussions of eligibility criteria, application procedures, and estimated obligations; and related information. The *Catalog* is available on the Internet at *www.cfda.gov*.

APPENDIX: SELECTED GRANT DATA BY STATE

This Appendix displays State-by-State spending for the selected grant programs to State and local governments shown in the following table, "Summary of Grant Programs by Agency, Bureau, and Program." The programs selected here cover more than 80 percent of total grant spending.

The first summary table shows the obligations for each program. The second summary table, "Summary of Grant Programs by State," shows the obligations for each State for these programs. Both of these tables combine funding provided in the Recovery Act with funding provided through other authority.

The third summary table, "Summary of Recovery Act Grants by Agency, Bureau, and Program" shows obligations made from funding provided by the Recovery Act for the grant programs from the first summary table. For those grant programs created by the Recovery Act, such as the State Fiscal Stabilization Fund, the amounts in this table are the same as in the first table. The fourth summary table, "Summary of Recovery Act Grants by State" shows the amounts for each State from funding provided by the Recovery Act.

The individual program tables display obligations for each program on a State-by-State basis, consistent with the estimates in this Budget. These tables combine funding provided by the Recovery Act with funding provided through other authority. Each table reports the following information:

- The Federal agency that administers the program.
- The program title and number as contained in the *Catalog of Federal Domestic Assistance.*
- The budget account number from which the program is funded.
- Actual 2009 obligations by State, Federal territory, and Indian tribes in thousands of dollars. Undistributed obligations shown at the bottom of each page are generally project funds that are not distributed by formula, or programs for which State-by-State data are not available.
- Estimates of 2010 obligations by State from previous budget authority and from new budget authority.
- Estimates of 2011 obligations by State, which are based on the 2011 Budget request, unless otherwise noted.
- The percentage share of 2011 estimated program funds distributed to each State.

Table 17–3. SUMMARY OF PROGRAMS BY AGENCY, BUREAU, AND PROGRAM
(Obligations in millions of dollars)

Agency, Bureau, and Program	FY 2009 (actual)	Estimated FY 2010 obligations from: Previous authority	New authority	Total	FY 2011 (estimated)
Department of Agriculture, Food and Nutrition Service					
School Breakfast Program (10.553)	2,607	....	2,898	2,898	3,118
National School Lunch Program (10.555)	8,984	304	9,915	10,218	10,713
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (10.557)	7,005	555	7,073	7,628	7,861
Child and Adult Care Food Program (10.558)	2,452	....	2,616	2,616	2,729
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Food Stamps) (10.561)	3,059	....	3,841	3,841	3,384
Department of Education, Office of Elementary and Secondary Education					
Title I College-and-Career-Ready Students (formerly Title I Grants to Local Educational Agencies) (84.010)	24,492	....	14,492	14,492	14,492
Improving Teacher Quality State Grants (84.367)	2,948	....	2,948	2,948	....
Education State Grants, State Fiscal Stabilization Fund (84.394)	39,743	....	....	....	....
Government Services, State Fiscal Stabilization Fund (84.397)	8,843	....	....	....	....
Effective Teachers and Leaders State Grants	....	....	....	....	2,500
Department of Education, Office of Special Education and Rehabilitative Services					
Vocational Rehabilitation State Grants (84.126)	3,514	1	3,085	3,086	3,142
IDEA Part B: Grants to States & Grants to States Recovery Act (84.027)	22,805	....	11,505	11,505	11,755
Department of Energy, Energy Programs					
State Energy Program (81.041)	3,137	....	50	50	75
Weatherization Assistance For Low-Income Persons (81.042)	5,198	....	210	210	300
Energy Efficiency And Conservation Block Grant (81.043)	1,506	1,189	....	1,189	....
Department of Health and Human Services, Centers for Medicare and Medicaid Services					
Children's Health Insurance Program (93.767)	9,464	....	12,520	12,520	13,459
Grants To States For Medicaid (93.778)	265,058	....	278,830	278,830	274,495
Department of Health and Human Services, Administration for Children and Families					
Temporary Assistance for Needy Families (TANF) - Family Assistance Grants (93.558)	18,145	150	17,106	17,256	20,265
Child Support Enforcement - Federal Share of State and Local Administrative Costs and Incentives (93.563)	4,245	....	3,566	3,566	4,618
Low Income Home Energy Assistance Program (93.568)	4,510	....	4,510	4,510	2,510
Child Care and Development Block Grant (93.575)	2,127	....	2,387	2,387	2,927
Child Care and Development Fund - Mandatory (93.596a)	1,627	....	1,240	1,240	1,240
Child Care and Development Fund - Matching (93.596b)	2,090	....	2,205	2,205	2,461
Head Start (93.600)	7,110	....	7,235	7,235	8,224
Foster Care - Title IV-E (93.658)	4,545	....	4,406	4,406	4,592
Adoption Assistance (93.659)	2,130	....	2,272	2,272	2,522
Social Services Block Grant (93.667)	1,700	....	1,700	1,700	1,700
Department of Health and Human Services, HIV/AIDS Bureau					
Ryan White HIV/AIDS Treatment Modernization Act - Part B HIV Care Grants (93.917)	1,162	....	1,185	1,185	1,185
Department of Housing and Urban Development, Public and Indian Housing Programs					
Public Housing Operating Fund (14.850)	4,449	....	4,760	4,760	4,781
Section 8 Housing Choice Vouchers (14.871)	16,289	291	18,084	18,375	19,355
Public Housing Capital Fund (14.872)	6,367	125	2,419	2,544	2,000
Department of Housing and Urban Development, Community Planning and Development					
Community Development Block Grants and Neighborhood Stabilization Program (14.218)	8,092	7,341	4,450	11,791	4,336
Homelessness Prevention and Rapid Re-Housing Program (14.257)	1,485	7	....	7	....
HOME Investment Partnership Program and Tax Credit Assistance Program (14.258)	4,059	....	1,825	1,825	1,633
Department of Justice, Office of Justice Programs					
Edward Byrne Memorial Justice Assistance Grant Program (16.738)	1,995	....	483	483	466
Department of Labor, Employment and Training Administration					
Unemployment Insurance (17.225)	3,711	129	3,370	3,499	3,503
WIA Youth Activities (17.259)	2,108	....	924	924	871
WIA Dislocated Workers (17.260)	2,429	....	1,187	1,187	1,187
Department of Transportation, Federal Aviation Administration					
Airport Improvement Program (20.106)	3,471	....	3,378	3,378	3,367
Department of Transportation, Federal Highway Administration					
Highway Planning and Construction (20.205)	59,758	7,600	41,846	49,446	42,102
Department of Transportation, Federal Transit Administration					
Federal Transit Formula Grants Programs (20.507)	6,009	2,276	5,875	8,151	10,077
Environmental Protection Agency, Office of Water					
Capitalization Grants for Clean Water State Revolving Fund (66.458)	4,677	193	2,100	2,293	2,000
Capitalization Grants for Drinking Water State Revolving Fund (66.468)	2,967	188	1,387	1,575	1,287

Table 17–3. SUMMARY OF PROGRAMS BY AGENCY, BUREAU, AND PROGRAM—Continued
(Obligations in millions of dollars)

Agency, Bureau, and Program	FY 2009 (actual)	Estimated FY 2010 obligations from:			FY 2011 (estimated)
		Previous authority	New authority	Total	
Federal Communications Commission					
Universal Service Fund E-Rate	1,520	....	2,057	2,057	2,118
Total	589,590	20,350	491,938	512,288	499,350

Table 17–4. SUMMARY OF PROGRAMS BY STATE
(Obligations in millions of dollars)

State or Territory	All programs FY 2009 (actual)	Programs distributed in all years				FY 2011 Percentage of distributed total
		Estimated FY 2010 obligations from:			FY 2011 (estimated)	
		Previous authority	New authority	Total		
Alabama	8,871	157	6,618	6,775	6,639	1.43
Alaska	2,288	84	1,979	2,063	2,041	0.44
Arizona	12,247	347	11,138	11,486	11,112	2.40
Arkansas	6,033	229	5,101	5,330	5,136	1.11
California	68,853	1,147	58,250	59,396	55,797	12.04
Colorado	6,353	132	4,787	4,920	4,842	1.05
Connecticut	7,124	279	5,883	6,163	5,305	1.15
Delaware	1,763	92	1,462	1,554	1,336	0.29
District of Columbia	2,718	171	2,634	2,805	2,610	0.56
Florida	26,982	708	20,636	21,344	20,017	4.32
Georgia	15,380	455	12,492	12,947	11,846	2.56
Hawaii	2,552	77	1,903	1,980	1,678	0.36
Idaho	2,616	67	2,035	2,102	2,042	0.44
Illinois	22,080	489	17,388	17,877	16,190	3.49
Indiana	11,624	490	8,903	9,393	8,918	1.92
Iowa	5,394	578	4,100	4,678	4,074	0.88
Kansas	4,371	157	3,307	3,464	3,132	0.68
Kentucky	9,013	149	7,542	7,691	7,316	1.58
Louisiana	12,077	1,774	8,846	10,620	7,985	1.72
Maine	3,427	29	2,929	2,958	2,503	0.54
Maryland	9,540	186	7,991	8,178	7,950	1.72
Massachusetts	14,733	368	13,013	13,381	11,835	2.55
Michigan	18,055	320	14,509	14,829	14,380	3.10
Minnesota	9,798	200	8,361	8,561	7,867	1.70
Mississippi	7,224	95	6,208	6,303	6,208	1.34
Missouri	11,525	418	9,565	9,983	9,321	2.01
Montana	2,051	88	1,629	1,717	1,619	0.35
Nebraska	3,007	105	2,397	2,502	2,319	0.50
Nevada	3,162	159	2,373	2,532	2,418	0.52
New Hampshire	2,033	27	1,617	1,644	1,549	0.33
New Jersey	15,541	260	12,367	12,626	12,371	2.67
New Mexico	5,240	105	4,850	4,956	4,787	1.03
New York	53,757	748	50,568	51,316	48,074	10.38
North Carolina	17,096	333	12,481	12,814	11,612	2.51
North Dakota	1,524	28	1,133	1,162	1,109	0.24
Ohio	22,536	614	18,636	19,250	18,290	3.95
Oklahoma	7,255	92	5,967	6,058	6,327	1.37
Oregon	6,570	127	5,645	5,771	5,771	1.25
Pennsylvania	24,599	319	20,178	20,496	19,874	4.29
Rhode Island	2,691	46	2,209	2,256	2,069	0.45
South Carolina	8,199	176	6,836	7,012	6,510	1.40
South Dakota	1,655	103	1,265	1,367	1,252	0.27
Tennessee	12,534	220	9,245	9,465	9,057	1.95
Texas	40,833	3,075	32,935	36,011	32,900	7.10
Utah	3,768	36	2,855	2,891	2,893	0.62
Vermont	1,751	50	1,507	1,556	1,352	0.29
Virginia	9,950	410	8,489	8,899	8,069	1.74
Washington	11,194	254	8,479	8,734	8,198	1.77
West Virginia	4,282	92	3,753	3,845	3,482	0.75
Wisconsin	10,109	296	7,739	8,035	7,274	1.57
Wyoming	1,277	13	914	927	871	0.19
American Samoa	175	3	93	96	88	0.02
Guam	355	13	188	200	181	0.04
Northern Mariana Islands	139	11	57	68	51	0.01
Puerto Rico	4,959	90	3,203	3,293	3,225	0.70
Freely Associated States	36	59	137	196	45	0.01
Virgin Islands	320	8	175	183	164	0.04
Indian Tribes	1,626	125	1,361	1,486	1,435	0.31
Total, programs distributed by State in all years	**582,865**	**17,280**	**478,863**	**496,143**	**463,315**	**100.00**
MEMORANDUM:						
Not distributed by State in all years [1]	6,725	3,070	13,075	16,145	36,035	N/A
Total, including undistributed	589,590	20,350	491,938	512,288	499,350	N/A

[1] The sum of programs not distributed by State in all years.

Table 17–5. SUMMARY OF RECOVERY ACT GRANTS BY AGENCY, BUREAU, AND PROGRAM
(Obligations in millions of dollars)

Agency, Bureau, and Program	FY 2009 (actual)	Estimated FY 2010 obligations from: Previous authority	New authority	Total	FY 2011 (estimated)
Department of Agriculture, Food and Nutrition Service					
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (10.557)	34	65	....	65	....
State Administrative Matching Grants for Supplemental Nutrition Assistance Program (Food Stamps) (10.561)	144	....	146	146	....
Department of Education, Office of Elementary and Secondary Education					
Title I College-and-Career-Ready Students (formerly Title I Grants to Local Educational Agencies), Recovery Act (84.389)	10,000	....	....	....	....
Education State Grants, State Fiscal Stabilization Fund (84.394)	39,743	....	....	....	....
Government Services, State Fiscal Stabilization Fund (84.397)	8,843	....	....	....	....
Department of Education, Office of Special Education and Rehabilitative Services					
Vocational Rehabilitation State Grants, Recovery Act (84.390)	539	1	....	1	....
IDEA Part B: Grants to States Recovery Act (84.391)	11,300	....	....	....	....
Department of Energy, Energy Programs					
State Energy Program (81.041)	3,087	....	....	....	....
Weatherization Assistance For Low-Income Persons (81.042)	4,747	....	....	....	....
Energy Efficiency And Conservation Block Grant (81.043)	1,506	1,085	....	1,085	....
Department of Health and Human Services, Centers for Medicare and Medicaid Services					
Grants To States For Medicaid (93.778)	34,762	....	39,946	39,946	17,763
Department of Health and Human Services, Administration for Children and Families					
Temporary Assistance for Needy Families (TANF) - Family Assistance Grants (93.714)	617	3,383	1,000	4,383	....
Child Support Enforcement - Federal Share of State and Local Administrative Costs and Incentives (93.563)	429	....	1,321	1,321	....
Child Care and Development Block Grant (93.713)	1,997	....	3	3	....
Head Start (93.708)	578	....	1,522	1,522	....
Foster Care - Title IV-E (93.658)	162	....	201	201	53
Adoption Assistance (93.659)	194	....	220	220	63
Department of Housing and Urban Development, Public and Indian Housing Programs					
Public Housing Capital Fund (14.885)	3,979	21	....	21	....
Department of Housing and Urban Development, Community Planning and Development					
Community Development Block Grants and Neighborhood Stabilization Program (14.253)	972	1,998	....	1,998	....
Homelessness Prevention and Rapid Re-Housing Program (14.257)	1,485	7	....	7	....
Tax Credit Assistance Program (14.258)	2,250	....	....	....	....
Department of Justice, Office of Justice Programs					
Edward Byrne Memorial Justice Assistance Grant Program (16.738)	1,989	....	....	....	....
Department of Labor, Employment and Training Administration					
Unemployment Insurance (17.225)	34	111	131	242	....
WIA Youth Activities (17.259)	1,188	....	....	....	....
WIA Dislocated Workers (17.260)	1,241	....	....	....	....
Department of Transportation, Federal Aviation Administration					
Airport Improvement Program (20.106)	1,095	2	....	2	....
Department of Transportation, Federal Highway Administration					
Highway Planning and Construction (20.205)	19,659	7,600	....	7,600	....
Department of Transportation, Federal Transit Administration					
Federal Transit Formula Grants Programs (20.507)	6,731	745	....	745	....
Environmental Protection Agency, Office of Water					
Capitalization Grants for Clean Water State Revolving Fund (66.458)	3,972	47	....	47	....
Capitalization Grants for Drinking Water State Revolving Fund (66.468)	2,028	(40)	....	(40)	....
Total	**165,306**	**15,027**	**44,491**	**59,518**	**17,879**

Table 17–6. SUMMARY OF RECOVERY ACT GRANTS BY STATE

(Obligations in millions of dollars)

State or Territory	All programs FY 2009 (actual)	Programs distributed in all years: Estimated FY 2010 obligations from: Previous authority	New authority	Total	FY 2011 (estimated)	FY 2011 Percentage of distributed total
Alabama	2,438	114	421	535	96	0.93
Alaska	623	68	103	171	29	0.28
Arizona	3,094	263	1,019	1,282	230	2.23
Arkansas	1,491	131	304	435	88	0.86
California	19,032	793	5,742	6,535	1,248	12.09
Colorado	2,224	116	430	546	115	1.11
Connecticut	2,075	96	608	704	145	1.40
Delaware	556	72	148	221	27	0.26
District of Columbia	774	35	173	208	45	0.44
Florida	8,423	405	2,176	2,581	545	5.28
Georgia	4,518	392	689	1,080	148	1.44
Hawaii	737	46	192	238	57	0.55
Idaho	771	59	145	204	38	0.37
Illinois	7,095	223	1,623	1,846	358	3.47
Indiana	3,349	207	744	951	154	1.49
Iowa	1,560	39	330	369	81	0.79
Kansas	1,350	140	247	388	63	0.61
Kentucky	2,221	127	550	677	123	1.20
Louisiana	2,461	123	821	944	248	2.40
Maine	840	22	265	287	64	0.62
Maryland	2,908	139	889	1,028	239	2.31
Massachusetts	3,977	261	1,393	1,654	351	3.40
Michigan	5,391	288	1,175	1,463	214	2.08
Minnesota	3,020	139	977	1,116	199	1.93
Mississippi	1,729	65	417	482	109	1.06
Missouri	3,129	261	763	1,024	206	1.99
Montana	595	76	106	182	21	0.20
Nebraska	911	93	153	246	48	0.46
Nevada	1,130	127	229	357	59	0.57
New Hampshire	675	10	147	157	37	0.36
New Jersey	4,482	267	1,162	1,428	282	2.73
New Mexico	1,150	81	342	424	99	0.96
New York	13,934	367	5,938	6,305	1,478	14.31
North Carolina	4,475	207	955	1,161	215	2.08
North Dakota	492	30	51	81	17	0.17
Ohio	5,917	537	135	672	6	0.06
Oklahoma	2,030	68	568	637	496	4.80
Oregon	1,773	102	475	577	117	1.13
Pennsylvania	7,026	234	1,982	2,216	470	4.55
Rhode Island	771	30	210	240	46	0.44
South Carolina	2,219	149	341	489	107	1.04
South Dakota	491	99	67	167	54	0.53
Tennessee	3,362	97	733	831	171	1.65
Texas	11,703	1,138	3,263	4,401	626	6.06
Utah	1,257	30	174	204	45	0.43
Vermont	508	28	144	172	40	0.39
Virginia	3,170	401	824	1,225	205	1.99
Washington	3,344	170	910	1,079	238	2.31
West Virginia	1,056	32	237	269	62	0.60
Wisconsin	2,841	206	630	837	116	1.13
Wyoming	456	1	63	65	18	0.17
American Samoa	95	0	3	3	1	0.01
Guam	189	10	4	14	1	0.01
Northern Mariana Islands	89	10	2	11	0	*
Puerto Rico	1,991	69	128	197	24	0.23
Freely Associated States	1	....	....	....	....	....
Virgin Islands	153	5	7	12	1	0.01
Indian Tribes	341	47	62	109	....	....
Total, programs distributed by State in all years	164,414	9,347	42,388	51,735	10,323	100.00
MEMORANDUM:						
Not distributed by State in all years [1]	892	5,680	2,103	7,782	7,556	N/A
Total, including undistributed	165,306	15,027	44,491	59,518	17,879	N/A

* $500 or less or 0.005 percent or less.

[1] The sum of programs not distributed by State in all years.

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Table 17–7. SCHOOL BREAKFAST PROGRAM (10.553)

(Obligations in thousands of dollars)

State or Territory	FY 2009 Actual	Estimated FY 2010 obligations from:			FY 2011 (estimated)	FY 2011 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	50,789	....	57,289	57,289	61,640	1.98
Alaska	6,101	....	6,882	6,882	7,404	0.24
Arizona	55,043	....	62,088	62,088	66,803	2.14
Arkansas	35,209	....	39,715	39,715	42,731	1.37
California	320,551	....	361,578	361,578	389,037	12.48
Colorado	23,563	....	26,579	26,579	28,597	0.92
Connecticut	17,092	....	19,280	19,280	20,744	0.67
Delaware	6,696	....	7,553	7,553	8,127	0.26
District of Columbia	4,660	....	5,256	5,256	5,656	0.18
Florida	140,833	....	158,858	158,858	170,922	5.48
Georgia	131,310	....	148,116	148,116	159,364	5.11
Hawaii	8,553	....	9,648	9,648	10,380	0.33
Idaho	14,235	....	16,057	16,057	17,276	0.55
Illinois	74,070	....	83,550	83,550	89,895	2.88
Indiana	48,127	....	54,287	54,287	58,409	1.87
Iowa	16,748	....	18,892	18,892	20,326	0.65
Kansas	20,210	....	22,797	22,797	24,528	0.79
Kentucky	52,597	....	59,329	59,329	63,834	2.05
Louisiana	55,087	....	62,138	62,138	66,856	2.14
Maine	7,988	....	9,010	9,010	9,695	0.31
Maryland	31,382	....	35,399	35,399	38,087	1.22
Massachusetts	32,684	....	36,867	36,867	39,667	1.27
Michigan	63,262	....	71,359	71,359	76,778	2.46
Minnesota	26,177	....	29,527	29,527	31,770	1.02
Mississippi	50,783	....	57,283	57,283	61,633	1.98
Missouri	51,489	....	58,079	58,079	62,490	2.00
Montana	5,485	....	6,187	6,187	6,657	0.21
Nebraska	11,045	....	12,459	12,459	13,405	0.43
Nevada	14,214	....	16,033	16,033	17,251	0.55
New Hampshire	3,927	....	4,430	4,430	4,766	0.15
New Jersey	41,647	....	46,977	46,977	50,545	1.62
New Mexico	29,448	....	33,217	33,217	35,740	1.15
New York	135,553	....	152,902	152,902	164,514	5.28
North Carolina	86,749	....	97,852	97,852	105,283	3.38
North Dakota	3,385	....	3,818	3,818	4,108	0.13
Ohio	79,043	....	89,160	89,160	95,931	3.08
Oklahoma	46,001	....	51,889	51,889	55,829	1.79
Oregon	28,311	....	31,935	31,935	34,360	1.10
Pennsylvania	63,822	....	71,991	71,991	77,458	2.48
Rhode Island	5,816	....	6,560	6,560	7,059	0.23
South Carolina	58,315	....	65,779	65,779	70,774	2.27
South Dakota	5,564	....	6,276	6,276	6,753	0.22
Tennessee	63,288	....	71,388	71,388	76,809	2.46
Texas	352,187	....	397,263	397,263	427,432	13.71
Utah	14,148	....	15,959	15,959	17,171	0.55
Vermont	4,060	....	4,580	4,580	4,927	0.16
Virginia	48,159	....	54,323	54,323	58,448	1.87
Washington	38,544	....	43,477	43,477	46,779	1.50
West Virginia	18,499	....	20,867	20,867	22,451	0.72
Wisconsin	28,768	....	32,450	32,450	34,914	1.12
Wyoming	2,683	....	3,026	3,026	3,256	0.10
American Samoa	....	....	....	....	....	....
Guam	1,932	....	2,179	2,179	2,345	0.08
Northern Mariana Islands	....	....	....	....	....	....
Puerto Rico	32,154	....	36,269	36,269	39,024	1.25
Freely Associated States	....	....	....	....	....	....
Virgin Islands	993	....	1,120	1,120	1,205	0.04
Indian Tribes	....	....	....	....	....	....
Undistributed	38,359	....	....	....	....	....
DOD/AF/USMC/Nave	18	....	20	20	20	*
Total	**2,607,356**	**.........**	**2,897,802**	**2,897,802**	**3,117,863**	**[1] 100.00**

* $500 or less or 0.005 percent or less.

[1] Excludes undistributed obligations.

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Table 17–8. NATIONAL SCHOOL LUNCH PROGRAM (10.555)

(Obligations in thousands of dollars)

State or Territory	FY 2009 Actual	Estimated FY 2010 obligations from: Previous authority	New authority	Total	FY 2011 (estimated)	FY 2011 Percentage of distributed total
Alabama	167,073	5,737	187,331	193,068	202,419	1.89
Alaska	25,924	890	29,068	29,958	31,408	0.29
Arizona	204,905	7,037	229,750	236,787	248,254	2.32
Arkansas	104,628	3,593	117,314	120,907	126,763	1.18
California	1,205,780	41,407	1,351,982	1,393,389	1,460,873	13.64
Colorado	98,879	3,396	110,868	114,264	119,798	1.12
Connecticut	69,619	2,391	78,060	80,451	84,347	0.79
Delaware	21,115	725	23,675	24,400	25,582	0.24
District of Columbia	16,434	564	18,427	18,991	19,911	0.19
Florida	501,060	17,207	561,814	579,021	607,063	5.67
Georgia	377,712	12,971	423,510	436,481	457,620	4.27
Hawaii	31,741	1,090	35,590	36,680	38,456	0.36
Idaho	41,207	1,415	46,203	47,618	49,925	0.47
Illinois	333,580	11,455	374,027	385,482	404,152	3.77
Indiana	186,936	6,420	209,602	216,022	226,484	2.11
Iowa	75,441	2,591	84,588	87,179	91,401	0.85
Kansas	78,400	2,692	87,906	90,598	94,986	0.89
Kentucky	147,465	5,064	165,345	170,409	178,662	1.67
Louisiana	169,179	5,810	189,692	195,502	204,970	1.91
Maine	26,942	925	30,209	31,134	32,642	0.30
Maryland	108,679	3,732	121,857	125,589	131,671	1.23
Massachusetts	123,770	4,250	138,778	143,028	149,955	1.40
Michigan	231,021	7,933	259,033	266,966	279,895	2.61
Minnesota	116,128	3,988	130,209	134,197	140,696	1.31
Mississippi	138,277	4,749	155,043	159,792	167,531	1.56
Missouri	159,265	5,469	178,576	184,045	192,959	1.80
Montana	20,393	700	22,866	23,566	24,707	0.23
Nebraska	48,570	1,668	54,459	56,127	58,845	0.55
Nevada	59,629	2,048	66,859	68,907	72,244	0.67
New Hampshire	19,529	671	21,897	22,568	23,661	0.22
New Jersey	173,540	5,960	194,581	200,541	210,254	1.96
New Mexico	75,456	2,591	84,605	87,196	91,419	0.85
New York	512,513	17,600	574,656	592,256	620,939	5.80
North Carolina	283,260	9,727	317,606	327,333	343,186	3.20
North Dakota	13,742	472	15,408	15,880	16,649	0.16
Ohio	273,508	9,392	306,672	316,064	331,371	3.09
Oklahoma	124,472	4,274	139,565	143,839	150,805	1.41
Oregon	84,203	2,892	94,412	97,304	102,017	0.95
Pennsylvania	259,774	8,921	291,272	300,193	314,731	2.94
Rhode Island	23,287	800	26,110	26,910	28,214	0.26
South Carolina	155,693	5,347	174,571	179,918	188,631	1.76
South Dakota	21,911	752	24,568	25,320	26,546	0.25
Tennessee	193,426	6,642	216,879	223,521	234,347	2.19
Texas	1,019,661	35,016	1,143,296	1,178,312	1,235,379	11.53
Utah	70,598	2,424	79,158	81,582	85,534	0.80
Vermont	11,504	395	12,899	13,294	13,938	0.13
Virginia	167,081	5,738	187,339	193,077	202,428	1.89
Washington	142,487	4,893	159,764	164,657	172,631	1.61
West Virginia	51,991	1,785	58,295	60,080	62,990	0.59
Wisconsin	122,786	4,217	137,673	141,890	148,762	1.39
Wyoming	10,888	374	12,208	12,582	13,191	0.12
American Samoa	....	....	....	....	....	....
Guam	5,610	193	6,290	6,483	6,797	0.06
Northern Mariana Islands	....	....	....	....	....	....
Puerto Rico	122,206	4,197	137,023	141,220	148,060	1.38
Freely Associated States	....	....	....	....	....	....
Virgin Islands	4,766	164	5,344	5,508	5,774	0.05
Indian Tribes	....	....	....	....	....	....
Undistributed	141,342	....	....	....	....	....
DOD/AF/USMC/Navy	8,725	300	9,782	10,082	10,574	0.10
Total	**8,983,711**	**303,654**	**9,914,514**	**10,218,168**	**10,713,047**	[1] **100.00**

[1] Excludes undistributed obligations.

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Table 17–9. SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN (WIC) (10.557)

(Obligations in thousands of dollars)

State or Territory	FY 2009 Actual	Estimated FY 2010 obligations from:			FY 2011 (estimated)	FY 2011 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	119,439	8,565	120,685	129,250	134,122	1.71
Alaska	25,450	4,265	25,716	29,981	28,579	0.36
Arizona	139,807	12,722	141,266	153,988	156,993	2.00
Arkansas	72,897	5,094	73,658	78,752	81,859	1.04
California	1,097,494	80,396	1,108,943	1,189,339	1,232,410	15.68
Colorado	74,677	5,662	75,456	81,118	83,857	1.07
Connecticut	50,471	3,918	50,997	54,915	56,675	0.72
Delaware	17,123	6,446	17,302	23,748	19,228	0.24
District of Columbia	17,457	1,802	17,639	19,441	19,603	0.25
Florida	378,535	30,325	382,483	412,808	425,068	5.41
Georgia	271,013	18,937	273,840	292,777	304,329	3.87
Hawaii	35,704	2,745	36,076	38,821	40,093	0.51
Idaho	32,546	4,831	32,886	37,717	36,547	0.46
Illinois	233,769	22,463	236,208	258,671	262,506	3.34
Indiana	123,548	8,633	124,837	133,470	138,736	1.76
Iowa	54,742	3,825	55,313	59,138	61,471	0.78
Kansas	50,037	7,280	50,559	57,839	56,188	0.71
Kentucky	115,237	8,052	116,440	124,492	129,403	1.65
Louisiana	125,173	9,323	126,479	135,802	140,561	1.79
Maine	20,850	1,457	21,068	22,525	23,413	0.30
Maryland	102,419	7,157	103,487	110,644	115,009	1.46
Massachusetts	94,153	7,488	95,135	102,623	105,727	1.35
Michigan	189,146	13,217	191,119	204,336	212,398	2.70
Minnesota	108,236	10,498	109,365	119,863	121,541	1.55
Mississippi	98,457	6,880	99,484	106,364	110,560	1.41
Missouri	101,717	7,408	102,778	110,186	114,221	1.45
Montana	16,507	1,448	16,680	18,128	18,536	0.24
Nebraska	32,816	2,476	33,158	35,634	36,850	0.47
Nevada	44,077	3,080	44,537	47,617	49,495	0.63
New Hampshire	13,988	977	14,134	15,111	15,708	0.20
New Jersey	127,936	10,289	129,270	139,559	143,663	1.83
New Mexico	49,235	5,301	49,749	55,050	55,287	0.70
New York	429,748	38,253	434,231	472,484	482,578	6.14
North Carolina	234,726	16,402	237,175	253,577	263,581	3.35
North Dakota	11,301	859	11,419	12,278	12,690	0.16
Ohio	209,747	14,656	211,936	226,592	235,531	3.00
Oklahoma	73,652	5,147	74,420	79,567	82,706	1.05
Oregon	80,474	6,015	81,314	87,329	90,367	1.15
Pennsylvania	206,418	15,642	208,571	224,213	231,793	2.95
Rhode Island	20,627	1,588	20,843	22,431	23,163	0.29
South Carolina	104,221	7,283	105,308	112,591	117,033	1.49
South Dakota	15,367	2,982	15,527	18,509	17,256	0.22
Tennessee	135,101	9,922	136,511	146,433	151,709	1.93
Texas	625,102	53,508	631,622	685,130	701,947	8.93
Utah	46,722	3,471	47,209	50,680	52,466	0.67
Vermont	14,446	1,419	14,597	16,016	16,222	0.21
Virginia	115,015	8,037	116,215	124,252	129,154	1.64
Washington	144,716	10,112	146,226	156,338	162,506	2.07
West Virginia	41,989	2,934	42,427	45,361	47,151	0.60
Wisconsin	90,466	6,723	91,411	98,134	101,587	1.29
Wyoming	9,432	659	9,531	10,190	10,592	0.13
American Samoa	8,199	573	8,284	8,857	9,207	0.12
Guam	10,109	706	10,215	10,921	11,352	0.14
Northern Mariana Islands	4,831	338	4,881	5,219	5,425	0.07
Puerto Rico	253,613	18,143	256,258	274,401	284,790	3.62
Freely Associated States	....	....	....	....	....	....
Virgin Islands	8,264	577	8,351	8,928	9,280	0.12
Indian Tribes	71,178	4,974	71,921	76,895	79,928	1.02
Undistributed	4,531	1,072	....	1,072	....	....
Total	**7,004,651**	**554,955**	**7,073,150**	**7,628,105**	**7,860,650**	[1] **100.00**

[1] Excludes undistributed obligations.

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Table 17–10. CHILD AND ADULT CARE FOOD PROGRAM (10.558)

(Obligations in thousands of dollars)

State or Territory	FY 2009 Actual	Estimated FY 2010 obligations from:			FY 2011 (estimated)	FY 2011 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	36,406	....	38,989	38,989	40,670	1.49
Alaska	7,886	....	8,445	8,445	8,810	0.32
Arizona	47,108	....	50,450	50,450	52,626	1.93
Arkansas	36,147	....	38,711	38,711	40,381	1.48
California	260,578	....	279,065	279,065	291,101	10.67
Colorado	21,503	....	23,029	23,029	24,022	0.88
Connecticut	12,917	....	13,833	13,833	14,430	0.53
Delaware	12,083	....	12,940	12,940	13,498	0.49
District of Columbia	4,394	....	4,706	4,706	4,909	0.18
Florida	141,560	....	151,603	151,603	158,142	5.80
Georgia	98,140	....	105,103	105,103	109,636	4.02
Hawaii	5,352	....	5,732	5,732	5,979	0.22
Idaho	6,211	....	6,652	6,652	6,939	0.25
Illinois	112,772	....	120,773	120,773	125,982	4.62
Indiana	39,889	....	42,719	42,719	44,561	1.63
Iowa	25,385	....	27,186	27,186	28,358	1.04
Kansas	32,394	....	34,692	34,692	36,188	1.33
Kentucky	27,063	....	28,983	28,983	30,233	1.11
Louisiana	61,322	....	65,672	65,672	68,505	2.51
Maine	9,777	....	10,471	10,471	10,922	0.40
Maryland	37,270	....	39,914	39,914	41,636	1.53
Massachusetts	51,613	....	55,275	55,275	57,659	2.11
Michigan	60,241	....	64,515	64,515	67,297	2.47
Minnesota	59,980	....	64,235	64,235	67,006	2.46
Mississippi	32,379	....	34,676	34,676	36,172	1.33
Missouri	42,175	....	45,167	45,167	47,115	1.73
Montana	9,954	....	10,660	10,660	11,120	0.41
Nebraska	27,585	....	29,542	29,542	30,816	1.13
Nevada	4,260	....	4,562	4,562	4,759	0.17
New Hampshire	3,607	....	3,863	3,863	4,030	0.15
New Jersey	59,937	....	64,189	64,189	66,958	2.45
New Mexico	34,803	....	37,272	37,272	38,880	1.42
New York	178,602	....	191,273	191,273	199,523	7.31
North Carolina	78,871	....	84,467	84,467	88,110	3.23
North Dakota	10,149	....	10,869	10,869	11,338	0.42
Ohio	80,672	....	86,395	86,395	90,122	3.30
Oklahoma	52,232	....	55,938	55,938	58,350	2.14
Oregon	28,052	....	30,042	30,042	31,338	1.15
Pennsylvania	75,796	....	81,173	81,173	84,674	3.10
Rhode Island	6,501	....	6,962	6,962	7,262	0.27
South Carolina	25,640	....	27,459	27,459	28,643	1.05
South Dakota	7,960	....	8,525	8,525	8,892	0.33
Tennessee	46,270	....	49,553	49,553	51,690	1.89
Texas	242,778	....	260,002	260,002	271,216	9.94
Utah	20,986	....	22,475	22,475	23,444	0.86
Vermont	4,428	....	4,742	4,742	4,947	0.18
Virginia	33,595	....	35,978	35,978	37,530	1.38
Washington	42,552	....	45,571	45,571	47,536	1.74
West Virginia	14,179	....	15,185	15,185	15,840	0.58
Wisconsin	39,299	....	42,087	42,087	43,902	1.61
Wyoming	4,859	....	5,204	5,204	5,428	0.20
American Samoa	....	....	....	....	....	....
Guam	327	....	350	350	365	0.01
Northern Mariana Islands	....	....	....	....	....	....
Puerto Rico	25,398	....	27,200	27,200	28,373	1.04
Freely Associated States	....	....	....	....	....	....
Virgin Islands	799	....	856	856	893	0.03
Indian Tribes	....	....	....	....	....	....
Undistributed	9,046	....	....	....	....	....
Total	**2,451,682**	**.........**	**2,615,930**	**2,615,930**	**2,728,756**	**[1] 100.00**

[1] Excludes undistributed obligations.

Department of Agriculture, Food and Nutrition Service **12-3505-0-1-605**

Table 17–11. STATE ADMINISTRATIVE MATCHING GRANTS FOR THE SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM (FOOD STAMPS) (10.561)

(Obligations in thousands of dollars)

State or Territory	FY 2009 Actual	Estimated FY 2010 obligations from:			FY 2011 (estimated)	FY 2011 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	38,126	....	46,027	46,027	40,551	1.20
Alaska	11,171	....	13,486	13,486	11,882	0.35
Arizona	51,573	....	62,261	62,261	54,853	1.62
Arkansas	29,171	....	35,216	35,216	31,026	0.92
California	514,451	....	621,062	621,062	547,170	16.17
Colorado	35,587	....	42,962	42,962	37,850	1.12
Connecticut	32,748	....	39,534	39,534	34,830	1.03
Delaware	15,778	....	19,048	19,048	16,782	0.50
District of Columbia	14,476	....	17,476	17,476	15,397	0.45
Florida	85,120	....	102,760	102,760	90,533	2.68
Georgia	64,819	....	78,251	78,251	68,941	2.04
Hawaii	15,278	....	18,444	18,444	16,250	0.48
Idaho	11,042	....	13,330	13,330	11,744	0.35
Illinois	121,486	....	146,662	146,662	129,212	3.82
Indiana	48,229	....	58,223	58,223	51,296	1.52
Iowa	23,698	....	28,609	28,609	25,205	0.74
Kansas	15,630	....	18,869	18,869	16,624	0.49
Kentucky	51,835	....	62,577	62,577	55,131	1.63
Louisiana	61,004	....	73,646	73,646	64,883	1.92
Maine	14,362	....	17,338	17,338	15,275	0.45
Maryland	47,578	....	57,438	57,438	50,604	1.50
Massachusetts	45,650	....	55,110	55,110	48,553	1.43
Michigan	138,610	....	167,335	167,335	147,426	4.36
Minnesota	56,593	....	68,322	68,322	60,193	1.78
Mississippi	30,095	....	36,332	36,332	32,009	0.95
Missouri	51,138	....	61,735	61,735	54,390	1.61
Montana	9,507	....	11,477	11,477	10,112	0.30
Nebraska	14,829	....	17,903	17,903	15,772	0.47
Nevada	15,643	....	18,885	18,885	16,638	0.49
New Hampshire	6,829	....	8,244	8,244	7,263	0.21
New Jersey	103,644	....	125,123	125,123	110,236	3.26
New Mexico	29,992	....	36,207	36,207	31,899	0.94
New York	347,207	....	419,160	419,160	369,289	10.91
North Carolina	78,374	....	94,616	94,616	83,358	2.46
North Dakota	7,209	....	8,703	8,703	7,668	0.23
Ohio	103,979	....	125,527	125,527	110,592	3.27
Oklahoma	44,467	....	53,682	53,682	47,295	1.40
Oregon	57,664	....	69,615	69,615	61,332	1.81
Pennsylvania	175,395	....	211,742	211,742	186,549	5.51
Rhode Island	7,545	....	9,108	9,108	8,024	0.24
South Carolina	19,265	....	23,258	23,258	20,491	0.61
South Dakota	9,239	....	11,153	11,153	9,826	0.29
Tennessee	57,649	....	69,596	69,596	61,315	1.81
Texas	210,115	....	253,658	253,658	223,479	6.60
Utah	25,426	....	30,695	30,695	27,043	0.80
Vermont	8,606	....	10,390	10,390	9,153	0.27
Virginia	94,437	....	114,007	114,007	100,443	2.97
Washington	58,844	....	71,038	71,038	62,586	1.85
West Virginia	17,465	....	21,084	21,084	18,575	0.55
Wisconsin	40,279	....	48,626	48,626	42,840	1.27
Wyoming	5,730	....	6,917	6,917	6,094	0.18
American Samoa	....	....	....	....	....	....
Guam	1,777	....	2,145	2,145	1,890	0.06
Northern Mariana Islands	....	....	....	....	....	....
Puerto Rico	....	....	....	....	....	....
Freely Associated States	....	....	....	....	....	....
Virgin Islands	5,291	....	6,388	6,388	5,628	0.17
Indian Tribes	....	....	....	....	....	....
Undistributed	(123,108)	....	....	....	....	....
Total	**3,058,547**	**.........**	**3,841,000**	**3,841,000**	**3,384,000**	**[1] 100.00**

[1] Excludes undistributed obligations.

Department of Education, Office of Elementary and Secondary Education **91-0900-0-1-501**

Table 17–12. TITLE I COLLEGE-AND-CAREER-READY STUDENTS (FORMERLY TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES) (84.010)

(Obligations in thousands of dollars)

State or Territory	FY 2009 Actual	Estimated FY 2010 obligations from:			FY 2011 (estimated)	FY 2011 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	401,185	....	220,808	220,808	219,120	1.51
Alaska	67,665	....	37,158	37,158	37,158	0.26
Arizona	485,628	....	304,253	304,253	304,645	2.10
Arkansas	274,766	....	156,784	156,784	155,511	1.07
California	2,776,474	....	1,729,889	1,729,889	1,746,453	12.06
Colorado	271,126	....	155,870	155,870	155,102	1.07
Connecticut	183,498	....	115,109	115,109	115,109	0.79
Delaware	73,465	....	41,360	41,360	41,360	0.29
District of Columbia	86,491	....	47,945	47,945	48,531	0.34
Florida	1,165,369	....	719,059	719,059	726,842	5.02
Georgia	847,487	....	513,644	513,644	516,951	3.57
Hawaii	76,402	....	42,668	42,668	42,565	0.29
Idaho	85,058	....	49,357	49,357	49,353	0.34
Illinois	1,055,367	....	612,892	612,892	601,330	4.15
Indiana	429,983	....	251,393	251,393	249,116	1.72
Iowa	129,574	....	77,486	77,486	77,975	0.54
Kansas	174,803	....	102,441	102,441	103,028	0.71
Kentucky	381,348	....	224,626	224,626	225,004	1.55
Louisiana	487,130	....	315,331	315,331	311,984	2.15
Maine	90,058	....	52,496	52,496	52,778	0.36
Maryland	327,769	....	183,501	183,501	182,206	1.26
Massachusetts	407,826	....	224,259	224,259	217,917	1.50
Michigan	944,863	....	535,183	535,183	529,852	3.66
Minnesota	234,945	....	130,768	130,768	129,591	0.89
Mississippi	331,434	....	202,194	202,194	202,045	1.40
Missouri	382,352	....	237,495	237,495	238,392	1.65
Montana	80,351	....	45,275	45,275	45,287	0.31
Nebraska	115,817	....	61,628	61,628	61,305	0.42
Nevada	162,679	....	89,819	89,819	90,833	0.63
New Hampshire	70,796	....	39,571	39,571	39,571	0.27
New Jersey	468,720	....	297,503	297,503	298,491	2.06
New Mexico	198,880	....	114,161	114,161	113,724	0.79
New York	2,152,358	....	1,243,277	1,243,277	1,241,272	8.57
North Carolina	628,563	....	377,945	377,945	380,718	2.63
North Dakota	63,079	....	35,569	35,569	35,569	0.25
Ohio	920,842	....	532,511	532,511	527,536	3.64
Oklahoma	270,827	....	161,657	161,657	162,824	1.12
Oregon	232,375	....	145,124	145,124	146,376	1.01
Pennsylvania	977,542	....	578,695	578,695	579,240	4.00
Rhode Island	88,073	....	50,525	50,525	49,973	0.35
South Carolina	353,426	....	215,800	215,800	217,501	1.50
South Dakota	78,397	....	43,747	43,747	43,747	0.30
Tennessee	469,805	....	272,025	272,025	272,604	1.88
Texas	2,315,446	....	1,337,221	1,337,221	1,337,454	9.23
Utah	118,674	....	68,415	68,415	68,952	0.48
Vermont	59,259	....	33,586	33,586	33,586	0.23
Virginia	413,278	....	249,339	249,339	251,275	1.73
Washington	334,540	....	191,482	191,482	191,592	1.32
West Virginia	154,679	....	91,546	91,546	91,263	0.63
Wisconsin	362,443	....	196,592	196,592	189,672	1.31
Wyoming	59,958	....	32,665	32,665	32,665	0.23
American Samoa	16,864	....	10,086	10,086	10,086	0.07
Guam	20,795	....	11,910	11,910	11,910	0.08
Northern Mariana Islands	6,125	....	3,664	3,664	3,664	0.03
Puerto Rico	920,644	....	553,870	553,870	560,569	3.87
Freely Associated States	....	....	....	....	....	....
Virgin Islands	22,660	....	13,553	13,553	13,553	0.09
Indian Tribes	173,440	....	100,671	100,671	100,671	0.70
Undistributed	9,000	....	9,000	9,000	9,000	....
Total	**24,492,401**	**.........**	**14,492,401**	**14,492,401**	**14,492,401**	**[1] 100.00**

Note: FY 2011 State estimates are preliminary pending reauthorization of the Elementary and Secondary Education Act and other factors.

[1] Excludes undistributed obligations.

Department of Education, Office of Elementary and Secondary Education **91-1000-0-1-501**

Table 17–13. IMPROVING TEACHER QUALITY STATE GRANTS (84.367)

(Obligations in thousands of dollars)

State or Territory	FY 2009 Actual	Estimated FY 2010 obligations from: Previous authority	New authority	Total	FY 2011 (estimated)	FY 2011 Percentage of distributed total
Alabama	47,444	....	46,531	46,531	....	....
Alaska	13,986	....	14,024	14,024	....	....
Arizona	49,362	....	50,189	50,189	....	....
Arkansas	29,165	....	28,986	28,986	....	....
California	327,107	....	331,147	331,147	....	....
Colorado	33,921	....	33,529	33,529	....	....
Connecticut	26,558	....	26,746	26,746	....	....
Delaware	13,986	....	14,024	14,024	....	....
District of Columbia	13,986	....	14,024	14,024	....	....
Florida	132,561	....	134,533	134,533	....	....
Georgia	80,809	....	81,286	81,286	....	....
Hawaii	13,986	....	14,024	14,024	....	....
Idaho	13,986	....	14,024	14,024	....	....
Illinois	118,574	....	118,521	118,521	....	....
Indiana	50,643	....	51,268	51,268	....	....
Iowa	22,459	....	22,564	22,564	....	....
Kansas	22,861	....	22,813	22,813	....	....
Kentucky	45,509	....	45,478	45,478	....	....
Louisiana	64,041	....	63,438	63,438	....	....
Maine	13,986	....	14,024	14,024	....	....
Maryland	41,151	....	40,874	40,874	....	....
Massachusetts	51,825	....	51,111	51,111	....	....
Michigan	112,425	....	112,441	112,441	....	....
Minnesota	38,884	....	38,577	38,577	....	....
Mississippi	42,810	....	43,030	43,030	....	....
Missouri	50,700	....	51,012	51,012	....	....
Montana	13,986	....	14,024	14,024	....	....
Nebraska	14,263	....	14,301	14,301	....	....
Nevada	15,836	....	15,772	15,772	....	....
New Hampshire	13,986	....	14,024	14,024	....	....
New Jersey	64,928	....	65,420	65,420	....	....
New Mexico	22,958	....	22,841	22,841	....	....
New York	227,449	....	227,670	227,670	....	....
North Carolina	67,951	....	68,478	68,478	....	....
North Dakota	13,986	....	14,024	14,024	....	....
Ohio	108,260	....	107,946	107,946	....	....
Oklahoma	34,252	....	34,344	34,344	....	....
Oregon	28,646	....	28,890	28,890	....	....
Pennsylvania	114,956	....	115,388	115,388	....	....
Rhode Island	13,986	....	14,024	14,024	....	....
South Carolina	37,806	....	38,087	38,087	....	....
South Dakota	13,986	....	14,024	14,024	....	....
Tennessee	52,244	....	52,054	52,054	....	....
Texas	248,187	....	248,010	248,010	....	....
Utah	19,513	....	19,511	19,511	....	....
Vermont	13,986	....	14,024	14,024	....	....
Virginia	52,705	....	52,927	52,927	....	....
Washington	48,044	....	47,725	47,725	....	....
West Virginia	23,377	....	23,379	23,379	....	....
Wisconsin	46,847	....	46,334	46,334	....	....
Wyoming	13,986	....	14,024	14,024	....	....
American Samoa	3,498	....	3,498	3,498	....	....
Guam	5,155	....	5,155	5,155	....	....
Northern Mariana Islands	1,646	....	1,646	1,646	....	....
Puerto Rico	92,331	....	93,226	93,226	....	....
Freely Associated States	....	....	....	....	....	....
Virgin Islands	4,365	....	4,365	4,365	....	....
Indian Tribes	14,665	....	14,665	14,665	....	....
Undistributed	27,239	....	19,739	19,739	....	....
Total	**2,947,749**	**.........**	**2,947,749**	**2,947,749**	**.........**	**...........**

Department of Education, Office of Elementary and Secondary Education **91-1909-0-1-501**

Table 17–14. EDUCATION STATE GRANTS, STATE FISCAL STABILIZATION FUND (84.394)

(Obligations in thousands of dollars)

State or Territory	FY 2009 Actual	Estimated FY 2010 obligations from: Previous authority	New authority	Total	FY 2011 (estimated)	FY 2011 Percentage of distributed total
Alabama	596,356	....	....	....	....	....
Alaska	93,043	....	....	....	....	....
Arizona	831,869	....	....	....	....	....
Arkansas	363,053	....	....	....	....	....
California	4,875,499	....	....	....	....	....
Colorado	621,878	....	....	....	....	....
Connecticut	443,252	....	....	....	....	....
Delaware	110,320	....	....	....	....	....
District of Columbia	73,110	....	....	....	....	....
Florida	2,208,839	....	....	....	....	....
Georgia	1,260,799	....	....	....	....	....
Hawaii	157,202	....	....	....	....	....
Idaho	201,700	....	....	....	....	....
Illinois	1,681,131	....	....	....	....	....
Indiana	823,661	....	....	....	....	....
Iowa	386,374	....	....	....	....	....
Kansas	367,423	....	....	....	....	....
Kentucky	532,798	....	....	....	....	....
Louisiana	579,592	....	....	....	....	....
Maine	158,250	....	....	....	....	....
Maryland	719,677	....	....	....	....	....
Massachusetts	813,303	....	....	....	....	....
Michigan	1,302,369	....	....	....	....	....
Minnesota	667,888	....	....	....	....	....
Mississippi	392,068	....	....	....	....	....
Missouri	753,172	....	....	....	....	....
Montana	121,628	....	....	....	....	....
Nebraska	233,956	....	....	....	....	....
Nevada	324,405	....	....	....	....	....
New Hampshire	164,244	....	....	....	....	....
New Jersey	1,088,336	....	....	....	....	....
New Mexico	260,436	....	....	....	....	....
New York	2,468,558	....	....	....	....	....
North Carolina	1,161,932	....	....	....	....	....
North Dakota	85,644	....	....	....	....	....
Ohio	1,463,710	....	....	....	....	....
Oklahoma	472,821	....	....	....	....	....
Oregon	466,462	....	....	....	....	....
Pennsylvania	1,558,798	....	....	....	....	....
Rhode Island	134,912	....	....	....	....	....
South Carolina	567,741	....	....	....	....	....
South Dakota	104,293	....	....	....	....	....
Tennessee	775,135	....	....	....	....	....
Texas	3,250,272	....	....	....	....	....
Utah	392,582	....	....	....	....	....
Vermont	77,150	....	....	....	....	....
Virginia	983,866	....	....	....	....	....
Washington	819,947	....	....	....	....	....
West Virginia	217,971	....	....	....	....	....
Wisconsin	717,337	....	....	....	....	....
Wyoming	67,620	....	....	....	....	....
American Samoa	36,498	....	....	....	....	....
Guam	88,330	....	....	....	....	....
Northern Mariana Islands	36,347	....	....	....	....	....
Puerto Rico	529,742	....	....	....	....	....
Freely Associated States	....	....	....	....	....	....
Virgin Islands	58,049	....	....	....	....	....
Indian Tribes	....	....	....	....	....	....
Undistributed	....	....	....	....	....	....
Total	**39,743,348**	**.........**	**.........**	**.........**	**.........**	**...........**

Department of Education, Office of Elementary and Secondary Education **91-1909-0-1-501**

Table 17–15. GOVERNMENT SERVICES, STATE FISCAL STABILIZATION FUND (84.397)

(Obligations in thousands of dollars)

State or Territory	FY 2009 Actual	Estimated FY 2010 obligations from: Previous authority	New authority	Total	FY 2011 (estimated)	FY 2011 Percentage of distributed total
Alabama	132,686	....	....	....	....	....
Alaska	20,702	....	....	....	....	....
Arizona	185,086	....	....	....	....	....
Arkansas	80,777	....	....	....	....	....
California	1,084,768	....	....	....	....	....
Colorado	138,364	....	....	....	....	....
Connecticut	98,621	....	....	....	....	....
Delaware	24,546	....	....	....	....	....
District of Columbia	16,267	....	....	....	....	....
Florida	491,453	....	....	....	....	....
Georgia	280,520	....	....	....	....	....
Hawaii	34,976	....	....	....	....	....
Idaho	44,877	....	....	....	....	....
Illinois	374,041	....	....	....	....	....
Indiana	183,260	....	....	....	....	....
Iowa	85,966	....	....	....	....	....
Kansas	81,749	....	....	....	....	....
Kentucky	118,544	....	....	....	....	....
Louisiana	128,956	....	....	....	....	....
Maine	35,210	....	....	....	....	....
Maryland	160,124	....	....	....	....	....
Massachusetts	180,955	....	....	....	....	....
Michigan	289,769	....	....	....	....	....
Minnesota	148,601	....	....	....	....	....
Mississippi	87,233	....	....	....	....	....
Missouri	167,576	....	....	....	....	....
Montana	27,062	....	....	....	....	....
Nebraska	52,054	....	....	....	....	....
Nevada	72,178	....	....	....	....	....
New Hampshire	36,543	....	....	....	....	....
New Jersey	242,148	....	....	....	....	....
New Mexico	57,945	....	....	....	....	....
New York	549,239	....	....	....	....	....
North Carolina	258,523	....	....	....	....	....
North Dakota	19,055	....	....	....	....	....
Ohio	325,666	....	....	....	....	....
Oklahoma	105,200	....	....	....	....	....
Oregon	103,785	....	....	....	....	....
Pennsylvania	346,823	....	....	....	....	....
Rhode Island	30,017	....	....	....	....	....
South Carolina	126,319	....	....	....	....	....
South Dakota	23,204	....	....	....	....	....
Tennessee	172,463	....	....	....	....	....
Texas	723,166	....	....	....	....	....
Utah	87,347	....	....	....	....	....
Vermont	17,165	....	....	....	....	....
Virginia	218,904	....	....	....	....	....
Washington	182,433	....	....	....	....	....
West Virginia	48,497	....	....	....	....	....
Wisconsin	159,603	....	....	....	....	....
Wyoming	15,045	....	....	....	....	....
American Samoa	8,121	....	....	....	....	....
Guam	19,653	....	....	....	....	....
Northern Mariana Islands	8,087	....	....	....	....	....
Puerto Rico	117,864	....	....	....	....	....
Freely Associated States	....	....	....	....	....	....
Virgin Islands	12,916	....	....	....	....	....
Indian Tribes	....	....	....	....	....	....
Undistributed	....	....	....	....	....	....
Total	**8,842,652**	**.........**	**.........**	**.........**	**.........**	**...........**

Department of Education, Office of Elementary and Secondary Education **91-0204-0-1-501**

Table 17–16. EFFECTIVE TEACHERS AND LEADERS STATE GRANTS [1]

(Obligations in thousands of dollars)

State or Territory	FY 2009 Actual	Estimated FY 2010 obligations from: Previous authority	New authority	Total	FY 2011 (estimated)	FY 2011 Percentage of distributed total
Alabama	....	....	....	....	31,201	1.58
Alaska	....	....	....	....	9,404	0.48
Arizona	....	....	....	....	33,654	1.71
Arkansas	....	....	....	....	19,437	0.99
California	....	....	....	....	222,051	11.28
Colorado	....	....	....	....	22,483	1.14
Connecticut	....	....	....	....	17,934	0.91
Delaware	....	....	....	....	9,404	0.48
District of Columbia	....	....	....	....	9,404	0.48
Florida	....	....	....	....	90,211	4.58
Georgia	....	....	....	....	54,506	2.77
Hawaii	....	....	....	....	9,404	0.48
Idaho	....	....	....	....	9,404	0.48
Illinois	....	....	....	....	79,474	4.04
Indiana	....	....	....	....	34,378	1.75
Iowa	....	....	....	....	15,130	0.77
Kansas	....	....	....	....	15,297	0.78
Kentucky	....	....	....	....	30,495	1.55
Louisiana	....	....	....	....	42,538	2.16
Maine	....	....	....	....	9,404	0.48
Maryland	....	....	....	....	27,408	1.39
Massachusetts	....	....	....	....	34,273	1.74
Michigan	....	....	....	....	75,397	3.83
Minnesota	....	....	....	....	25,868	1.31
Mississippi	....	....	....	....	28,854	1.47
Missouri	....	....	....	....	34,206	1.74
Montana	....	....	....	....	9,404	0.48
Nebraska	....	....	....	....	9,589	0.49
Nevada	....	....	....	....	10,576	0.54
New Hampshire	....	....	....	....	9,404	0.48
New Jersey	....	....	....	....	43,867	2.23
New Mexico	....	....	....	....	15,316	0.78
New York	....	....	....	....	152,664	7.75
North Carolina	....	....	....	....	45,918	2.33
North Dakota	....	....	....	....	9,404	0.48
Ohio	....	....	....	....	72,383	3.68
Oklahoma	....	....	....	....	23,029	1.17
Oregon	....	....	....	....	19,372	0.98
Pennsylvania	....	....	....	....	77,374	3.93
Rhode Island	....	....	....	....	9,404	0.48
South Carolina	....	....	....	....	25,539	1.30
South Dakota	....	....	....	....	9,404	0.48
Tennessee	....	....	....	....	34,904	1.77
Texas	....	....	....	....	166,303	8.45
Utah	....	....	....	....	13,083	0.66
Vermont	....	....	....	....	9,404	0.48
Virginia	....	....	....	....	35,490	1.80
Washington	....	....	....	....	32,002	1.63
West Virginia	....	....	....	....	15,677	0.80
Wisconsin	....	....	....	....	31,069	1.58
Wyoming	....	....	....	....	9,404	0.48
American Samoa	....	....	....	....	2,981	0.15
Guam	....	....	....	....	4,394	0.22
Northern Mariana Islands	....	....	....	....	1,403	0.07
Puerto Rico	....	....	....	....	62,513	3.18
Freely Associated States	....	....	....	....	....	....
Virgin Islands	....	....	....	....	3,721	0.19
Indian Tribes	....	....	....	....	12,500	0.63
Undistributed	....	....	....	....	531,290	....
Total	**.........**	**.........**	**.........**	**.........**	**2,500,000**	**[2] 100.00**

Note: FY 2011 State estimates are preliminary pending reauthorization of the Elementary and Secondary Education Act and other factors.

[1] A CFDA number will be assigned once funding is appropriated for this program.

[2] Excludes undistributed obligations.

Department of Education, Office of Special Education and Rehabilitative Services **91-0301-0-1-506**

Table 17–17. VOCATIONAL REHABILITATION STATE GRANTS (84.126)

(Obligations in thousands of dollars)

State or Territory	FY 2009 Actual	Estimated FY 2010 obligations from:			FY 2011 (estimated)	FY 2011 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	70,841	....	59,746	59,746	60,544	1.93
Alaska	11,995	....	10,157	10,157	10,700	0.34
Arizona	74,419	....	64,466	64,466	65,781	2.09
Arkansas	46,122	....	38,238	38,238	38,937	1.24
California	341,271	....	290,144	290,144	294,746	9.38
Colorado	45,070	....	39,952	39,952	40,949	1.30
Connecticut	26,673	....	20,997	20,997	21,497	0.68
Delaware	12,883	....	10,157	10,157	10,700	0.34
District of Columbia	14,868	....	13,346	13,346	13,917	0.44
Florida	191,023	....	160,654	160,654	163,736	5.21
Georgia	95,176	....	103,511	103,511	105,503	3.36
Hawaii	15,131	....	11,440	11,440	11,940	0.38
Idaho	19,337	....	17,309	17,309	17,941	0.57
Illinois	133,528	....	112,944	112,944	114,121	3.63
Indiana	81,120	....	74,044	74,044	74,884	2.38
Iowa	37,790	....	33,873	33,873	34,269	1.09
Kansas	32,904	....	29,188	29,188	29,670	0.94
Kentucky	62,787	....	56,101	56,101	56,854	1.81
Louisiana	42,981	....	57,200	57,200	58,250	1.85
Maine	18,390	....	16,130	16,130	16,598	0.53
Maryland	52,491	....	40,352	40,352	41,300	1.31
Massachusetts	60,251	....	48,075	48,075	49,366	1.57
Michigan	118,078	....	109,195	109,195	109,663	3.49
Minnesota	52,482	....	47,219	47,219	48,034	1.53
Mississippi	50,684	....	43,514	43,514	43,998	1.40
Missouri	76,159	....	67,939	67,939	69,019	2.20
Montana	13,809	....	11,446	11,446	11,966	0.38
Nebraska	22,201	....	19,068	19,068	19,613	0.62
Nevada	14,454	....	19,239	19,239	19,898	0.63
New Hampshire	14,082	....	11,650	11,650	12,162	0.39
New Jersey	68,523	....	57,891	57,891	58,930	1.88
New Mexico	28,421	....	24,465	24,465	25,090	0.80
New York	181,734	....	149,195	149,195	151,430	4.82
North Carolina	115,179	....	102,916	102,916	105,047	3.34
North Dakota	11,595	....	10,157	10,157	10,700	0.34
Ohio	143,034	....	131,466	131,466	132,808	4.23
Oklahoma	49,682	....	42,130	42,130	42,803	1.36
Oregon	51,047	....	39,072	39,072	39,666	1.26
Pennsylvania	145,176	....	128,886	128,886	131,163	4.18
Rhode Island	12,439	....	10,508	10,508	10,990	0.35
South Carolina	63,640	....	55,608	55,608	56,798	1.81
South Dakota	11,820	....	10,157	10,157	10,700	0.34
Tennessee	80,521	....	72,509	72,509	73,707	2.35
Texas	272,299	....	232,505	232,505	238,060	7.58
Utah	37,796	....	31,673	31,673	32,452	1.03
Vermont	12,145	....	10,157	10,157	10,700	0.34
Virginia	78,865	....	66,147	66,147	67,644	2.15
Washington	63,615	....	54,434	54,434	55,794	1.78
West Virginia	30,225	....	26,579	26,579	27,042	0.86
Wisconsin	67,090	....	60,807	60,807	61,454	1.96
Wyoming	10,632	....	10,157	10,157	10,700	0.34
American Samoa	739	205	1,082	1,287	1,150	0.04
Guam	2,993	554	3,118	3,672	3,172	0.10
Northern Mariana Islands	1,497	....	878	878	947	0.03
Puerto Rico	85,723	....	75,355	75,355	75,864	2.41
Freely Associated States	....	....	....	....	....	....
Virgin Islands	1,982	351	2,101	2,452	2,163	0.07
Indian Tribes	36,113	....	37,449	37,449	38,000	1.21
Undistributed	....	....	....	....	....	....
Total	**3,513,525**	**1,110**	**3,084,696**	**3,085,806**	**3,141,530**	[1] **100.00**

Note: FY 2011 State estimates are preliminary pending reauthorization of the Workforce Investment Act and other factors. Under its reauthorization proposal to consolidate a number of smaller programs into the VR State Grants program, the Administration intends for every State to receive at least the amount the State received in FY 2010 under the formula grant programs being consolidated.

[1] Excludes undistributed obligations.

Department of Education, Office of Special Education and Rehabilitative Services **91-0300-0-1-501**

Table 17–18. IDEA PART B: GRANTS TO STATES & GRANTS TO STATES RECOVERY ACT (84.027)

(Obligations in thousands of dollars)

State or Territory	FY 2009 Actual	Estimated FY 2010 obligations from:			FY 2011 (estimated)	FY 2011 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	362,616	....	180,595	180,595	184,127	1.57
Alaska	69,185	....	36,195	36,195	37,062	0.32
Arizona	362,787	....	184,139	184,139	190,902	1.63
Arkansas	223,669	....	111,392	111,392	113,571	0.97
California	2,446,375	....	1,218,328	1,218,328	1,242,154	10.59
Colorado	302,323	....	153,451	153,451	159,087	1.36
Connecticut	265,129	....	132,047	132,047	134,629	1.15
Delaware	66,470	....	33,738	33,738	34,977	0.30
District of Columbia	33,421	....	16,964	16,964	17,587	0.15
Florida	1,255,606	....	627,798	627,798	640,075	5.46
Georgia	637,774	....	323,713	323,713	335,603	2.86
Hawaii	79,606	....	39,645	39,645	40,420	0.34
Idaho	108,236	....	54,938	54,938	56,163	0.48
Illinois	1,009,858	....	502,946	502,946	512,782	4.37
Indiana	509,937	....	256,185	256,185	261,195	2.23
Iowa	243,443	....	121,246	121,246	123,617	1.05
Kansas	213,089	....	106,125	106,125	108,201	0.92
Kentucky	314,747	....	157,043	157,043	160,114	1.36
Louisiana	376,910	....	187,989	187,989	191,666	1.63
Maine	107,553	....	54,344	54,344	55,406	0.47
Maryland	399,257	....	198,845	198,845	202,734	1.73
Massachusetts	562,708	....	281,921	281,921	287,434	2.45
Michigan	798,763	....	397,799	397,799	405,578	3.46
Minnesota	378,516	....	188,515	188,515	192,202	1.64
Mississippi	237,301	....	119,357	119,357	121,692	1.04
Missouri	452,959	....	225,596	225,596	230,007	1.96
Montana	73,687	....	36,946	36,946	37,813	0.32
Nebraska	148,897	....	74,158	74,158	75,608	0.64
Nevada	136,433	....	69,249	69,249	71,792	0.61
New Hampshire	94,632	....	47,131	47,131	48,053	0.41
New Jersey	719,970	....	358,979	358,979	365,999	3.12
New Mexico	181,737	....	90,513	90,513	92,283	0.79
New York	1,513,738	....	753,907	753,907	768,650	6.55
North Carolina	639,099	....	324,394	324,394	333,839	2.85
North Dakota	53,973	....	27,395	27,395	28,401	0.24
Ohio	872,792	....	434,670	434,670	443,170	3.78
Oklahoma	294,944	....	146,891	146,891	149,764	1.28
Oregon	257,169	....	128,078	128,078	130,583	1.11
Pennsylvania	851,741	....	424,187	424,187	432,483	3.69
Rhode Island	87,201	....	43,430	43,430	44,280	0.38
South Carolina	349,270	....	175,880	175,880	179,319	1.53
South Dakota	64,296	....	32,634	32,634	33,833	0.29
Tennessee	465,036	....	235,217	235,217	239,817	2.04
Texas	1,922,188	....	975,656	975,656	998,071	8.51
Utah	214,532	....	108,892	108,892	112,891	0.96
Vermont	52,040	....	26,414	26,414	27,384	0.23
Virginia	561,639	....	279,981	279,981	285,456	2.43
Washington	441,359	....	219,805	219,805	224,103	1.91
West Virginia	151,439	....	75,424	75,424	76,899	0.66
Wisconsin	415,125	....	206,748	206,748	210,791	1.80
Wyoming	53,523	....	27,711	27,711	28,729	0.24
American Samoa	6,527	....	6,297	6,297	6,398	0.05
Guam	14,473	....	13,962	13,962	14,185	0.12
Northern Mariana Islands	4,960	....	4,785	4,785	4,862	0.04
Puerto Rico	221,764	....	112,560	112,560	116,694	0.99
Freely Associated States	9,199	....	8,874	8,874	9,016	0.08
Virgin Islands	6,579	....	6,579	6,579	6,579	0.06
Indian Tribes	92,011	....	92,012	92,012	93,481	0.80
Undistributed	15,000	....	24,998	24,998	25,000	....
Total	**22,805,211**	**.........**	**11,505,211**	**11,505,211**	**11,755,211**	**[1] 100.00**

[1] Excludes undistributed obligations.

Department of Energy, Energy Programs **89-0321-0-1-272**

Table 17–19. STATE ENERGY PROGRAM (81.041)

(Obligations in thousands of dollars)

State or Territory	FY 2009 Actual	Estimated FY 2010 obligations from: Previous authority	New authority	Total	FY 2011 (estimated)	FY 2011 Percentage of distributed total
Alabama	55,943	....	372	372	597	0.80
Alaska	28,408	....	175	175	292	0.39
Arizona	55,784	....	335	335	558	0.74
Arkansas	39,717	....	301	301	460	0.61
California	227,662	....	1,564	1,564	2,480	3.31
Colorado	49,613	....	391	391	591	0.79
Connecticut	38,931	....	391	391	549	0.73
Delaware	24,392	....	160	160	259	0.35
District of Columbia	22,177	....	154	154	245	0.33
Florida	126,904	....	811	811	1,321	1.76
Georgia	83,018	....	521	521	856	1.14
Hawaii	26,097	....	166	166	271	0.36
Idaho	28,758	....	185	185	301	0.40
Illinois	102,448	....	1,133	1,133	1,552	2.07
Indiana	69,240	....	620	620	900	1.20
Iowa	40,912	....	366	366	532	0.71
Kansas	38,605	....	321	321	476	0.63
Kentucky	52,936	....	402	402	616	0.82
Louisiana	72,131	....	435	435	717	0.96
Maine	27,531	....	227	227	339	0.45
Maryland	52,248	....	477	477	692	0.92
Massachusetts	55,516	....	608	608	834	1.11
Michigan	82,989	....	959	959	1,299	1.73
Minnesota	54,745	....	575	575	796	1.06
Mississippi	40,692	....	272	272	435	0.58
Missouri	57,901	....	509	509	742	0.99
Montana	26,033	....	178	178	283	0.38
Nebraska	31,151	....	241	241	366	0.49
Nevada	34,906	....	190	190	330	0.44
New Hampshire	26,039	....	212	212	318	0.42
New Jersey	74,411	....	771	771	1,075	1.43
New Mexico	32,036	....	214	214	343	0.46
New York	124,711	....	1,613	1,613	2,122	2.83
North Carolina	76,542	....	552	552	863	1.15
North Dakota	24,754	....	168	168	268	0.36
Ohio	97,135	....	1,057	1,057	1,455	1.94
Oklahoma	47,049	....	344	344	532	0.71
Oregon	42,501	....	318	318	489	0.65
Pennsylvania	100,753	....	1,074	1,074	1,483	1.98
Rhode Island	24,155	....	195	195	293	0.39
South Carolina	50,883	....	332	332	537	0.72
South Dakota	23,874	....	164	164	261	0.35
Tennessee	62,949	....	466	466	721	0.96
Texas	220,078	....	1,287	1,287	2,166	2.89
Utah	35,599	....	236	236	379	0.51
Vermont	22,168	....	168	168	258	0.34
Virginia	70,561	....	560	560	846	1.13
Washington	61,373	....	428	428	676	0.90
West Virginia	33,026	....	281	281	412	0.55
Wisconsin	56,080	....	595	595	822	1.10
Wyoming	25,093	....	151	151	252	0.34
American Samoa	18,663	....	112	112	188	0.25
Guam	19,216	....	117	117	195	0.26
Northern Mariana Islands	18,763	....	111	111	187	0.25
Puerto Rico	37,402	....	316	316	467	0.62
Freely Associated States	....	....	....	....	....	....
Virgin Islands	20,798	....	119	119	203	0.27
Indian Tribes	10,024	....	....	....	....	....
Undistributed	....	....	....	....	....	....
Washington HQ	22,350	....	22,574	22,574	33,875	45.17
NREL TA	2,000	....	1,500	1,500	1,925	2.57
ORNL TA	8,000	....	426	426	975	1.30
LBNL TA	400	....	500	500	725	0.97
Total	**3,136,774**	**.........**	**50,000**	**50,000**	**75,000**	**[1] 100.00**

[1] Excludes undistributed obligations.

Department of Energy, Energy Programs **89-0321-0-1-272**

Table 17–20. WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS (81.042)

(Obligations in thousands of dollars)

State or Territory	FY 2009 Actual	Estimated FY 2010 obligations from: Previous authority	New authority	Total	FY 2011 (estimated)	FY 2011 Percentage of distributed total
Alabama	77,260	....	1,882	1,882	2,968	0.99
Alaska	20,697	....	1,330	1,330	1,943	0.65
Arizona	61,102	....	1,058	1,058	1,866	0.62
Arkansas	52,146	....	1,622	1,622	2,309	0.77
California	199,972	....	4,918	4,918	7,609	2.54
Colorado	88,653	....	4,308	4,308	6,349	2.12
Connecticut	69,626	....	1,972	1,972	3,070	1.02
Delaware	14,917	....	460	460	698	0.23
District of Columbia	9,088	....	519	519	727	0.24
Florida	185,869	....	1,484	1,484	3,397	1.13
Georgia	133,051	....	2,282	2,282	3,719	1.24
Hawaii	4,435	....	169	169	265	0.09
Idaho	33,708	....	1,558	1,558	2,304	0.77
Illinois	266,597	....	10,845	10,845	15,544	5.18
Indiana	144,189	....	5,138	5,138	7,563	2.52
Iowa	89,413	....	3,919	3,919	5,626	1.88
Kansas	61,444	....	1,988	1,988	2,899	0.97
Kentucky	78,555	....	3,548	3,548	5,254	1.75
Louisiana	54,280	....	1,341	1,341	1,840	0.61
Maine	46,860	....	2,416	2,416	3,517	1.17
Maryland	66,722	....	2,083	2,083	3,159	1.05
Massachusetts	133,872	....	5,138	5,138	7,482	2.49
Michigan	269,349	....	11,911	11,911	17,180	5.73
Minnesota	147,910	....	7,740	7,740	11,205	3.74
Mississippi	53,165	....	1,291	1,291	1,992	0.66
Missouri	139,714	....	4,704	4,704	6,788	2.26
Montana	30,304	....	1,987	1,987	2,865	0.96
Nebraska	46,016	....	1,964	1,964	2,846	0.95
Nevada	39,830	....	663	663	1,219	0.41
New Hampshire	25,753	....	1,193	1,193	1,731	0.58
New Jersey	128,946	....	3,999	3,999	6,091	2.03
New Mexico	30,080	....	1,506	1,506	2,190	0.73
New York	431,341	....	15,787	15,787	23,214	7.74
North Carolina	141,722	....	3,250	3,250	4,996	1.67
North Dakota	28,945	....	1,969	1,969	2,794	0.93
Ohio	291,955	....	10,762	10,762	15,551	5.18
Oklahoma	66,053	....	2,029	2,029	2,985	1.00
Oregon	43,075	....	2,223	2,223	3,283	1.09
Pennsylvania	278,194	....	11,520	11,520	16,799	5.60
Rhode Island	22,097	....	916	916	1,313	0.44
South Carolina	63,135	....	1,389	1,389	2,100	0.70
South Dakota	27,507	....	1,513	1,513	2,139	0.71
Tennessee	107,683	....	3,278	3,278	5,117	1.71
Texas	346,770	....	4,294	4,294	7,788	2.60
Utah	41,715	....	1,639	1,639	2,472	0.82
Vermont	18,864	....	1,012	1,012	1,448	0.48
Virginia	102,160	....	3,148	3,148	4,663	1.55
Washington	66,789	....	3,571	3,571	5,275	1.76
West Virginia	42,402	....	2,526	2,526	3,516	1.17
Wisconsin	156,468	....	6,727	6,727	9,909	3.30
Wyoming	11,935	....	932	932	1,322	0.44
American Samoa	917	....	155	155	201	0.07
Guam	1,318	....	159	159	205	0.07
Northern Mariana Islands	992	....	156	156	202	0.07
Puerto Rico	49,772	....	647	647	784	0.26
Freely Associated States	....	....	....	....	....	....
Virgin Islands	1,615	....	162	162	209	0.07
Indian Tribes	10,024	....	....	....	....	....
Undistributed	....	....	....	....	....	....
HQ Other Grants #3DC	9,000	....	30,000	30,000	30,000	10.00
Washington HQ T and TA	14,578	....	2,700	2,700	6,500	2.17
NREL T and TA	3,231	....	....	....	500	0.17
ORNL T and TA	14,102	....	600	600	500	0.17
Total	**5,197,882**	**........**	**210,000**	**210,000**	**300,000**	**[1] 100.00**

[1] Excludes undistributed obligations.

Department of Energy, Energy Programs **89-0321-0-1-272**

Table 17–21. ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANT (81.043)

(Obligations in thousands of dollars)

State or Territory	FY 2009 Actual	Estimated FY 2010 obligations from:			FY 2011 (estimated)	FY 2011 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	26,900	4,678	....	4,678	....	....
Alaska	5,860	8,110	....	8,110	....	....
Arizona	40,007	23,811	....	23,811	....	....
Arkansas	13,610	6,508	....	6,508	....	....
California	160,209	191,450	....	191,450	....	....
Colorado	31,649	....	....	....	....	....
Connecticut	19,247	5,276	....	5,276	....	....
Delaware	10,832	5,087	....	5,087	....	....
District of Columbia	....	9,594	....	9,594	....	....
Florida	68,980	99,664	....	99,664	....	....
Georgia	52,056	15,132	....	15,132	....	....
Hawaii	10,599	4,469	....	4,469	....	....
Idaho	12,936	4,021	....	4,021	....	....
Illinois	72,395	39,781	....	39,781	....	....
Indiana	31,697	10,683	....	10,683	....	....
Iowa	11,403	9,700	....	9,700	....	....
Kansas	7,213	16,433	....	16,433	....	....
Kentucky	20,108	5,275	....	5,275	....	....
Louisiana	22,549	11,074	....	11,074	....	....
Maine	975	10,306	....	10,306	....	....
Maryland	18,946	33,349	....	33,349	....	....
Massachusetts	27,773	14,458	....	14,458	....	....
Michigan	38,261	38,340	....	38,340	....	....
Minnesota	29,385	7,975	....	7,975	....	....
Mississippi	12,473	4,502	....	4,502	....	....
Missouri	24,757	19,023	....	19,023	....	....
Montana	10,927	3,044	....	3,044	....	....
Nebraska	11,353	7,457	....	7,457	....	....
Nevada	13,310	18,673	....	18,673	....	....
New Hampshire	10,178	2,345	....	2,345	....	....
New Jersey	31,783	43,596	....	43,596	....	....
New Mexico	4,044	16,564	....	16,564	....	....
New York	128,914	46,209	....	46,209	....	....
North Carolina	34,620	23,431	....	23,431	....	....
North Dakota	11,080	1,731	....	1,731	....	....
Ohio	40,472	43,711	....	43,711	....	....
Oklahoma	16,553	10,620	....	10,620	....	....
Oregon	16,456	17,046	....	17,046	....	....
Pennsylvania	54,093	48,416	....	48,416	....	....
Rhode Island	11,315	3,206	....	3,206	....	....
South Carolina	22,498	8,951	....	8,951	....	....
South Dakota	11,241	1,927	....	1,927	....	....
Tennessee	31,437	10,807	....	10,807	....	....
Texas	126,164	82,596	....	82,596	....	....
Utah	5,122	22,655	....	22,655	....	....
Vermont	10,323	....	....	....	....	....
Virginia	27,561	33,159	....	33,159	....	....
Washington	27,875	28,225	....	28,225	....	....
West Virginia	3,605	10,399	....	10,399	....	....
Wisconsin	16,926	20,231	....	20,231	....	....
Wyoming	10,694	1,326	....	1,326	....	....
American Samoa	....	....	....	....	....	....
Guam	492	9,102	....	9,102	....	....
Northern Mariana Islands	....	9,594	....	9,594	....	....
Puerto Rico	15,153	18,824	....	18,824	....	....
Freely Associated States	....	....	....	....	....	....
Virgin Islands	9,594	....	....	....	....	....
Indian Tribes	21,092	46,732	....	46,732	....	....
Undistributed	....	....	....	....	....	....
Total	**1,505,695**	**1,189,276**	**.........**	**1,189,276**	**.........**	**...........**

Department of Health and Human Services, Centers for Medicare and Medicaid Services **75-2010-0515**

Table 17–22. CHILDREN'S HEALTH INSURANCE PROGRAM (93.767)

(Obligations in thousands of dollars)

State or Territory	FY 2009 Actual	Estimated FY 2010 obligations from: Previous authority	New authority	Total	FY 2011 (estimated)	FY 2011 Percentage of distributed total
Alabama	140,301	....	147,158	147,158	147,158	1.44
Alaska	24,565	....	25,717	25,717	25,717	0.25
Arizona	171,133	....	182,592	182,592	182,592	1.78
Arkansas	133,753	....	140,776	140,776	140,776	1.37
California	1,522,910	....	1,629,092	1,629,092	1,629,092	15.90
Colorado	100,696	....	107,060	107,060	107,060	1.04
Connecticut	45,645	....	47,785	47,785	47,785	0.47
Delaware	15,096	....	15,889	15,889	15,889	0.16
District of Columbia	14,180	....	14,845	14,845	14,845	0.14
Florida	356,095	....	372,791	372,791	372,791	3.64
Georgia	302,055	....	320,022	320,022	320,022	3.12
Hawaii	20,889	....	21,928	21,928	21,928	0.21
Idaho	44,515	....	47,219	47,219	47,219	0.46
Illinois	344,562	....	360,717	360,717	360,717	3.52
Indiana	137,585	....	144,186	144,186	144,186	1.41
Iowa	65,255	....	68,492	68,492	68,492	0.67
Kansas	57,164	....	60,287	60,287	60,287	0.59
Kentucky	126,014	....	132,153	132,153	132,153	1.29
Louisiana	207,403	....	229,089	229,089	229,089	2.24
Maine	39,272	....	42,268	42,268	42,268	0.41
Maryland	194,774	....	216,082	216,082	216,082	2.11
Massachusetts	310,476	....	403,133	403,133	403,133	3.93
Michigan	221,124	....	231,492	231,492	231,492	2.26
Minnesota	83,960	....	87,897	87,897	87,897	0.86
Mississippi	192,939	....	214,132	214,132	214,132	2.09
Missouri	158,829	....	166,276	166,276	166,276	1.62
Montana	32,989	....	34,691	34,691	34,691	0.34
Nebraska	41,955	....	44,180	44,180	44,180	0.43
Nevada	61,397	....	65,135	65,135	65,135	0.64
New Hampshire	14,845	....	15,540	15,540	15,540	0.15
New Jersey	484,402	....	634,745	634,745	634,745	6.20
New Mexico	277,128	....	345,313	345,313	345,313	3.37
New York	433,473	....	453,796	453,796	453,796	4.43
North Carolina	241,660	....	257,369	257,369	257,369	2.51
North Dakota	15,822	....	16,596	16,596	16,596	0.16
Ohio	285,275	....	298,560	298,560	298,560	2.91
Oklahoma	151,400	....	159,709	159,709	159,709	1.56
Oregon	100,198	....	105,695	105,695	105,695	1.03
Pennsylvania	310,309	....	324,858	324,858	324,858	3.17
Rhode Island	66,993	....	75,436	75,436	75,436	0.74
South Carolina	106,863	....	112,887	112,887	112,887	1.10
South Dakota	20,656	....	21,764	21,764	21,764	0.21
Tennessee	156,629	....	164,728	164,728	164,728	1.61
Texas	867,350	....	925,033	925,033	925,033	9.03
Utah	65,264	....	69,926	69,926	69,926	0.68
Vermont	9,490	....	9,935	9,935	9,935	0.10
Virginia	175,860	....	184,455	184,455	184,455	1.80
Washington	94,285	....	99,438	99,438	99,438	0.97
West Virginia	43,263	....	45,292	45,292	45,292	0.44
Wisconsin	204,276	....	213,853	213,853	213,853	2.09
Wyoming	11,327	....	12,063	12,063	12,063	0.12
American Samoa	1,332	....	892	892	892	0.01
Guam	5,177	....	3,963	3,963	3,963	0.04
Northern Mariana Islands	1,221	....	818	818	818	0.01
Puerto Rico	148,643	....	117,254	117,254	117,254	1.14
Freely Associated States	....	....	....	....	....	....
Virgin Islands	3,329	....	2,396	2,396	2,396	0.02
Indian Tribes	....	....	....	....	....	....
Undistributed	....	....	2,274,516	2,274,516	3,213,516	....
Total	**9,464,001**	**.........**	**12,519,914**	**12,519,914**	**13,458,914**	**[1] 100.00**

Note: FY 2011 estimates will be determined by increasing the FY 2010 Federal payments made to states by growth factors in the Children's Health Insurance Program Reauthorization Act of 2009 (P.L. 111–3)

[1] Excludes undistributed obligations.

Department of Health and Human Services, Centers for Medicare and Medicaid Services **75-0512-0-1-551**

Table 17–23. GRANTS TO STATES FOR MEDICAID (93.778)

(Obligations in thousands of dollars)

State or Territory	FY 2009 Actual	Estimated FY 2010 obligations from: Previous authority	New authority	Total	FY 2011 (estimated)	FY 2011 Percentage of distributed total
Alabama	3,889,001	....	3,649,485	3,649,485	3,618,184	1.38
Alaska	780,279	....	877,155	877,155	850,791	0.32
Arizona	6,897,889	....	7,768,000	7,768,000	7,646,295	2.91
Arkansas	2,990,996	....	3,161,639	3,161,639	3,145,104	1.20
California	29,581,974	....	31,658,614	31,658,614	27,755,624	10.56
Colorado	2,240,392	....	2,358,577	2,358,577	2,356,903	0.90
Connecticut	3,431,016	....	3,269,629	3,269,629	2,794,915	1.06
Delaware	775,558	....	801,985	801,985	738,040	0.28
District of Columbia	1,445,138	....	1,529,042	1,529,042	1,479,942	0.56
Florida	11,113,001	....	11,836,469	11,836,469	10,564,207	4.02
Georgia	6,019,317	....	6,014,925	6,014,925	5,636,219	2.14
Hawaii	1,048,817	....	926,831	926,831	764,028	0.29
Idaho	1,132,993	....	1,173,327	1,173,327	1,157,834	0.44
Illinois	8,570,759	....	9,147,874	9,147,874	7,510,926	2.86
Indiana	5,274,065	....	5,360,517	5,360,517	5,191,714	1.98
Iowa	2,137,716	....	2,367,605	2,367,605	2,294,851	0.87
Kansas	1,735,812	....	1,746,001	1,746,001	1,583,795	0.60
Kentucky	4,391,309	....	4,698,726	4,698,726	4,391,265	1.67
Louisiana	5,222,313	....	5,339,345	5,339,345	4,457,063	1.70
Maine	1,960,901	....	2,019,776	2,019,776	1,601,783	0.61
Maryland	4,135,897	....	4,697,622	4,697,622	4,515,712	1.72
Massachusetts	7,817,268	....	7,708,389	7,708,389	6,845,016	2.60
Michigan	7,727,955	....	8,245,439	8,245,439	8,131,760	3.09
Minnesota	4,791,471	....	5,305,476	5,305,476	4,836,755	1.84
Mississippi	3,597,041	....	3,888,937	3,888,937	3,859,159	1.47
Missouri	5,723,176	....	6,023,645	6,023,645	5,681,707	2.16
Montana	681,445	....	787,561	787,561	756,036	0.29
Nebraska	1,184,475	....	1,262,599	1,262,599	1,205,380	0.46
Nevada	973,065	....	1,109,074	1,109,074	1,064,412	0.41
New Hampshire	805,488	....	901,901	901,901	854,494	0.33
New Jersey	6,267,539	....	6,645,298	6,645,298	6,135,283	2.33
New Mexico	2,689,309	....	3,084,080	3,084,080	2,995,324	1.14
New York	29,691,242	....	33,257,281	33,257,281	30,285,860	11.52
North Carolina	8,813,332	....	7,405,222	7,405,222	6,386,562	2.43
North Dakota	448,509	....	513,866	513,866	488,023	0.19
Ohio	10,688,223	....	11,187,257	11,187,257	10,733,429	4.08
Oklahoma	3,179,899	....	3,599,993	3,599,993	3,827,722	1.46
Oregon	2,870,964	....	3,338,515	3,338,515	3,409,476	1.30
Pennsylvania	11,917,541	....	12,216,118	12,216,118	11,748,758	4.47
Rhode Island	1,259,859	....	1,236,055	1,236,055	1,127,429	0.43
South Carolina	3,912,443	....	4,303,971	4,303,971	3,925,097	1.49
South Dakota	551,403	....	596,888	596,888	573,148	0.22
Tennessee	6,439,612	....	5,610,907	5,610,907	5,375,840	2.05
Texas	16,222,418	....	18,767,376	18,767,376	17,763,043	6.76
Utah	1,384,409	....	1,515,632	1,515,612	1,501,232	0.57
Vermont	817,352	....	878,591	878,591	774,172	0.29
Virginia	3,671,916	....	4,282,407	4,282,407	4,079,191	1.55
Washington	5,080,304	....	4,758,882	4,758,882	4,343,113	1.65
West Virginia	2,050,254	....	2,161,746	2,161,746	2,063,915	0.79
Wisconsin	4,570,461	....	4,585,730	4,585,730	4,076,350	1.55
Wyoming	328,057	....	364,029	364,029	342,081	0.13
American Samoa	11,793	....	12,342	12,342	10,204	*
Guam	17,563	....	19,036	19,036	15,784	0.01
Northern Mariana Islands	6,393	....	6,786	6,786	5,612	*
Puerto Rico	366,199	....	418,745	418,745	346,270	0.13
Freely Associated States	....	....	....	....	....	....
Virgin Islands	17,982	....	19,479	19,479	16,108	0.01
Indian Tribes	....	....	....	....	....	....
Undistributed	(1,036,524)	....	(5,142,219)	(5,142,219)	11,705,389	....
Survey and Certification	207,175	....	230,646	230,646	234,600	0.09
Vaccines For Children	3,382,875	....	3,652,189	3,652,189	3,651,354	1.39
Fraud Control Units	195,300	....	205,065	205,065	215,319	0.08
Medicare Part B Transfer	449,420	....	562,500	562,500	150,000	0.06
VFC Offsetting Collections	47	....	....	....	....	....
Incurred But Not Reported	508,273	....	2,899,000	2,899,000	2,899,000	1.10
Total	**265,058,069**	**.........**	**278,829,578**	**278,829,578**	**274,494,602**	[1] **100.00**

* $500 or less or 0.005 percent or less.

Note: FY 2011 obligations do not reflect the estimated $25.5 billion impact of a proposed six-month extension of the ARRA temporary increase of the Federal Medicaid match.

[1] Excludes undistributed obligations.

Department of Health and Human Services, Administration for Children and Families **75-1552-0-1-609**

Table 17–24. TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) - FAMILY ASSISTANCE GRANTS (93.558)

(Obligations in thousands of dollars)

State or Territory	FY 2009 Actual	Estimated FY 2010 obligations from: Previous authority	Estimated FY 2010 obligations from: New authority	Estimated FY 2010 obligations from: Total	FY 2011 (estimated)	FY 2011 Percentage of distributed total
Alabama	104,408	....	104,408	104,408	104,408	0.52
Alaska	53,044	....	53,309	53,309	53,309	0.26
Arizona	224,158	....	224,158	224,158	224,158	1.11
Arkansas	62,907	....	62,951	62,951	62,951	0.31
California	3,659,483	....	3,657,887	3,657,887	3,657,887	18.05
Colorado	149,626	....	149,626	149,626	149,626	0.74
Connecticut	266,788	....	266,788	266,788	266,788	1.32
Delaware	30,824	....	32,291	32,291	32,291	0.16
District of Columbia	92,576	....	92,610	92,610	92,610	0.46
Florida	622,746	....	622,746	622,746	622,746	3.07
Georgia	368,025	....	368,025	368,025	368,025	1.82
Hawaii	98,905	....	98,905	98,905	98,905	0.49
Idaho	33,911	....	33,911	33,911	33,911	0.17
Illinois	585,057	....	585,057	585,057	585,057	2.89
Indiana	206,799	....	206,799	206,799	206,799	1.02
Iowa	131,030	....	131,030	131,030	131,030	0.65
Kansas	101,931	....	101,931	101,931	101,931	0.50
Kentucky	181,288	....	181,288	181,288	181,288	0.89
Louisiana	180,999	....	180,999	180,999	180,999	0.89
Maine	78,121	....	78,121	78,121	78,121	0.39
Maryland	229,098	....	229,098	229,098	229,098	1.13
Massachusetts	459,371	....	459,371	459,371	459,371	2.27
Michigan	775,353	....	775,353	775,353	775,353	3.83
Minnesota	263,434	....	263,434	263,434	263,434	1.30
Mississippi	95,803	....	95,803	95,803	95,803	0.47
Missouri	217,052	....	217,052	217,052	217,052	1.07
Montana	39,172	....	39,172	39,172	39,172	0.19
Nebraska	57,514	....	57,514	57,514	57,514	0.28
Nevada	47,641	....	47,641	47,641	47,641	0.24
New Hampshire	38,521	....	38,521	38,521	38,521	0.19
New Jersey	404,035	....	404,035	404,035	404,035	1.99
New Mexico	117,131	....	117,131	117,131	117,131	0.58
New York	2,442,931	....	2,442,931	2,442,931	2,442,931	12.06
North Carolina	338,350	....	338,350	338,350	338,350	1.67
North Dakota	26,400	....	26,400	26,400	26,400	0.13
Ohio	727,968	....	727,968	727,968	727,968	3.59
Oklahoma	145,281	....	145,281	145,281	145,281	0.72
Oregon	166,799	....	166,799	166,799	166,799	0.82
Pennsylvania	717,366	....	719,499	719,499	719,499	3.55
Rhode Island	95,022	....	95,022	95,022	95,022	0.47
South Carolina	99,968	....	99,968	99,968	99,968	0.49
South Dakota	21,280	....	21,280	21,280	21,280	0.11
Tennessee	212,268	....	213,089	213,089	213,089	1.05
Texas	538,965	....	538,965	538,965	538,965	2.66
Utah	84,314	....	84,314	84,314	84,314	0.42
Vermont	47,353	....	47,353	47,353	47,353	0.23
Virginia	158,285	....	158,285	158,285	158,285	0.78
Washington	380,750	....	380,740	380,740	380,740	1.88
West Virginia	110,176	....	110,176	110,176	110,176	0.54
Wisconsin	314,499	....	314,499	314,499	314,499	1.55
Wyoming	18,501	....	18,501	18,501	18,501	0.09
American Samoa	....	....	....	....	....	....
Guam	2,968	....	3,465	3,465	3,465	0.02
Northern Mariana Islands	....	....	....	....	....	....
Puerto Rico	71,563	....	71,563	71,563	71,563	0.35
Freely Associated States	....	....	....	....	....	..
Virgin Islands	2,847	....	2,847	2,847	2,847	0.01
Indian Tribes	180,352	....	181,734	181,734	181,734	0.90
Undistributed	....	....	....	....	....	....
Healthy Marriage Promotion and Responsible Fatherhood	149,870	150,000	....	150,000	....	....
Contingency Fund	1,106,924	....	212,397	212,397	371,000	1.83
Tribal New Program	7,558	....	7,633	7,633	7,633	0.04
Fatherhood and Families Innovation Fund	....	....	....	....	500,000	2.47
Enhanced Emergency Fund	....	....	....	....	2,500,000	12.34
Total	**18,145,309**	**150,000**	**17,106,024**	**17,256,024**	**20,264,627**	**[1] 100.00**

Note: Six-month extension of the Arra temporary increase in the Federal Medicaid match.

[1] Excludes undistributed obligations.

Department of Health and Human Services, Administration for Children and Families **75-1501-0-1-609**

Table 17–25. CHILD SUPPORT ENFORCEMENT - FEDERAL SHARE OF STATE AND LOCAL ADMINISTRATIVE COSTS AND INCENTIVES (93.563)

(Obligations in thousands of dollars)

State or Territory	FY 2009 Actual	Estimated FY 2010 obligations from:			FY 2011 (estimated)	FY 2011 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	47,930	....	46,380	46,380	49,179	1.06
Alaska	16,109	....	12,585	12,585	17,887	0.39
Arizona	49,043	....	34,882	34,882	56,011	1.21
Arkansas	38,480	....	39,148	39,148	38,617	0.84
California	714,198	....	566,536	566,536	789,179	17.09
Colorado	50,492	....	47,758	47,758	52,307	1.13
Connecticut	53,777	....	45,428	45,428	58,170	1.26
Delaware	22,623	....	22,621	22,621	22,883	0.50
District of Columbia	21,466	....	22,704	22,704	21,152	0.46
Florida	235,865	....	210,300	210,300	250,130	5.42
Georgia	81,065	....	85,737	85,737	79,878	1.73
Hawaii	16,815	....	16,938	16,938	16,951	0.37
Idaho	23,732	....	22,330	22,330	24,638	0.53
Illinois	129,656	....	123,306	123,306	134,012	2.90
Indiana	68,024	....	47,508	47,508	78,084	1.69
Iowa	42,705	....	24,197	24,197	51,568	1.12
Kansas	35,079	....	28,275	28,275	38,558	0.83
Kentucky	52,524	....	50,551	50,551	54,018	1.17
Louisiana	67,310	....	71,190	71,190	66,325	1.44
Maine	16,747	....	8,752	8,752	20,555	0.45
Maryland	84,323	....	80,131	80,131	87,184	1.89
Massachusetts	70,408	....	65,499	65,499	74,899	1.62
Michigan	166,591	....	137,954	137,954	181,454	3.93
Minnesota	130,465	....	124,624	124,624	134,601	2.91
Mississippi	28,324	....	29,957	29,957	27,910	0.60
Missouri	66,551	....	50,986	50,986	74,355	1.61
Montana	10,487	....	7,646	7,646	11,892	0.26
Nebraska	32,187	....	33,073	33,073	32,155	0.70
Nevada	37,445	....	38,081	38,081	37,586	0.81
New Hampshire	16,084	....	16,051	16,051	16,283	0.35
New Jersey	196,675	....	155,190	155,190	217,695	4.71
New Mexico	39,201	....	39,885	39,885	39,340	0.85
New York	235,267	....	221,347	221,347	244,257	5.29
North Carolina	107,218	....	95,757	95,757	113,630	2.46
North Dakota	7,710	....	7,096	7,096	8,076	0.17
Ohio	253,041	....	233,195	233,195	264,917	5.74
Oklahoma	37,252	....	5,058	5,058	52,245	1.13
Oregon	49,470	....	40,741	40,741	53,986	1.17
Pennsylvania	182,014	....	162,713	162,713	192,829	4.18
Rhode Island	5,465	....	2,891	2,891	6,693	0.14
South Carolina	43,729	....	45,637	45,637	43,366	0.94
South Dakota	4,220	....	(1,348)	(1,348)	6,787	0.15
Tennessee	63,523	....	42,749	42,749	73,649	1.59
Texas	202,810	....	41,245	41,245	278,229	6.02
Utah	34,833	....	36,841	36,841	34,323	0.74
Vermont	9,213	....	7,585	7,585	10,055	0.22
Virginia	60,014	....	39,771	39,771	69,859	1.51
Washington	112,747	....	105,879	105,879	117,145	2.54
West Virginia	31,072	....	28,982	28,982	32,374	0.70
Wisconsin	56,470	....	42,557	42,557	63,412	1.37
Wyoming	9,378	....	9,918	9,918	9,241	0.20
American Samoa	....	....	....	....	....	....
Guam	3,083	....	3,261	3,261	3,038	0.07
Northern Mariana Islands	....	....	....	....	....	....
Puerto Rico	38,896	....	41,138	41,138	38,327	0.83
Freely Associated States	....	....	....	....	....	....
Virgin Islands	4,162	....	4,402	4,402	4,101	0.09
Indian Tribes	30,856	....	42,000	42,000	42,000	0.91
Undistributed	....	....	....	....	....	....
Total	**4,244,824**	**.........**	**3,565,618**	**3,565,618**	**4,617,995**	[1] **100.00**

Note: ARRA totals represent only approximation of ARRA obligations in FY 2010.

[1] Excludes undistributed obligations.

Department of Health and Human Services, Administration for Children and Families **75-1502-0-1-609**

Table 17–26. LOW INCOME HOME ENERGY ASSISTANCE PROGRAM (93.568)

(Obligations in thousands of dollars)

State or Territory	FY 2009 Actual	Estimated FY 2010 obligations from: Previous authority	New authority	Total	FY 2011 (estimated)	FY 2011 Percentage of distributed total
Alabama	59,716	....	58,394	58,394	38,959	1.55
Alaska	16,333	....	16,283	16,283	9,174	0.37
Arizona	26,844	....	31,171	31,171	18,626	0.74
Arkansas	36,497	....	35,773	35,773	21,913	0.87
California	223,978	....	201,029	201,029	110,116	4.39
Colorado	63,474	....	64,257	64,257	33,047	1.32
Connecticut	95,783	....	96,942	96,942	54,679	2.18
Delaware	17,384	....	15,189	15,189	9,305	0.37
District of Columbia	14,653	....	13,992	13,992	7,554	0.30
Florida	95,013	....	110,326	110,326	65,927	2.63
Georgia	75,141	....	87,252	87,252	52,138	2.08
Hawaii	4,652	....	6,023	6,023	3,721	0.15
Idaho	25,632	....	25,632	25,632	13,838	0.55
Illinois	237,236	....	232,865	232,865	120,072	4.78
Indiana	103,602	....	104,144	104,144	53,226	2.12
Iowa	67,803	....	67,803	67,803	36,762	1.46
Kansas	45,270	....	41,678	41,678	24,178	0.96
Kentucky	68,353	....	57,742	57,742	30,827	1.23
Louisiana	57,196	....	51,870	51,870	32,836	1.31
Maine	47,649	....	52,324	52,324	26,911	1.07
Maryland	101,296	....	82,002	82,002	48,724	1.94
Massachusetts	162,916	....	175,454	175,454	93,117	3.71
Michigan	221,244	....	232,323	232,323	124,093	4.94
Minnesota	144,528	....	144,528	144,528	78,363	3.12
Mississippi	38,937	....	39,586	39,586	24,105	0.96
Missouri	103,541	....	95,257	95,257	49,938	1.99
Montana	26,075	....	26,075	26,075	14,077	0.56
Nebraska	39,533	....	39,533	39,533	21,324	0.85
Nevada	13,643	....	15,841	15,841	9,466	0.38
New Hampshire	34,112	....	34,112	34,112	18,416	0.73
New Jersey	166,690	....	177,196	177,196	99,047	3.95
New Mexico	22,919	....	20,575	20,575	11,108	0.44
New York	475,382	....	479,270	479,270	250,841	9.99
North Carolina	121,051	....	107,395	107,395	67,365	2.68
North Dakota	27,299	....	27,299	27,299	14,738	0.59
Ohio	220,588	....	223,108	223,108	121,308	4.83
Oklahoma	44,572	....	43,514	43,514	27,802	1.11
Oregon	44,640	....	44,640	44,640	24,022	0.96
Pennsylvania	274,925	....	282,279	282,279	148,579	5.92
Rhode Island	30,123	....	29,582	29,582	15,970	0.64
South Carolina	47,702	....	47,311	47,311	31,697	1.26
South Dakota	22,921	....	22,921	22,921	12,375	0.49
Tennessee	73,723	....	72,092	72,092	43,223	1.72
Texas	158,110	....	183,593	183,593	109,708	4.37
Utah	31,596	....	31,596	31,596	16,961	0.68
Vermont	25,568	....	25,568	25,568	13,804	0.55
Virginia	118,084	....	100,856	100,856	60,206	2.40
Washington	71,568	....	71,568	71,568	38,800	1.55
West Virginia	40,584	....	38,884	38,884	20,993	0.84
Wisconsin	130,096	....	130,096	130,096	70,538	2.81
Wyoming	12,640	....	12,527	12,527	6,614	0.26
American Samoa	100	....	100	100	56	*
Guam	220	....	220	220	122	*
Northern Mariana Islands	76	....	76	76	42	*
Puerto Rico	5,465	....	5,465	5,465	3,027	0.12
Freely Associated States	....	....	....	....	....	....
Virgin Islands	208	....	208	208	115	*
Indian Tribes	47,487	....	49,031	49,031	28,208	1.12
Undistributed	....	....	....	....	....	....
Discretionary Funds	27,000	....	27,000	27,000	27,000	1.08
Technical Assistance	300	....	300	300	300	0.01
Total	**4,509,671**	**.........**	**4,509,670**	**4,509,670**	**2,510,001**	[1] **100.00**

* $500 or less or 0.005 percent or less.

[1]Excludes contingency funds and proposed mandatory triggered funds to be allocated at the discretion of the Administration with consideration to how States are impacted by specific energy-related emergencies and events.

[2]Excludes undistributed obligations.

Department of Health and Human Services, Administration for Children and Families **75-1515-0-1-609**

Table 17–27. CHILD CARE AND DEVELOPMENT BLOCK GRANT (93.575)

(Obligations in thousands of dollars)

State or Territory	FY 2009 Actual	Estimated FY 2010 obligations from: Previous authority	New authority	Total	FY 2011 (estimated)	FY 2011 Percentage of distributed total
Alabama	40,700	....	40,364	40,364	55,626	1.90
Alaska	4,270	....	4,174	4,174	5,752	0.20
Arizona	53,824	....	54,618	54,618	75,268	2.57
Arkansas	26,590	....	26,505	26,505	36,526	1.25
California	233,035	....	235,666	235,666	324,770	11.10
Colorado	25,721	....	25,887	25,887	35,674	1.22
Connecticut	14,478	....	14,240	14,240	19,624	0.67
Delaware	4,809	....	4,859	4,859	6,697	0.23
District of Columbia	2,841	....	2,752	2,752	3,793	0.13
Florida	111,433	....	11,263	11,263	153,331	5.24
Georgia	87,646	....	87,021	87,021	119,923	4.10
Hawaii	6,822	....	6,733	6,733	9,278	0.32
Idaho	12,639	....	12,700	12,700	17,501	0.60
Illinois	78,046	....	77,126	77,126	106,288	3.63
Indiana	45,242	....	45,923	45,923	63,286	2.16
Iowa	19,171	....	19,237	19,237	26,511	0.91
Kansas	19,482	....	19,713	19,713	27,166	0.93
Kentucky	36,920	....	36,752	36,752	50,648	1.73
Louisiana	42,332	....	42,631	42,631	58,749	2.01
Maine	7,149	....	7,108	7,108	9,795	0.33
Maryland	25,433	....	25,087	25,087	34,572	1.18
Massachusetts	25,355	....	25,300	25,300	34,866	1.19
Michigan	62,081	....	61,058	61,058	84,144	2.87
Minnesota	27,609	....	27,556	27,556	37,975	1.30
Mississippi	32,778	....	32,106	32,106	44,246	1.51
Missouri	40,923	....	40,646	40,646	56,014	1.91
Montana	6,080	....	6,177	6,177	8,512	0.29
Nebraska	12,483	....	12,472	12,472	17,187	0.59
Nevada	15,145	....	15,331	15,331	21,128	0.72
New Hampshire	5,011	....	4,976	4,976	6,857	0.23
New Jersey	36,082	....	35,877	35,877	49,442	1.69
New Mexico	18,849	....	18,730	18,730	25,812	0.88
New York	102,393	....	100,828	100,828	138,951	4.75
North Carolina	71,456	....	71,176	71,176	98,088	3.35
North Dakota	3,855	....	3,886	3,886	5,355	0.18
Ohio	72,088	....	72,182	72,182	99,473	3.40
Oklahoma	31,906	....	31,513	31,513	43,428	1.48
Oregon	23,814	....	23,996	23,996	33,069	1.13
Pennsylvania	63,631	....	63,334	63,334	87,280	2.98
Rhode Island	5,527	....	5,497	5,497	7,576	0.26
South Carolina	38,420	....	38,144	38,144	52,566	1.80
South Dakota	5,776	....	5,762	5,762	7,941	0.27
Tennessee	44,362	....	48,345	48,345	66,625	2.28
Texas	227,298	....	227,410	227,410	313,393	10.71
Utah	23,661	....	24,235	24,235	33,398	1.14
Vermont	2,987	....	2,951	2,951	4,066	0.14
Virginia	40,087	....	399,580	399,580	55,055	1.88
Washington	35,283	....	35,260	35,260	48,591	1.66
West Virginia	13,803	....	13,634	13,634	18,789	0.64
Wisconsin	32,260	....	32,252	32,252	44,447	1.52
Wyoming	2,736	....	2,804	2,804	3,864	0.13
American Samoa	2,832	....	2,832	2,832	3,897	0.13
Guam	3,979	....	3,979	3,979	5,475	0.19
Northern Mariana Islands	1,939	....	1,939	1,939	2,668	0.09
Puerto Rico	35,353	....	33,931	33,931	46,760	1.60
Freely Associated States	....	....	....	....	....	....
Virgin Islands	1,886	....	1,886	1,886	2,595	0.09
Indian Tribes	42,542	....	42,542	42,542	58,542	2.00
Undistributed	....	....	....	....	....	....
Technical Assistance	5,314	....	5,318	5,318	7,318	0.25
Research Set-Aside	9,906	....	9,910	9,910	9,910	0.34
Child Care Aware	1,000	....	1,000	1,000	1,000	0.03
Total	**2,127,073**	**.........**	**2,386,714**	**2,386,714**	**2,927,081**	**[1] 100.00**

[1] Excludes undistributed obligations.

Department of Health and Human Services, Administration for Children and Families **75-1550-0-1-609**

Table 17–28. CHILD CARE AND DEVELOPMENT FUND - MANDATORY (93.596A)

(Obligations in thousands of dollars)

State or Territory	FY 2009 Actual	Estimated FY 2010 obligations from: Previous authority	New authority	Total	FY 2011 (estimated)	FY 2011 Percentage of distributed total
Alabama	16,442	....	16,442	16,442	16,442	1.33
Alaska	3,545	....	3,545	3,545	3,545	0.29
Arizona	19,827	....	19,827	19,827	19,827	1.60
Arkansas	5,300	....	5,300	5,300	5,300	0.43
California	85,593	....	85,593	85,593	85,593	6.90
Colorado	10,174	....	10,174	10,174	10,174	0.82
Connecticut	18,738	....	18,738	18,738	18,738	1.51
Delaware	5,179	....	5,179	5,179	5,179	0.42
District of Columbia	4,567	....	4,567	4,567	4,567	0.37
Florida	430,274	....	43,027	43,027	43,027	3.47
Georgia	36,548	....	36,548	36,548	36,548	2.95
Hawaii	4,972	....	4,972	4,972	4,972	0.40
Idaho	2,868	....	2,868	2,868	2,868	0.23
Illinois	56,874	....	56,874	56,874	56,874	4.59
Indiana	26,182	....	26,182	26,182	26,182	2.11
Iowa	8,508	....	8,508	8,508	8,508	0.69
Kansas	9,812	....	9,812	9,812	9,812	0.79
Kentucky	16,702	....	16,702	16,702	16,702	1.35
Louisiana	13,865	....	13,865	13,865	13,865	1.12
Maine	3,019	....	3,019	3,019	3,019	0.24
Maryland	23,301	....	23,301	23,301	23,301	1.88
Massachusetts	44,973	....	44,973	44,973	44,973	3.63
Michigan	32,082	....	32,082	32,082	32,082	2.59
Minnesota	23,368	....	23,368	23,368	23,368	1.89
Mississippi	6,293	....	6,293	6,293	6,293	0.51
Missouri	24,669	....	24,669	24,669	24,669	1.99
Montana	3,191	....	3,191	3,191	3,191	0.26
Nebraska	10,595	....	10,595	10,595	10,595	0.85
Nevada	2,580	....	2,580	2,580	2,580	0.21
New Hampshire	4,582	....	4,582	4,582	4,582	0.37
New Jersey	26,374	....	26,374	26,374	26,374	2.13
New Mexico	8,308	....	8,308	8,308	8,308	0.67
New York	101,984	....	101,984	101,984	101,984	8.23
North Carolina	69,639	....	69,639	69,639	69,639	5.62
North Dakota	2,506	....	2,506	2,506	2,506	0.20
Ohio	70,125	....	70,125	70,125	70,125	5.66
Oklahoma	24,910	....	24,910	24,910	24,910	2.01
Oregon	19,409	....	19,409	19,409	19,409	1.57
Pennsylvania	55,337	....	55,337	55,337	55,337	4.46
Rhode Island	6,634	....	6,634	6,634	6,634	0.54
South Carolina	9,867	....	9,867	9,867	9,867	0.80
South Dakota	1,711	....	1,711	1,711	1,711	0.14
Tennessee	37,702	....	37,702	37,702	37,702	3.04
Texas	59,844	....	59,844	59,844	59,844	4.83
Utah	12,592	....	12,592	12,592	12,592	1.02
Vermont	3,945	....	3,945	3,945	3,945	0.32
Virginia	21,329	....	21,329	21,329	21,329	1.72
Washington	41,883	....	41,883	41,883	41,883	3.38
West Virginia	8,727	....	8,727	8,727	8,727	0.70
Wisconsin	24,511	....	24,511	24,511	24,511	1.98
Wyoming	2,815	....	2,815	2,815	2,815	0.23
American Samoa	....	....	....	....	....	....
Guam	....	....	....	....	....	....
Northern Mariana Islands	....	....	....	....	....	....
Puerto Rico	....	....	....	....	....	....
Freely Associated States	....	....	....	....	....	....
Virgin Islands	....	....	....	....	....	....
Indian Tribes	57,984	....	58,340	58,340	58,340	4.71
Undistributed	....	....	....	....	....	....
Technical Assistance	3,792	....	3,792	3,792	3,792	0.31
Total	**1,626,551**	**........**	**1,239,660**	**1,239,660**	**1,239,660**	**[1] 100.00**

[1] Excludes undistributed obligations.

Department of Health and Human Services, Administration for Children and Families **75-1550-0-1-609**

Table 17–29. CHILD CARE AND DEVELOPMENT FUND - MATCHING (93.596B)

(Obligations in thousands of dollars)

State or Territory	FY 2009 Actual	Estimated FY 2010 obligations from:			FY 2011 (estimated)	FY 2011 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	25,408	....	25,310	25,310	37,135	1.51
Alaska	4,064	....	4,046	4,046	5,936	0.24
Arizona	38,844	....	39,671	39,671	58,205	2.36
Arkansas	16,013	....	16,049	16,049	23,547	0.96
California	211,812	....	211,296	211,296	310,011	12.60
Colorado	27,530	....	27,886	27,886	40,914	1.66
Connecticut	18,178	....	17,961	17,961	26,352	1.07
Delaware	4,655	....	4,669	4,669	6,850	0.28
District of Columbia	2,596	....	2,568	2,568	3,767	0.15
Florida	91,404	....	90,435	90,435	132,686	5.39
Georgia	58,396	....	586,701	586,701	86,080	3.50
Hawaii	6,473	....	6,517	6,517	9,562	0.39
Idaho	9,407	....	9,524	9,524	13,974	0.57
Illinois	72,661	....	71,937	71,937	105,545	4.29
Indiana	36,039	....	35,919	35,919	52,699	2.14
Iowa	15,992	....	16,048	16,048	23,545	0.96
Kansas	15,880	....	16,022	16,022	23,507	0.96
Kentucky	22,798	....	22,839	22,839	33,510	1.36
Louisiana	24,415	....	25,068	25,068	36,780	1.49
Maine	6,067	....	5,983	5,983	8,778	0.36
Maryland	30,454	....	29,983	29,983	43,991	1.79
Massachusetts	31,846	....	31,730	31,730	46,554	1.89
Michigan	54,089	....	52,658	52,658	77,259	3.14
Minnesota	28,428	....	28,339	28,339	41,579	1.69
Mississippi	17,476	....	17,404	17,404	25,535	1.04
Missouri	32,066	....	31,989	31,989	46,934	1.91
Montana	4,852	....	4,897	4,897	7,185	0.29
Nebraska	10,187	....	10,220	10,220	14,995	0.61
Nevada	15,306	....	15,465	15,465	22,690	0.92
New Hampshire	6,514	....	6,387	6,387	9,371	0.38
New Jersey	463,825	....	45,926	45,926	67,383	2.74
New Mexico	11,375	....	11,475	11,475	16,836	0.68
New York	98,196	....	97,954	97,954	143,717	5.84
North Carolina	50,969	....	51,571	51,571	75,665	3.07
North Dakota	3,180	....	3,206	3,206	4,703	0.19
Ohio	61,627	....	61,037	61,037	89,553	3.64
Oklahoma	20,599	....	20,804	20,804	30,523	1.24
Oregon	19,459	....	19,598	19,598	28,754	1.17
Pennsylvania	61,380	....	60,822	60,822	89,237	3.63
Rhode Island	5,137	....	5,028	5,028	7,377	0.30
South Carolina	23,948	....	24,126	24,126	35,397	1.44
South Dakota	4,447	....	4,504	4,504	6,608	0.27
Tennessee	33,464	....	33,532	33,532	49,198	2.00
Texas	154,441	....	156,694	156,694	229,899	9.34
Utah	15,184	....	20,225	20,225	29,673	1.21
Vermont	2,816	....	2,762	2,762	4,053	0.16
Virginia	41,549	....	41,422	41,422	60,773	2.47
Washington	34,566	....	34,731	34,731	50,958	2.07
West Virginia	8,683	....	8,647	8,647	12,687	0.52
Wisconsin	29,495	....	29,363	29,363	43,081	1.75
Wyoming	2,826	....	2,924	2,924	4,291	0.17
American Samoa	....	....	....	....	....	....
Guam	....	....	....	....	....	....
Northern Mariana Islands	....	....	....	....	....	....
Puerto Rico	....	....	....	....	....	....
Freely Associated States	....	....	....	....	....	....
Virgin Islands	....	....	....	....	....	....
Indian Tribes	....	....	....	....	....	....
Undistributed	....	....	....	....	....	....
Technical Assistance	3,466	....	3,501	3,501	5,501	0.22
Total	**2,090,482**	**.........**	**2,205,373**	**2,205,373**	**2,461,343**	[1] **100.00**

[1] Excludes undistributed obligations.

Department of Health and Human Services, Administration for Children and Families **75-1536-0-1-506**

Table 17–30. HEAD START (93.600)

(Obligations in thousands of dollars)

State or Territory	FY 2009 Actual	Estimated FY 2010 obligations from:			FY 2011 (estimated)	FY 2011 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	110,249	....	112,246	112,246	130,008	1.58
Alaska	12,896	....	13,130	13,130	14,865	0.18
Arizona	107,015	....	108,953	108,953	125,903	1.53
Arkansas	66,717	....	67,926	67,926	78,687	0.96
California	859,904	....	875,482	875,482	989,213	12.03
Colorado	70,659	....	71,939	71,939	83,555	1.02
Connecticut	53,660	....	54,632	54,632	60,768	0.74
Delaware	13,685	....	13,933	13,933	15,877	0.19
District of Columbia	25,960	....	26,430	26,430	28,823	0.35
Florida	272,067	....	276,996	276,996	324,028	3.94
Georgia	174,228	....	177,384	177,384	205,208	2.50
Hawaii	23,663	....	24,092	24,092	26,472	0.32
Idaho	23,588	....	24,016	24,016	28,182	0.34
Illinois	279,954	....	285,026	285,026	325,998	3.96
Indiana	99,465	....	101,267	101,267	119,149	1.45
Iowa	53,299	....	54,265	54,265	61,295	0.75
Kansas	52,655	....	53,609	53,609	61,842	0.75
Kentucky	111,506	....	113,526	113,526	129,772	1.58
Louisiana	150,855	....	153,588	153,588	173,725	2.11
Maine	28,548	....	29,065	29,065	32,640	0.40
Maryland	80,683	....	82,145	82,145	93,781	1.14
Massachusetts	112,028	....	114,057	114,057	126,929	1.54
Michigan	242,511	....	246,905	246,905	277,821	3.38
Minnesota	74,447	....	75,796	75,796	86,650	1.05
Mississippi	167,178	....	170,207	170,207	186,887	2.27
Missouri	123,031	....	125,259	125,259	143,711	1.75
Montana	21,660	....	22,053	22,053	24,806	0.30
Nebraska	37,282	....	37,958	37,958	43,660	0.53
Nevada	25,104	....	25,559	25,559	30,979	0.38
New Hampshire	13,840	....	14,091	14,091	16,106	0.20
New Jersey	133,392	....	135,809	135,809	155,526	1.89
New Mexico	54,075	....	55,054	55,054	64,020	0.78
New York	447,896	....	456,010	456,010	510,890	6.21
North Carolina	146,070	....	148,716	148,716	177,582	2.16
North Dakota	17,758	....	18,079	18,079	19,776	0.24
Ohio	255,277	....	259,901	259,901	296,464	3.60
Oklahoma	83,801	....	85,319	85,319	100,715	1.22
Oregon	61,488	....	62,602	62,602	72,703	0.88
Pennsylvania	235,917	....	240,191	240,191	269,606	3.28
Rhode Island	22,762	....	23,175	23,175	25,905	0.32
South Carolina	85,302	....	86,848	86,848	102,561	1.25
South Dakota	19,464	....	19,817	19,817	22,345	0.27
Tennessee	123,391	....	125,626	125,626	141,234	1.72
Texas	494,959	....	503,926	503,926	578,681	7.04
Utah	39,046	....	39,753	39,753	46,651	0.57
Vermont	14,020	....	14,274	14,274	15,663	0.19
Virginia	102,462	....	104,318	104,318	119,228	1.45
Washington	103,769	....	105,649	105,649	121,469	1.48
West Virginia	52,362	....	53,311	53,311	60,198	0.73
Wisconsin	93,963	....	95,665	95,665	108,779	1.32
Wyoming	12,791	....	13,023	13,023	13,900	0.17
American Samoa	2,223	....	2,263	2,263	2,343	0.03
Guam	2,237	....	2,278	2,278	2,358	0.03
Northern Mariana Islands	1,721	....	1,752	1,752	1,814	0.02
Puerto Rico	257,780	....	262,449	262,449	287,586	3.50
Freely Associated States	1,379	....	1,404	1,404	1,453	0.02
Virgin Islands	8,268	....	8,418	8,418	9,746	0.12
Indian Tribes	510,029	....	519,268	519,268	589,136	7.16
Undistributed	....	....	....	....	207	....
Training and Technical Assistance	176,352	....	176,352	176,352	196,078	2.38
Research and Evaluation	19,989	....	20,000	20,000	20,000	0.24
Program Support	42,000	....	42,000	42,000	42,000	0.51
Total	**7,110,280**	**.........**	**7,234,785**	**7,234,785**	**8,223,957**	**[1] 100.00**

Note: The incorporated ARRA totals represent only approximations of ARRA obligations in FY 2010.

[1] Excludes undistributed obligations.

Department of Health and Human Services, Administration for Children and Families **75-1545-0-1-609**

Table 17–31. FOSTER CARE - TITLE IV-E (93.658)

(Obligations in thousands of dollars)

State or Territory	FY 2009 Actual	Estimated FY 2010 obligations from: Previous authority	New authority	Total	FY 2011 (estimated)	FY 2011 Percentage of distributed total
Alabama	37,386	....	36,395	36,395	37,225	0.81
Alaska	13,927	....	13,515	13,515	13,975	0.30
Arizona	87,802	....	84,722	84,722	89,316	1.95
Arkansas	39,024	....	37,871	37,871	39,154	0.85
California	1,271,118	....	1,236,296	1,236,296	1,268,537	27.62
Colorado	63,208	....	61,165	61,165	63,861	1.39
Connecticut	62,589	....	60,327	60,327	63,834	1.39
Delaware	3,696	....	3,572	3,572	3,744	0.08
District of Columbia	22,040	....	21,226	21,226	22,524	0.49
Florida	166,223	....	162,543	162,543	163,696	3.56
Georgia	86,511	....	83,617	83,617	87,650	1.91
Hawaii	19,929	....	19,392	19,392	19,867	0.43
Idaho	10,217	....	9,884	9,884	10,331	0.22
Illinois	219,894	....	212,838	212,838	222,034	4.84
Indiana	101,248	....	98,072	98,072	102,049	2.22
Iowa	25,711	....	24,863	24,863	26,021	0.57
Kansas	23,337	....	22,477	22,477	23,843	0.52
Kentucky	49,648	....	47,829	47,829	50,695	1.10
Louisiana	49,295	....	47,606	47,606	50,045	1.09
Maine	14,047	....	13,579	13,579	14,228	0.31
Maryland	88,809	....	85,172	85,172	91,646	2.00
Massachusetts	54,706	....	52,724	52,724	55,808	1.22
Michigan	91,258	....	88,242	88,242	92,366	2.01
Minnesota	53,013	....	51,353	51,353	53,425	1.16
Mississippi	10,849	....	10,468	10,468	11,035	0.24
Missouri	60,479	....	58,756	58,756	60,522	1.32
Montana	10,812	....	10,489	10,489	10,858	0.24
Nebraska	20,248	....	19,587	19,587	20,474	0.45
Nevada	30,133	....	29,061	29,061	30,690	0.67
New Hampshire	15,599	....	15,146	15,146	15,633	0.34
New Jersey	84,223	....	81,670	81,670	84,667	1.84
New Mexico	24,284	....	23,633	23,633	24,200	0.53
New York	417,565	....	402,679	402,679	425,355	9.26
North Carolina	80,333	....	77,950	77,950	80,627	1.76
North Dakota	10,759	....	10,359	10,359	11,001	0.24
Ohio	207,731	....	200,359	200,359	211,524	4.61
Oklahoma	38,956	....	37,670	37,670	39,424	0.86
Oregon	99,225	....	96,586	96,586	98,825	2.15
Pennsylvania	139,567	....	134,745	134,745	141,785	3.09
Rhode Island	15,179	....	14,639	14,639	15,459	0.34
South Carolina	36,677	....	35,591	35,591	36,807	0.80
South Dakota	5,542	....	5,348	5,348	5,637	0.12
Tennessee	42,185	....	40,772	40,772	42,745	0.93
Texas	232,467	....	223,753	223,753	237,874	5.18
Utah	18,812	....	18,241	18,241	18,915	0.41
Vermont	11,164	....	10,712	10,712	11,508	0.25
Virginia	68,432	....	65,679	65,679	70,493	1.54
Washington	97,309	....	94,371	94,371	97,794	2.13
West Virginia	35,487	....	34,670	34,670	35,025	0.76
Wisconsin	52,545	....	50,901	50,901	52,951	1.15
Wyoming	960	....	400	400	2,295	0.05
American Samoa	....	....	....	....	....	....
Guam	....	....	....	....	....	....
Northern Mariana Islands	....	....	....	....	....	....
Puerto Rico	....	....	....	....	....	....
Freely Associated States	....	....	....	....	....	....
Virgin Islands	....	....	....	....	....	....
Indian Tribes	....	....	3,000	3,000	7,000	0.15
Undistributed	....	....	....	....	....	....
Techincal Assistance	20,277	....	20,487	20,487	22,000	0.48
Pre-appropriated Tribal Technical Assistance	2,994	....	3,000	3,000	3,000	0.07
Total	**4,545,429**	**.........**	**4,406,002**	**4,406,002**	**4,591,997**	[1] **100.00**

Note: The incorporated ARRA totals represent only approximations of ARRA obligations in FY 2010 and FY 2011.

[1] Excludes undistributed obligations.

Department of Health and Human Services, Administration for Children and Families **75-1545-0-1-609**

Table 17–32. ADOPTION ASSISTANCE (93.659)

(Obligations in thousands of dollars)

State or Territory	FY 2009 Actual	Estimated FY 2010 obligations from: Previous authority	New authority	Total	FY 2011 (estimated)	FY 2011 Percentage of distributed total
Alabama	10,778	....	11,559	11,559	12,513	0.50
Alaska	8,727	....	322	322	10,637	0.42
Arizona	63,818	....	68,322	68,322	75,749	3.00
Arkansas	13,046	....	13,982	13,982	15,275	0.61
California	392,890	....	420,476	420,476	468,258	18.57
Colorado	20,906	....	22,381	22,381	24,817	0.98
Connecticut	31,588	....	33,840	33,840	37,182	1.47
Delaware	1,829	....	1,957	1,957	2,179	0.09
District of Columbia	17,665	....	18,931	18,931	20,701	0.82
Florida	80,470	....	86,172	86,172	95,199	3.77
Georgia	37,737	....	40,426	40,426	44,454	1.76
Hawaii	14,372	....	15,357	15,357	17,454	0.69
Idaho	4,979	....	5,339	5,339	5,800	0.23
Illinois	79,475	....	84,991	84,991	95,588	3.79
Indiana	60,197	....	64,481	64,481	70,976	2.81
Iowa	34,987	....	37,463	37,463	41,424	1.64
Kansas	14,396	....	15,415	15,415	17,041	0.68
Kentucky	38,228	....	40,947	40,947	45,086	1.79
Louisiana	16,435	....	17,607	17,607	19,346	0.77
Maine	14,129	....	15,142	15,142	16,547	0.66
Maryland	22,123	....	23,650	23,650	26,718	1.06
Massachusetts	32,737	....	35,053	35,053	38,773	1.54
Michigan	114,306	....	122,366	122,366	135,762	5.38
Minnesota	24,593	....	26,362	26,362	28,744	1.14
Mississippi	5,305	....	5,685	5,685	6,230	0.25
Missouri	36,160	....	38,732	38,732	42,657	1.69
Montana	7,863	....	8,421	8,421	9,295	0.37
Nebraska	10,277	....	11,004	11,004	12,178	0.48
Nevada	11,290	....	12,057	12,057	13,812	0.55
New Hampshire	5,050	....	5,406	5,406	6,005	0.24
New Jersey	54,172	....	58,075	58,075	63,216	2.51
New Mexico	15,348	....	16,445	16,445	18,037	0.72
New York	213,021	....	227,736	227,736	257,147	10.20
North Carolina	42,736	....	45,767	45,767	50,522	2.00
North Dakota	4,229	....	4,529	4,529	5,006	0.20
Ohio	179,607	....	192,832	192,832	205,776	8.16
Oklahoma	27,761	....	29,754	29,754	32,492	1.29
Oregon	37,326	....	39,990	39,990	43,901	1.74
Pennsylvania	42,879	....	46,066	46,066	48,722	1.93
Rhode Island	7,786	....	8,335	8,335	9,262	0.37
South Carolina	14,856	....	15,930	15,930	17,288	0.69
South Dakota	3,317	....	3,553	3,553	3,924	0.16
Tennessee	38,432	....	41,177	41,177	45,175	1.79
Texas	74,935	....	80,147	80,147	89,987	3.57
Utah	7,663	....	8,207	8,207	9,047	0.36
Vermont	7,838	....	8,389	8,389	9,336	0.37
Virginia	21,397	....	22,903	22,903	25,446	1.01
Washington	46,195	....	49,436	49,436	55,078	2.18
West Virginia	15,414	....	16,515	16,515	18,111	0.72
Wisconsin	48,011	....	51,396	51,396	57,035	2.26
Wyoming	908	....	971	971	1,092	0.04
American Samoa	....	....	....	....	....	....
Guam	....	....	....	....	....	....
Northern Mariana Islands	....	....	....	....	....	....
Puerto Rico	....	....	....	....	....	....
Freely Associated States	....	....	....	....	....	....
Virgin Islands	....	....	....	....	....	....
Indian Tribes	....	....	....	....	....	....
Undistributed	....	....	....	....	....	....
Total	**2,130,187**	**.........**	**2,271,999**	**2,271,999**	**2,522,000**	**[1] 100.00**

Note: The incorporated ARRA obligations represent only approximations of ARRA obligations in FY 2010 and FY 2011.

[1] Excludes undistributed obligations.

Department of Health and Human Services, Administration for Children and Families **75-1534-0-1-506**

Table 17–33. SOCIAL SERVICES BLOCK GRANT (93.667)

(Obligations in thousands of dollars)

State or Territory	FY 2009 Actual	Estimated FY 2010 obligations from: Previous authority	New authority	Total	FY 2011 (estimated)	FY 2011 Percentage of distributed total
Alabama	25,938	....	25,938	25,938	25,938	1.53
Alaska	3,831	....	3,831	3,831	3,831	0.23
Arizona	35,527	....	35,527	35,527	35,527	2.09
Arkansas	15,888	....	15,888	15,888	15,888	0.93
California	204,872	....	204,872	204,872	204,872	12.05
Colorado	27,248	....	27,248	27,248	27,248	1.60
Connecticut	19,630	....	19,630	19,630	19,630	1.15
Delaware	4,847	....	4,847	4,847	4,847	0.29
District of Columbia	3,297	....	3,297	3,297	3,297	0.19
Florida	102,294	....	102,294	102,294	102,294	6.02
Georgia	53,496	....	53,496	53,496	53,496	3.15
Hawaii	7,193	....	7,193	7,193	7,193	0.42
Idaho	8,404	....	8,404	8,404	8,404	0.49
Illinois	72,035	....	72,035	72,035	72,035	4.24
Indiana	35,564	....	35,564	35,564	35,564	2.09
Iowa	16,747	....	16,747	16,747	16,747	0.99
Kansas	15,559	....	15,559	15,559	15,559	0.92
Kentucky	23,772	....	23,772	23,772	23,772	1.40
Louisiana	24,062	....	24,062	24,062	24,062	1.42
Maine	7,383	....	7,383	7,383	7,383	0.43
Maryland	31,489	....	31,489	31,489	31,489	1.85
Massachusetts	36,149	....	36,149	36,149	36,149	2.13
Michigan	56,450	....	56,450	56,450	56,450	3.32
Minnesota	29,131	....	29,131	29,131	29,131	1.71
Mississippi	16,359	....	16,359	16,359	16,359	0.96
Missouri	32,947	....	32,947	32,947	32,947	1.94
Montana	5,369	....	5,369	5,369	5,369	0.32
Nebraska	9,946	....	9,946	9,946	9,946	0.59
Nevada	14,378	....	14,378	14,378	14,378	0.85
New Hampshire	7,375	....	7,375	7,375	7,375	0.43
New Jersey	48,682	....	48,682	48,682	48,682	2.86
New Mexico	11,041	....	11,041	11,041	11,041	0.65
New York	108,159	....	108,159	108,159	108,159	6.36
North Carolina	50,785	....	50,785	50,785	50,785	2.99
North Dakota	3,585	....	3,585	3,585	3,585	0.21
Ohio	64,269	....	64,269	64,269	64,269	3.78
Oklahoma	20,274	....	20,274	20,274	20,274	1.19
Oregon	21,004	....	21,004	21,004	21,004	1.24
Pennsylvania	69,683	....	69,683	69,683	69,683	4.10
Rhode Island	5,929	....	5,929	5,929	5,929	0.35
South Carolina	24,704	....	24,704	24,704	24,704	1.45
South Dakota	4,463	....	4,463	4,463	4,463	0.26
Tennessee	34,507	....	34,507	34,507	34,507	2.03
Texas	133,978	....	133,978	133,978	133,978	7.88
Utah	14,826	....	14,826	14,826	14,826	0.87
Vermont	3,482	....	3,482	3,482	3,482	0.20
Virginia	43,224	....	43,224	43,224	43,224	2.54
Washington	36,254	....	36,254	36,254	36,254	2.13
West Virginia	10,156	....	10,156	10,156	10,156	0.60
Wisconsin	31,396	....	31,396	31,396	31,396	1.85
Wyoming	2,930	....	2,930	2,930	2,930	0.17
American Samoa	49	....	49	49	49	*
Guam	293	....	293	293	293	0.02
Northern Mariana Islands	59	....	59	59	59	*
Puerto Rico	8,793	....	8,793	8,793	8,793	0.52
Freely Associated States	....	....	....	....	....	....
Virgin Islands	293	....	293	293	293	0.02
Indian Tribes	....	....	....	....	....	....
Undistributed	....	....	....	....	....	....
Total	**1,699,998**	**........**	**1,699,998**	**1,699,998**	**1,699,998**	**[1] 100.00**

* $500 or less or 0.005 percent or less.

[1] Excludes undistributed obligations.

Department of Health and Human Services, HIV/AIDS Bureau **75-0350-0-1-551**

Table 17–34. RYAN WHITE HIV/AIDS TREATMENT MODERNIZATION ACT - PART B HIV CARE GRANTS (93.917)

(Obligations in thousands of dollars)

State or Territory	FY 2009 Actual	Estimated FY 2010 obligations from: Previous authority	New authority	Total	FY 2011 (estimated)	FY 2011 Percentage of distributed total
Alabama	19,475	....	....	....	....	....
Alaska	1,187	....	....	....	....	....
Arizona	15,306	....	....	....	....	....
Arkansas	7,419	....	....	....	....	....
California	129,240	....	....	....	....	....
Colorado	12,384	....	....	....	....	....
Connecticut	15,057	....	....	....	....	....
Delaware	5,277	....	....	....	....	....
District of Columbia	19,066	....	....	....	....	....
Florida	117,385	....	....	....	....	....
Georgia	43,211	....	....	....	....	....
Hawaii	3,667	....	....	....	....	....
Idaho	1,233	....	....	....	....	....
Illinois	38,216	....	....	....	....	....
Indiana	12,799	....	....	....	....	....
Iowa	2,958	....	....	....	....	....
Kansas	3,647	....	....	....	....	....
Kentucky	8,307	....	....	....	....	....
Louisiana	24,409	....	....	....	....	....
Maine	1,624	....	....	....	....	....
Maryland	36,821	....	....	....	....	....
Massachusetts	19,889	....	....	....	....	....
Michigan	17,499	....	....	....	....	....
Minnesota	7,393	....	....	....	....	....
Mississippi	14,305	....	....	....	....	....
Missouri	14,104	....	....	....	....	....
Montana	861	....	....	....	....	....
Nebraska	2,510	....	....	....	....	....
Nevada	8,483	....	....	....	....	....
New Hampshire	1,503	....	....	....	....	....
New Jersey	45,995	....	....	....	....	....
New Mexico	4,066	....	....	....	....	....
New York	169,503	....	....	....	....	....
North Carolina	35,004	....	....	....	....	....
North Dakota	350	....	....	....	....	....
Ohio	21,089	....	....	....	....	....
Oklahoma	9,119	....	....	....	....	....
Oregon	6,883	....	....	....	....	....
Pennsylvania	28,561	....	....	....	....	....
Rhode Island	3,480	....	....	....	....	....
South Carolina	28,284	....	....	....	....	....
South Dakota	830	....	....	....	....	....
Tennessee	18,731	....	....	....	....	....
Texas	89,898	....	....	....	....	....
Utah	4,200	....	....	....	....	....
Vermont	913	....	....	....	....	....
Virginia	28,867	....	....	....	....	....
Washington	13,253	....	....	....	....	....
West Virginia	2,457	....	....	....	....	....
Wisconsin	9,343	....	....	....	....	....
Wyoming	693	....	....	....	....	....
American Samoa	34	....	....	....	....	....
Guam	238	....	....	....	....	....
Northern Mariana Islands	45	....	....	....	....	....
Puerto Rico	34,195	....	....	....	....	....
Freely Associated States	39	....	....	....	....	....
Virgin Islands	709	....	....	....	....	....
Indian Tribes	....	....	....	....	....	....
Undistributed	....	....	[1] 1,185,326	1,185,326	[2] 1,185,326	....
Marshall Islands	25	....	....	....	....	....
Republic of Palau	44	....	....	....	....	....
Total	**1,162,083**	**.........**	**1,185,326**	**1,185,326**	**1,185,326**	**...........**

* $500 or less or 0.005 percent or less.

Note: FY 2009 data does not include Part B Supplemental

[1] FY 2010 data for each state is not available

[2] FY 2011 data will be available in March 2011

Department of Housing and Urban Development, Public and Indian Housing Programs **86-0163-0-1-604**

Table 17–35. PUBLIC HOUSING OPERATING FUND (14.850)

(Obligations in thousands of dollars)

State or Territory	FY 2009 Actual	Estimated FY 2010 obligations from: Previous authority	New authority	Total	FY 2011 (estimated)	FY 2011 Percentage of distributed total
Alabama	136,975	....	146,557	146,557	144,155	3.02
Alaska	9,647	....	10,322	10,322	10,153	0.21
Arizona	37,612	....	40,243	40,243	23,177	0.48
Arkansas	22,023	....	23,564	23,564	39,584	0.83
California	139,926	....	149,714	149,714	147,261	3.08
Colorado	27,971	....	29,928	29,928	29,437	0.62
Connecticut	68,087	....	72,850	72,850	78,905	1.65
Delaware	11,834	....	12,662	12,662	12,454	0.26
District of Columbia	49,824	....	53,309	53,309	52,436	1.10
Florida	130,845	....	139,998	139,998	137,704	2.88
Georgia	146,893	....	157,169	157,169	154,593	3.23
Hawaii	21,998	....	23,537	23,537	23,151	0.48
Idaho	1,527	....	1,634	1,634	1,607	0.03
Illinois	259,904	....	278,085	278,085	273,528	5.72
Indiana	48,582	....	51,980	51,980	51,129	1.07
Iowa	7,574	....	8,104	8,104	7,971	0.17
Kansas	20,421	....	21,850	21,850	21,491	0.45
Kentucky	61,461	....	65,760	65,760	64,683	1.35
Louisiana	70,002	....	74,899	74,899	73,672	1.54
Maine	15,564	....	16,653	16,653	16,380	0.34
Maryland	100,391	....	107,414	107,414	106,054	2.22
Massachusetts	157,480	....	168,496	168,496	187,470	3.92
Michigan	62,609	....	66,989	66,989	65,891	1.38
Minnesota	54,278	....	58,075	58,075	57,123	1.19
Mississippi	39,880	....	42,670	42,670	41,971	0.88
Missouri	42,895	....	45,896	45,896	45,144	0.94
Montana	5,647	....	6,042	6,042	5,943	0.12
Nebraska	15,251	....	16,318	16,318	16,051	0.34
Nevada	16,435	....	17,585	17,585	17,297	0.36
New Hampshire	12,669	....	13,555	13,555	13,333	0.28
New Jersey	181,782	....	194,498	194,498	191,311	4.00
New Mexico	11,548	....	12,356	12,356	12,153	0.25
New York	1,000,441	....	1,070,426	1,070,426	1,122,285	23.47
North Carolina	130,206	....	139,314	139,314	137,032	2.87
North Dakota	3,885	....	4,157	4,157	4,089	0.09
Ohio	192,119	....	205,558	205,558	202,190	4.23
Oklahoma	36,081	....	38,605	38,605	37,972	0.79
Oregon	18,486	....	19,779	19,779	19,455	0.41
Pennsylvania	288,046	....	308,196	308,196	303,146	6.34
Rhode Island	37,816	....	40,461	40,461	39,798	0.83
South Carolina	48,371	....	51,755	51,755	51,018	1.07
South Dakota	3,220	....	3,445	3,445	3,389	0.07
Tennessee	111,906	....	119,734	119,734	117,772	2.46
Texas	182,756	....	195,540	195,540	192,336	4.02
Utah	5,071	....	5,426	5,426	5,337	0.11
Vermont	5,286	....	5,656	5,656	5,563	0.12
Virginia	77,407	....	82,822	82,822	81,465	1.70
Washington	41,895	....	44,826	44,826	44,196	0.92
West Virginia	20,037	....	21,439	21,439	21,087	0.44
Wisconsin	25,034	....	26,785	26,785	26,346	0.55
Wyoming	1,773	....	1,897	1,897	1,866	0.04
American Samoa	....	....	....	....	....	....
Guam	3,979	....	4,257	4,257	4,188	0.09
Northern Mariana Islands	....	....	....	....	....	....
Puerto Rico	205,108	....	219,456	219,456	215,860	4.51
Freely Associated States	....	....	....	....	....	....
Virgin Islands	20,332	....	21,754	21,754	21,398	0.45
Indian Tribes	....	....	....	....	....	....
Undistributed	....	....	....	....	....	....
Technical Assistance	3	....	....	....	....	....
Total	**4,448,793**	**.........**	**4,760,000**	**4,760,000**	**4,781,000**	[1] **100.00**

[1] Excludes undistributed obligations.

Department of Housing and Urban Development, Public and Indian Housing Programs **86-0302-08-1-604**

Table 17–36. SECTION 8 HOUSING CHOICE VOUCHERS (14.871)

(Obligations in thousands of dollars)

State or Territory	FY 2009 Actual	Estimated FY 2010 obligations from: Previous authority	New authority	Total	FY 2011 (estimated)	FY 2011 Percentage of distributed total
Alabama	153,025	2,737	169,894	172,631	181,043	0.94
Alaska	30,293	542	33,632	34,174	35,840	0.19
Arizona	153,610	2,747	170,544	173,291	181,736	0.94
Arkansas	94,111	1,683	104,486	106,169	111,343	0.58
California	2,977,959	53,253	3,306,250	3,359,503	3,523,229	18.28
Colorado	208,332	3,726	231,298	235,024	246,477	1.28
Connecticut	317,962	5,686	353,014	358,700	375,191	1.95
Delaware	34,169	611	37,936	38,547	40,426	0.21
District of Columbia	156,416	2,797	173,659	176,456	185,056	0.96
Florida	756,549	13,529	839,951	853,480	895,074	4.64
Georgia	437,920	7,831	486,196	494,027	518,104	2.69
Hawaii	98,232	1,757	109,061	110,818	116,218	0.60
Idaho	34,303	613	38,084	38,697	40,584	0.21
Illinois	795,504	14,226	883,200	897,426	941,161	4.88
Indiana	187,749	3,358	208,446	211,804	222,126	1.15
Iowa	89,094	1,593	98,916	100,509	105,407	0.55
Kansas	56,489	1,010	62,716	63,726	66,832	0.35
Kentucky	167,339	2,993	185,786	188,779	197,978	1.03
Louisiana	306,897	5,488	340,729	346,217	363,090	1.88
Maine	76,414	1,367	84,838	86,205	90,406	0.47
Maryland	403,768	7,221	448,280	455,501	477,699	2.48
Massachusetts	769,139	13,755	853,928	867,683	909,968	4.72
Michigan	305,658	5,466	339,354	344,820	361,624	1.88
Minnesota	198,451	3,549	220,329	223,878	234,788	1.22
Mississippi	100,500	1,797	111,579	113,376	118,902	0.62
Missouri	213,969	3,826	237,557	241,383	253,147	1.31
Montana	26,906	481	29,872	30,353	31,832	0.17
Nebraska	57,527	1,029	63,869	64,898	68,061	0.35
Nevada	111,643	1,997	123,951	125,948	132,085	0.69
New Hampshire	75,865	1,357	84,228	85,585	89,755	0.47
New Jersey	608,797	10,887	675,911	686,798	720,269	3.74
New Mexico	71,894	1,286	79,820	81,106	85,058	0.44
New York	1,927,721	34,474	2,140,233	2,174,707	2,280,690	11.84
North Carolina	314,890	5,631	349,603	355,234	372,546	1.93
North Dakota	29,315	524	32,546	33,070	34,682	0.18
Ohio	513,618	9,185	570,240	579,425	607,663	3.15
Oklahoma	119,527	2,138	132,704	134,842	141,413	0.73
Oregon	193,975	3,469	215,359	218,828	229,492	1.19
Pennsylvania	524,827	9,386	582,684	592,070	620,924	3.22
Rhode Island	70,464	1,260	78,232	79,492	83,366	0.43
South Carolina	130,636	2,336	145,037	147,373	154,556	0.80
South Dakota	26,235	469	29,127	29,596	31,038	0.16
Tennessee	183,057	3,274	203,237	206,511	216,574	1.12
Texas	958,169	17,135	1,063,798	1,080,933	1,133,611	5.88
Utah	62,895	1,125	69,828	70,953	74,411	0.39
Vermont	39,536	707	43,895	44,602	46,776	0.24
Virginia	329,694	5,896	366,040	371,936	390,062	2.02
Washington	366,017	6,546	406,366	412,912	433,035	2.25
West Virginia	61,884	1,107	68,706	69,813	73,214	0.38
Wisconsin	139,105	2,488	154,440	156,928	164,576	0.85
Wyoming	11,255	201	12,496	12,697	13,316	0.07
American Samoa	....	....	....	....	....	....
Guam	32,004	572	35,532	36,104	37,864	0.20
Northern Mariana Islands	2,872	51	3,188	3,239	3,398	0.02
Puerto Rico	163,007	2,915	180,977	183,892	192,854	1.00
Freely Associated States	....	....	....	....	....	....
Virgin Islands	11,365	203	12,618	12,821	13,446	0.07
Indian Tribes	....	....	....	....	....	....
Undistributed	....	....	....	....	85,000	....
Total	**16,288,552**	**291,290**	**18,084,200**	**18,375,490**	**19,355,016**	[1] **100.00**

* $500 or less or 0.005 percent or less.

[1] Excludes undistributed obligations.

Department of Housing and Urban Development, Public and Indian Housing Programs **86-0304-0-1-604**

Table 17–37. PUBLIC HOUSING CAPITAL FUND (14.872)

(Obligations in thousands of dollars)

State or Territory	FY 2009 Actual	Estimated FY 2010 obligations from: Previous authority	New authority	Total	FY 2011 (estimated)	FY 2011 Percentage of distributed total
Alabama	181,945	3,908	71,112	75,020	61,737	3.12
Alaska	6,371	161	2,924	3,085	2,538	0.13
Arizona	25,667	534	9,725	10,259	8,443	0.43
Arkansas	56,480	1,171	21,314	22,485	18,504	0.93
California	287,449	5,039	91,698	96,737	79,609	4.02
Colorado	62,181	860	15,653	16,513	13,589	0.69
Connecticut	96,577	1,530	27,842	29,372	24,172	1.22
Delaware	26,512	286	5,202	5,488	4,516	0.23
District of Columbia	84,122	1,190	21,657	22,847	18,802	0.95
Florida	203,275	3,423	62,284	65,707	54,073	2.73
Georgia	214,328	4,596	83,640	88,236	72,613	3.67
Hawaii	28,993	668	12,165	12,833	10,561	0.53
Idaho	2,318	52	939	991	816	0.04
Illinois	481,913	9,266	168,613	177,879	146,385	7.39
Indiana	101,302	1,586	28,866	30,452	25,061	1.27
Iowa	13,924	321	5,849	6,170	5,078	0.26
Kansas	40,565	688	12,529	13,217	10,877	0.55
Kentucky	100,452	2,211	40,234	42,445	34,930	1.76
Louisiana	145,582	3,370	61,334	64,704	53,248	2.69
Maine	15,488	359	6,533	6,892	5,672	0.29
Maryland	148,927	2,527	45,985	48,512	39,922	2.02
Massachusetts	228,106	3,854	70,125	73,979	60,880	3.07
Michigan	93,517	1,769	32,194	33,963	27,949	1.41
Minnesota	137,449	1,923	34,998	36,921	30,384	1.53
Mississippi	67,514	1,394	25,376	26,770	22,030	1.11
Missouri	103,184	2,032	36,969	39,001	32,095	1.62
Montana	8,323	204	3,716	3,920	3,226	0.16
Nebraska	23,837	556	10,127	10,683	8,792	0.44
Nevada	28,720	450	8,192	8,642	7,112	0.36
New Hampshire	13,756	308	5,597	5,905	4,859	0.25
New Jersey	216,093	4,448	80,934	85,382	70,264	3.55
New Mexico	22,244	398	7,245	7,643	6,290	0.32
New York	920,157	20,802	378,538	399,340	328,635	16.60
North Carolina	176,486	3,231	58,805	62,036	51,052	2.58
North Dakota	7,388	158	2,874	3,032	2,495	0.13
Ohio	284,012	5,348	97,313	102,661	84,484	4.27
Oklahoma	56,922	1,062	19,324	20,386	16,777	0.85
Oregon	30,259	644	11,720	12,364	10,175	0.51
Pennsylvania	438,729	8,989	163,570	172,559	142,007	7.17
Rhode Island	36,288	819	14,898	15,717	12,934	0.65
South Carolina	78,043	1,493	27,170	28,663	23,588	1.19
South Dakota	6,476	196	3,561	3,757	3,091	0.16
Tennessee	172,300	3,349	60,941	64,290	52,906	2.67
Texas	231,623	4,739	86,245	90,984	74,875	3.78
Utah	9,801	162	2,949	3,111	2,560	0.13
Vermont	9,257	143	2,608	2,751	2,264	0.11
Virginia	95,941	2,159	39,285	41,444	34,106	1.72
Washington	134,236	1,689	30,737	32,426	26,684	1.35
West Virginia	23,248	527	9,583	10,110	8,319	0.42
Wisconsin	55,000	1,061	19,308	20,369	16,763	0.85
Wyoming	2,418	56	1,014	1,070	881	0.04
American Samoa	....	....	....	....	....	....
Guam	3,513	80	1,459	1,539	1,267	0.06
Northern Mariana Islands	....	....	....	....	....	....
Puerto Rico	310,873	7,147	130,060	137,207	112,913	5.70
Freely Associated States	....	....	....	....	....	....
Virgin Islands	16,897	392	7,139	7,531	6,197	0.31
Indian Tribes	....	....	....	....	....	....
Undistributed	....	....	138,000	138,000	20,000	....
Set-Asides (Technical Assistance, Administrative Expenses)	22	34	24	58	24	*
Total	**6,367,003**	**125,362**	**2,418,696**	**2,544,058**	**2,000,024**	[1] **100.00**

* $500 or less or 0.005 percent or less.

Note: This table reflects multiple CFDA Numbers: 14.884 and 14.885 in addition to the main CFDA number of 14.872

[1] Excludes undistributed obligations.

Department of Housing and Urban Development, Community Planning and Development **86-0162-0-1-451**

Table 17–38. COMMUNITY DEVELOPMENT BLOCK GRANTS AND NEIGHBORHOOD STABILIZATION PROGRAM (14.218)

(Obligations in thousands of dollars)

State or Territory	FY 2009 Actual	Estimated FY 2010 obligations from: Previous authority	New authority	Total	FY 2011 (estimated)	FY 2011 Percentage of distributed total
Alabama	86,781	....	52,931	52,931	52,441	1.21
Alaska	5,944	67	5,178	5,245	5,130	0.12
Arizona	74,807	....	65,719	65,719	65,111	1.50
Arkansas	35,068	70,181	30,200	100,381	29,920	0.69
California	615,244	2,760	538,529	541,289	533,545	12.30
Colorado	47,000	444	39,985	40,429	39,615	0.91
Connecticut	56,866	....	49,843	49,843	49,382	1.14
Delaware	9,052	....	7,775	7,775	7,703	0.18
District of Columbia	22,929	....	19,632	19,632	19,451	0.45
Florida	200,175	82,097	172,566	254,663	170,969	3.94
Georgia	110,103	....	90,963	90,963	90,122	2.08
Hawaii	19,109	....	16,403	16,403	16,251	0.37
Idaho	15,100	....	12,902	12,902	12,783	0.29
Illinois	221,800	186,756	191,298	378,054	189,528	4.37
Indiana	251,512	253,340	77,195	330,535	76,480	1.76
Iowa	248,324	516,714	43,986	560,700	43,579	1.01
Kansas	35,118	....	30,157	30,157	29,878	0.69
Kentucky	60,750	....	49,430	49,430	48,972	1.13
Louisiana	1,481,407	1,626,195	34,337	1,660,532	34,020	0.78
Maine	20,674	4,293	19,069	23,362	18,893	0.44
Maryland	69,222	....	59,410	59,410	58,860	1.36
Massachusetts	137,758	542	118,858	119,400	117,758	2.72
Michigan	158,544	806	135,730	136,536	134,474	3.10
Minnesota	73,193	....	61,920	61,920	61,347	1.41
Mississippi	53,106	6,505	38,262	44,767	37,908	0.87
Missouri	94,733	92,605	71,721	164,326	71,058	1.64
Montana	12,244	....	9,949	9,949	9,857	0.23
Nebraska	31,660	....	22,817	22,817	22,606	0.52
Nevada	25,618	....	22,017	22,017	21,813	0.50
New Hampshire	16,680	....	14,333	14,333	14,200	0.33
New Jersey	121,934	735	104,428	105,163	103,461	2.39
New Mexico	26,608	....	22,858	22,858	22,646	0.52
New York	439,520	....	377,865	377,865	374,367	8.63
North Carolina	97,199	....	85,129	85,129	84,341	1.95
North Dakota	8,000	....	6,873	6,873	6,809	0.16
Ohio	202,974	....	174,253	174,253	172,641	3.98
Oklahoma	38,927	1,794	33,628	35,422	33,316	0.77
Oregon	45,633	....	39,071	39,071	38,709	0.89
Pennsylvania	285,635	....	246,928	246,928	244,643	5.64
Rhode Island	21,474	243	18,678	18,921	18,505	0.43
South Carolina	48,927	....	42,032	42,032	41,643	0.96
South Dakota	11,581	509	8,684	9,193	8,603	0.20
Tennessee	63,023	92,518	54,171	146,689	53,670	1.24
Texas	1,633,870	1,743,001	273,339	2,016,340	270,809	6.25
Utah	25,173	....	21,421	21,421	21,223	0.49
Vermont	10,524	....	9,040	9,040	8,956	0.21
Virginia	83,112	....	72,855	72,855	72,181	1.66
Washington	77,551	....	66,673	66,673	66,056	1.52
West Virginia	34,696	....	27,112	27,112	26,861	0.62
Wisconsin	131,442	75,432	70,735	146,167	70,081	1.62
Wyoming	5,330	....	4,581	4,581	4,539	0.10
American Samoa	2,002	....	1,027	1,027	....	....
Guam	5,701	....	2,821	2,821	....	....
Northern Mariana Islands	2,750	....	1,360	1,360	....	....
Puerto Rico	157,257	....	119,599	119,599	118,492	2.73
Freely Associated States	....	....	....	....	....	....
Virgin Islands	3,622	....	1,792	1,792	....	....
Indian Tribes	72,900	67,581	65,000	132,581	65,000	1.50
Undistributed	....	1,930,000	....	1,930,000	....	....
Set-aside (e.g., Indian CDBG, Congressional Earmarks, Administration Initiatives)	144,000	585,880	394,932	980,812	325,000	7.50
Total	**8,091,886**	**7,340,998**	**4,450,000**	**11,790,998**	**4,336,206**	[1] **100.00**

Note: NSP2 competitive awards have not yet been announced

Note: Additional related CFDA numbers (regular CDBG): 14.225, 14.227, 14.228; (Recovery Act): 14.254, 14.255, 14.256)

[1] Excludes undistributed obligations.

Department of Housing and Urban Development, Community Planning and Development **86-0192-0-1-604**

Table 17–39. HOMELESSNESS PREVENTION AND RAPID RE-HOUSING PROGRAM (14.257)

(Obligations in thousands of dollars)

State or Territory	FY 2009 Actual	Estimated FY 2010 obligations from: Previous authority	New authority	Total	FY 2011 (estimated)	FY 2011 Percentage of distributed total
Alabama	20,074	....	....	....	....	....
Alaska	1,920	....	....	....	....	....
Arizona	22,084	....	....	....	....	....
Arkansas	11,213	....	....	....	....	....
California	187,632	1,455	....	1,455	....	....
Colorado	15,491	....	....	....	....	....
Connecticut	16,960	....	....	....	....	....
Delaware	2,921	....	....	....	....	....
District of Columbia	7,489	....	....	....	....	....
Florida	65,298	....	....	....	....	....
Georgia	33,625	....	....	....	....	....
Hawaii	6,183	....	....	....	....	....
Idaho	4,972	....	....	....	....	....
Illinois	68,287	2,578	....	2,578	....	....
Indiana	28,383	....	....	....	....	....
Iowa	16,732	....	....	....	....	....
Kansas	11,350	....	....	....	....	....
Kentucky	18,557	....	....	....	....	....
Louisiana	24,841	1,735	....	1,735	....	....
Maine	8,057	....	....	....	....	....
Maryland	22,408	....	....	....	....	....
Massachusetts	44,559	....	....	....	....	....
Michigan	53,140	....	....	....	....	....
Minnesota	23,546	....	....	....	....	....
Mississippi	14,380	....	....	....	....	....
Missouri	27,263	....	....	....	....	....
Montana	3,731	....	....	....	....	....
Nebraska	7,872	....	....	....	....	....
Nevada	8,250	....	....	....	....	....
New Hampshire	5,379	....	....	....	....	....
New Jersey	40,920	....	....	....	....	....
New Mexico	8,586	....	....	....	....	....
New York	139,997	1,424	....	1,424	....	....
North Carolina	29,078	....	....	....	....	....
North Dakota	2,583	....	....	....	....	....
Ohio	65,654	....	....	....	....	....
Oklahoma	12,298	....	....	....	....	....
Oregon	14,907	....	....	....	....	....
Pennsylvania	89,984	....	....	....	....	....
Rhode Island	6,978	....	....	....	....	....
South Carolina	15,789	....	....	....	....	....
South Dakota	3,254	....	....	....	....	....
Tennessee	20,295	....	....	....	....	....
Texas	103,968	....	....	....	....	....
Utah	8,408	....	....	....	....	....
Vermont	24,809	....	....	....	....	....
Virginia	3,399	....	....	....	....	....
Washington	24,949	....	....	....	....	....
West Virginia	10,199	....	....	....	....	....
Wisconsin	26,936	....	....	....	....	....
Wyoming	1,718	....	....	....	....	....
American Samoa	413	....	....	....	....	....
Guam	1,222	....	....	....	....	....
Northern Mariana Islands	589	....	....	....	....	....
Puerto Rico	45,002	....	....	....	....	....
Freely Associated States	....	....	....	....	....	....
Virgin Islands	776	....	....	....	....	....
Indian Tribes	....	....	....	....	....	....
Undistributed	....	....	....	....	....	....
Total	**1,485,308**	**7,192**	**.........**	**7,192**	**.........**	**...........**

Department of Housing and Urban Development, Community Planning and Development **86-0205-0-1-604**

Table 17–40. HOME INVESTMENT PARTNERSHIP PROGRAM AND TAX CREDIT ASSISTANCE PROGRAM (14.258)

(Obligations in thousands of dollars)

State or Territory	FY 2009 Actual	Estimated FY 2010 obligations from: Previous authority	New authority	Total	FY 2011 (estimated)	FY 2011 Percentage of distributed total
Alabama	57,670	....	25,949	25,949	23,226	1.42
Alaska	9,563	....	4,109	4,109	3,678	0.23
Arizona	58,247	....	26,172	26,172	23,425	1.43
Arkansas	36,858	....	16,542	16,542	14,806	0.91
California	588,494	....	264,976	264,976	237,172	14.52
Colorado	49,238	....	22,084	22,084	19,766	1.21
Connecticut	47,306	....	21,325	21,325	19,087	1.17
Delaware	11,599	....	5,035	5,035	4,506	0.28
District of Columbia	20,956	....	9,396	9,396	8,410	0.51
Florida	183,030	....	82,631	82,631	73,960	4.53
Georgia	98,231	....	44,142	44,142	39,510	2.42
Hawaii	17,498	....	7,705	7,705	6,896	0.42
Idaho	15,782	....	7,091	7,091	6,347	0.39
Illinois	170,850	....	76,858	76,858	68,793	4.21
Indiana	68,587	....	30,813	30,813	27,579	1.69
Iowa	34,196	....	15,354	15,354	13,743	0.84
Kansas	30,868	....	13,870	13,870	12,415	0.76
Kentucky	56,961	....	25,572	25,572	22,889	1.40
Louisiana	71,056	....	31,957	31,957	28,604	1.75
Maine	19,143	....	8,528	8,528	7,633	0.47
Maryland	57,143	....	25,669	25,669	22,976	1.41
Massachusetts	107,462	....	48,285	48,285	43,218	2.65
Michigan	115,099	....	51,583	51,583	46,171	2.83
Minnesota	51,208	....	22,978	22,978	20,567	1.26
Mississippi	39,876	....	18,155	18,155	16,250	0.99
Missouri	69,803	....	31,395	31,395	28,101	1.72
Montana	14,097	....	6,335	6,335	5,671	0.35
Nebraska	20,665	....	9,367	9,367	8,384	0.51
Nevada	27,073	....	11,995	11,995	10,737	0.66
New Hampshire	14,937	....	6,727	6,727	6,021	0.37
New Jersey	110,286	....	49,482	49,482	44,290	2.71
New Mexico	25,017	....	11,240	11,240	10,060	0.62
New York	455,501	....	204,663	204,663	183,188	11.21
North Carolina	93,879	....	42,100	42,100	37,682	2.31
North Dakota	8,473	....	3,644	3,644	3,262	0.20
Ohio	150,608	....	67,725	67,725	60,619	3.71
Oklahoma	46,337	....	20,798	20,798	18,616	1.14
Oregon	49,282	....	22,135	22,135	19,812	1.21
Pennsylvania	171,297	....	76,932	76,932	68,859	4.22
Rhode Island	21,525	....	9,678	9,678	8,663	0.53
South Carolina	45,811	....	20,609	20,609	18,447	1.13
South Dakota	9,766	....	4,400	4,400	3,938	0.24
Tennessee	70,299	....	31,547	31,547	28,237	1.73
Texas	267,050	....	119,761	119,761	107,194	6.56
Utah	20,957	....	9,402	9,402	8,415	0.52
Vermont	9,786	....	4,408	4,408	3,945	0.24
Virginia	79,675	....	35,745	35,745	31,994	1.96
Washington	77,518	....	34,818	34,818	31,164	1.91
West Virginia	29,814	....	13,391	13,391	11,986	0.73
Wisconsin	64,220	....	28,882	28,882	25,851	1.58
Wyoming	8,347	....	3,531	3,531	3,160	0.19
American Samoa	341	....	341	341	305	0.02
Guam	1,406	....	1,406	1,406	1,258	0.08
Northern Mariana Islands	647	....	647	647	579	0.04
Puerto Rico	76,206	....	33,861	33,861	30,308	1.86
Freely Associated States	....	....	....	....	....	....
Virgin Islands	1,256	....	1,256	1,256	1,125	0.07
Indian Tribes	....	....	....	....	....	....
Undistributed	....	....	....	....	....	....
Total	**4,058,800**	**.........**	**1,825,000**	**1,825,000**	**1,633,498**	**[1] 100.00**

[1] Excludes undistributed obligations.

Department of Justice, Office of Justice Programs **15-0404-0-1-754**

Table 17–41. EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM (16.738)

(Obligations in thousands of dollars)

State or Territory	FY 2009 Actual	Estimated FY 2010 obligations from: Previous authority	New authority	Total	FY 2011 (estimated)	FY 2011 Percentage of distributed total
Alabama	30,109	....	7,338	7,338	7,078	1.52
Alaska	9,552	....	2,310	2,310	2,242	0.48
Arizona	41,954	....	10,138	10,138	9,846	2.11
Arkansas	22,129	....	5,314	5,314	5,187	1.11
California	225,297	....	54,844	54,844	52,951	11.35
Colorado	29,823	....	7,270	7,270	7,011	1.50
Connecticut	20,593	....	5,014	5,014	4,840	1.04
Delaware	10,906	....	2,655	2,655	2,563	0.55
District of Columbia	11,742	....	2,858	2,858	2,760	0.59
Florida	134,461	....	32,874	32,874	31,629	6.78
Georgia	58,938	....	14,315	14,315	13,846	2.97
Hawaii	10,707	....	2,607	2,607	2,517	0.54
Idaho	11,353	....	2,763	2,763	2,668	0.57
Illinois	83,663	....	20,371	20,371	19,664	4.22
Indiana	35,356	....	8,543	8,543	8,298	1.78
Iowa	18,702	....	4,554	4,554	4,396	0.94
Kansas	19,884	....	4,824	4,824	4,670	1.00
Kentucky	24,018	....	5,845	5,845	5,645	1.21
Louisiana	34,988	....	8,864	8,864	8,289	1.78
Maine	9,608	....	2,339	2,339	2,258	0.48
Maryland	43,874	....	10,657	10,657	10,307	2.21
Massachusetts	40,738	....	9,933	9,933	9,578	2.05
Michigan	66,994	....	16,315	16,315	15,747	3.38
Minnesota	29,087	....	7,086	7,086	6,837	1.47
Mississippi	17,965	....	4,352	4,352	4,218	0.90
Missouri	40,257	....	9,749	9,749	9,452	2.03
Montana	4,959	....	1,211	1,211	1,166	0.25
Nebraska	13,103	....	3,158	3,158	3,074	0.66
Nevada	22,912	....	5,586	5,586	5,387	1.15
New Hampshire	9,775	....	2,380	2,380	2,298	0.49
New Jersey	47,749	....	11,626	11,626	11,223	2.41
New Mexico	18,248	....	4,421	4,421	4,285	0.92
New York	110,497	....	26,917	26,917	25,973	5.57
North Carolina	56,014	....	13,703	13,703	13,178	2.83
North Dakota	4,973	....	1,099	1,099	1,148	0.25
Ohio	61,590	....	15,010	15,010	14,479	3.10
Oklahoma	26,049	....	6,324	6,324	6,119	1.31
Oregon	22,026	....	5,344	5,344	5,173	1.11
Pennsylvania	72,361	....	17,621	17,621	17,008	3.65
Rhode Island	9,465	....	2,305	2,305	2,225	0.48
South Carolina	37,937	....	9,248	9,248	8,919	1.91
South Dakota	4,929	....	1,190	1,190	1,157	0.25
Tennessee	50,170	....	12,245	12,245	11,797	2.53
Texas	147,131	....	35,696	35,696	34,557	7.41
Utah	16,221	....	3,946	3,946	3,812	0.82
Vermont	4,972	....	1,211	1,211	1,169	0.25
Virginia	39,645	....	9,653	9,653	9,318	2.00
Washington	36,622	....	8,937	8,937	8,611	1.85
West Virginia	12,834	....	3,170	3,170	3,025	0.65
Wisconsin	30,057	....	7,318	7,318	7,065	1.51
Wyoming	14,848	....	1,086	1,086	1,122	0.24
American Samoa	3,332	....	811	811	783	0.17
Guam	4,973	....	1,211	1,211	1,169	0.25
Northern Mariana Islands	1,641	....	399	399	386	0.08
Puerto Rico	22,687	....	5,281	5,281	5,097	1.09
Freely Associated States	....	....	....	....	....	....
Virgin Islands	4,973	....	1,211	1,211	1,169	0.25
Indian Tribes	....	....	....	....	....	....
Undistributed	....	....	....	....	....	....
Total	**1,995,391**	**.........**	**483,050**	**483,050**	**466,386**	**[1] 100.00**

Note: Fiscal Year 2010 obligations are estimates, please note that the formula may change.

Note: Amounts for 2011 are estimates; actual formula may change; amount is total funding available net of Office of Justice Program set asides for tribal criminal justice assistance; and research, evaluation and statistics.

[1] Excludes undistributed obligations.

Department of Labor, Employment and Training Administration **16-0179-0-1-504**

Table 17–42. UNEMPLOYMENT INSURANCE (17.225)

(Obligations in thousands of dollars)

State or Territory	FY 2009 Actual	Estimated FY 2010 obligations from:			FY 2011 (estimated)	FY 2011 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	46,125	1,455	40,144	41,599	....	....
Alaska	27,591	294	27,005	27,299	....	....
Arizona	47,707	1,572	37,436	39,008	....	....
Arkansas	28,120	979	26,866	27,845	....	....
California	529,890	20,666	497,660	518,326	....	....
Colorado	50,816	1,754	46,198	47,952	....	....
Connecticut	73,837	2,516	66,884	69,400	....	....
Delaware	12,021	312	12,911	13,223	....	....
District of Columbia	14,106	354	13,469	13,823	....	....
Florida	151,674	6,773	113,627	120,400	....	....
Georgia	93,494	2,311	77,393	79,704	....	....
Hawaii	20,594	663	18,663	19,326	....	....
Idaho	35,029	756	21,594	22,350	....	....
Illinois	174,700	5,080	175,324	180,404	....	....
Indiana	57,251	2,697	52,321	55,018	....	....
Iowa	42,141	1,284	32,480	33,764	....	....
Kansas	26,610	688	23,298	23,986	....	....
Kentucky	40,193	1,594	35,814	37,408	....	....
Louisiana	32,117	558	35,555	36,113	....	....
Maine	19,375	571	16,981	17,552	....	....
Maryland	83,063	2,348	68,413	70,761	....	....
Massachusetts	83,157	3,908	84,624	88,532	....	....
Michigan	187,609	6,030	177,541	183,571	....	....
Minnesota	60,253	1,680	53,118	54,798	....	....
Mississippi	30,190	1,014	28,476	29,490	....	....
Missouri	60,219	2,562	51,519	54,081	....	....
Montana	12,303	327	11,886	12,213	....	....
Nebraska	17,038	411	18,206	18,617	....	....
Nevada	44,951	1,931	34,773	36,704	....	....
New Hampshire	16,445	598	15,286	15,884	....	....
New Jersey	140,629	6,587	136,867	143,454	....	....
New Mexico	20,128	981	17,582	18,563	....	....
New York	217,590	5,409	227,216	232,625	....	....
North Carolina	98,609	3,878	78,195	82,073	....	....
North Dakota	12,398	68	8,094	8,162	....	....
Ohio	149,420	6,101	122,646	128,747	....	....
Oklahoma	32,836	1,530	26,869	28,399	....	....
Oregon	79,489	3,258	66,352	69,610	....	....
Pennsylvania	179,620	5,851	171,786	177,637	....	....
Rhode Island	21,177	663	18,429	19,092	....	....
South Carolina	50,589	1,480	39,565	41,045	....	....
South Dakota	8,302	115	6,656	6,771	....	....
Tennessee	57,502	1,889	42,775	44,664	....	....
Texas	168,535	5,512	159,612	165,124	....	....
Utah	36,164	1,024	28,021	29,045	....	....
Vermont	9,234	142	9,462	9,604	....	....
Virginia	60,741	2,113	53,155	55,268	....	....
Washington	108,015	2,952	107,488	110,440	....	....
West Virginia	16,776	436	16,869	17,305	....	....
Wisconsin	85,224	2,432	79,039	81,471	....	....
Wyoming	11,531	176	8,769	8,945	....	....
American Samoa	....	....	....	....	....	....
Guam	....	....	....	....	....	....
Northern Mariana Islands	....	....	....	....	....	....
Puerto Rico	25,658	2,804	26,380	29,184	....	....
Freely Associated States	....	....	....	....	....	....
Virgin Islands	2,240	58	2,261	2,319	....	....
Indian Tribes	....	....	....	....	....	....
Undistributed	....	....	....	....	3,503,145	....
Total	**3,711,026**	**129,145**	**3,369,553**	**3,498,698**	**3,503,145**	**.........**

Note: Program Funding Allocation Data includes UI State Admin, Non-ARRA EUC and ARRA EUC

Department of Labor, Employment and Training Administration **16-0174-0-1-504**

Table 17–43. WIA YOUTH ACTIVITIES (17.259)

(Obligations in thousands of dollars)

State or Territory	FY 2009 Actual	Estimated FY 2010 obligations from: Previous authority	New authority	Total	FY 2011 (estimated)	FY 2011 Percentage of distributed total
Alabama	20,707	....	11,844	11,844	11,167	1.28
Alaska	6,998	....	3,062	3,062	2,887	0.33
Arizona	33,942	....	15,163	15,163	14,296	1.64
Arkansas	21,451	....	9,385	9,385	8,849	1.02
California	331,560	....	129,852	129,852	122,429	14.05
Colorado	21,112	....	10,561	10,561	9,957	1.14
Connecticut	19,618	....	8,414	8,414	7,933	0.91
Delaware	5,188	....	2,270	2,270	2,140	0.25
District of Columbia	7,058	....	3,088	3,088	2,911	0.33
Florida	76,222	....	33,348	33,348	31,442	3.61
Georgia	55,756	....	26,291	26,291	24,788	2.85
Hawaii	5,188	....	2,552	2,552	2,406	0.28
Idaho	5,188	....	2,978	2,978	2,807	0.32
Illinois	110,519	....	37,121	37,121	34,999	4.02
Indiana	42,095	....	18,686	18,686	17,618	2.02
Iowa	9,195	....	4,506	4,506	4,249	0.49
Kansas	12,661	....	5,626	5,626	5,305	0.61
Kentucky	31,485	....	13,569	13,569	12,793	1.47
Louisiana	35,579	....	15,566	15,566	14,677	1.68
Maine	7,575	....	3,298	3,298	3,110	0.36
Maryland	20,597	....	10,731	10,731	10,118	1.16
Massachusetts	44,158	....	19,320	19,320	18,216	2.09
Michigan	131,433	....	52,139	52,139	49,159	5.64
Minnesota	31,626	....	27,812	27,812	26,223	3.01
Mississippi	33,222	....	13,983	13,983	13,184	1.51
Missouri	45,157	....	17,689	17,689	16,678	1.91
Montana	5,188	....	2,270	2,270	2,140	0.25
Nebraska	5,235	....	2,389	2,389	2,253	0.26
Nevada	13,459	....	5,888	5,888	5,552	0.64
New Hampshire	5,188	....	2,270	2,270	2,140	0.25
New Jersey	37,040	....	19,864	19,864	18,728	2.15
New Mexico	10,424	....	4,850	4,850	4,573	0.52
New York	127,162	....	49,189	49,189	46,378	5.32
North Carolina	44,470	....	24,780	24,780	23,364	2.68
North Dakota	5,188	....	2,270	2,270	2,140	0.25
Ohio	99,841	....	43,682	43,682	41,185	4.73
Oklahoma	15,481	....	6,773	6,773	6,386	0.73
Oregon	26,789	....	13,004	13,004	12,261	1.41
Pennsylvania	72,265	....	30,236	30,236	28,507	3.27
Rhode Island	9,976	....	8,664	8,664	8,168	0.94
South Carolina	43,934	....	19,222	19,222	18,123	2.08
South Dakota	5,188	....	2,270	2,270	2,140	0.25
Tennessee	44,622	....	17,688	17,688	16,677	1.91
Texas	145,784	....	63,783	63,783	60,137	6.90
Utah	9,017	....	3,941	3,941	3,716	0.43
Vermont	5,188	....	2,270	2,270	2,140	0.25
Virginia	23,081	....	12,301	12,301	11,598	1.33
Washington	41,682	....	18,237	18,237	17,194	1.97
West Virginia	9,500	....	4,156	4,156	3,919	0.45
Wisconsin	24,550	....	13,752	13,752	12,966	1.49
Wyoming	5,188	....	2,270	2,270	2,140	0.25
American Samoa	302	....	132	132	124	0.01
Guam	2,457	....	1,073	1,073	1,012	0.12
Northern Mariana Islands	854	....	397	397	374	0.04
Puerto Rico	75,454	....	33,025	33,025	31,137	3.57
Freely Associated States	162	....	75	75	71	0.01
Virgin Islands	1,450	....	633	633	597	0.07
Indian Tribes	27,017	....	13,861	13,861	13,069	1.50
Undistributed	....	....	....	....	....	....
Total	**2,108,426**	**.........**	**924,069**	**924,069**	**871,250**	**[1] 100.00**

[1] Excludes undistributed otbligations.

Department of Labor, Employment and Training Administration **16-0174-0-1-504**

Table 17–44. WIA DISLOCATED WORKERS (17.260)

(Obligations in thousands of dollars)

State or Territory	FY 2009 Actual	Estimated FY 2010 obligations from:			FY 2011 (estimated)	FY 2011 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	25,815	....	12,930	12,930	12,930	1.09
Alaska	6,939	....	3,476	3,476	3,476	0.29
Arizona	34,051	....	17,170	17,170	17,170	1.45
Arkansas	14,711	....	7,368	7,368	7,368	0.62
California	434,192	....	217,457	217,457	217,457	18.31
Colorado	28,303	....	14,176	14,176	14,176	1.19
Connecticut	29,123	....	14,587	14,587	14,587	1.23
Delaware	3,990	....	1,999	1,999	1,999	0.17
District of Columbia	7,421	....	3,717	3,717	3,717	0.31
Florida	157,611	....	78,943	78,943	78,943	6.65
Georgia	85,704	....	42,927	42,927	42,927	3.62
Hawaii	4,229	....	2,118	2,118	2,118	0.18
Idaho	5,543	....	2,776	2,776	2,776	0.23
Illinois	134,096	....	67,164	67,164	67,164	5.66
Indiana	51,290	....	25,690	25,690	25,690	2.16
Iowa	10,225	....	5,121	5,121	5,121	0.43
Kansas	10,182	....	5,100	5,100	5,100	0.43
Kentucky	36,615	....	18,339	18,339	18,339	1.54
Louisiana	18,116	....	9,074	9,074	9,074	0.76
Maine	8,946	....	4,481	4,481	4,481	0.38
Maryland	22,022	....	11,030	11,030	11,030	0.93
Massachusetts	41,527	....	20,799	20,799	20,799	1.75
Michigan	153,502	....	76,885	76,885	76,885	6.48
Minnesota	41,018	....	20,541	20,541	20,541	1.73
Mississippi	27,804	....	13,926	13,926	13,926	1.17
Missouri	50,542	....	25,315	25,315	25,315	2.13
Montana	3,436	....	1,721	1,721	1,721	0.14
Nebraska	5,070	....	2,539	2,539	2,539	0.21
Nevada	28,003	....	14,026	14,026	14,026	1.18
New Hampshire	4,895	....	2,452	2,452	2,452	0.21
New Jersey	63,995	....	32,053	32,053	32,053	2.70
New Mexico	5,793	....	2,832	2,832	2,832	0.24
New York	129,859	....	65,042	65,042	65,042	5.48
North Carolina	86,912	....	43,532	43,532	43,532	3.67
North Dakota	1,793	....	898	898	898	0.08
Ohio	114,485	....	57,342	57,342	57,342	4.83
Oklahoma	11,786	....	5,903	5,903	5,903	0.50
Oregon	33,581	....	16,820	16,820	16,820	1.42
Pennsylvania	83,122	....	41,630	41,630	41,630	3.51
Rhode Island	15,547	....	7,787	7,787	7,787	0.66
South Carolina	48,339	....	24,211	24,211	24,211	2.04
South Dakota	1,866	....	935	935	935	0.08
Tennessee	55,514	....	27,805	27,805	27,805	2.34
Texas	105,205	....	52,694	52,694	52,694	4.44
Utah	6,920	....	3,458	3,458	3,458	0.29
Vermont	3,422	....	1,714	1,714	1,714	0.14
Virginia	27,619	....	13,833	13,833	13,833	1.17
Washington	43,324	....	21,685	21,685	21,685	1.83
West Virginia	7,004	....	3,508	3,508	3,508	0.30
Wisconsin	31,423	....	15,739	15,739	15,739	1.33
Wyoming	1,142	....	572	572	572	0.05
American Samoa	426	....	23	23	23	*
Guam	3,308	....	171	171	171	0.01
Northern Mariana Islands	1,224	....	62	62	62	0.01
Puerto Rico	57,768	....	3,155	3,155	3,155	0.27
Freely Associated States	345	....	21	21	21	*
Virgin Islands	1,953	....	101	101	101	0.01
Indian Tribes	....	....	....	....	....	....
Undistributed	....	....	....	....	....	....
Total	**2,428,596**	**.........**	**1,187,373**	**1,187,373**	**1,187,373**	**[1] 100.00**

* $500 or less or 0.005 percent or less.

[1] Excludes undistributed obligations.

Department of Transportation, Federal Aviation Administration **69-8106-0-7-402**

Table 17–45. AIRPORT IMPROVEMENT PROGRAM (20.106)

(Obligations in thousands of dollars)

State or Territory	FY 2009 Actual	Estimated FY 2010 obligations from: Previous authority	New authority	Total	FY 2011 (estimated)	FY 2011 Percentage of distributed total
Alabama	55,244	....	58,506	58,506	58,306	1.73
Alaska	207,225	....	210,509	210,509	209,791	6.23
Arizona	70,664	....	68,298	68,298	68,065	2.02
Arkansas	41,309	....	35,329	35,329	35,209	1.05
California	280,592	....	278,980	278,980	278,028	8.26
Colorado	103,706	....	89,093	89,093	88,789	2.64
Connecticut	19,192	....	19,230	19,230	19,165	0.57
Delaware	6,250	....	8,386	8,386	8,357	0.25
District of Columbia	384	....	169	169	168	*
Florida	174,896	....	158,286	158,286	157,746	4.69
Georgia	90,105	....	89,834	89,834	89,527	2.66
Hawaii	34,789	....	31,566	31,566	31,459	0.93
Idaho	17,229	....	23,948	23,948	23,867	0.71
Illinois	116,902	....	131,776	131,776	131,325	3.90
Indiana	68,872	....	57,290	57,290	57,095	1.70
Iowa	39,952	....	37,139	37,139	37,013	1.10
Kansas	39,159	....	34,057	34,057	33,941	1.01
Kentucky	46,039	....	65,997	65,997	65,771	1.95
Louisiana	67,946	....	63,397	63,397	63,180	1.88
Maine	31,125	....	23,094	23,094	23,016	0.68
Maryland	31,471	....	31,065	31,065	30,959	0.92
Massachusetts	52,955	....	49,690	49,690	49,520	1.47
Michigan	95,092	....	103,347	103,347	102,993	3.06
Minnesota	65,126	....	61,009	61,009	60,801	1.81
Mississippi	43,935	....	56,575	56,575	56,382	1.67
Missouri	66,738	....	75,720	75,720	75,462	2.24
Montana	47,099	....	35,165	35,165	35,044	1.04
Nebraska	32,635	....	26,389	26,389	26,300	0.78
Nevada	56,677	....	53,661	53,661	53,479	1.59
New Hampshire	9,504	....	24,815	24,815	24,730	0.73
New Jersey	30,959	....	39,894	39,894	39,758	1.18
New Mexico	20,843	....	23,199	23,199	23,121	0.69
New York	111,432	....	123,006	123,006	122,586	3.64
North Carolina	90,055	....	79,996	79,996	79,723	2.37
North Dakota	23,623	....	21,691	21,691	21,617	0.64
Ohio	77,993	....	84,294	84,294	84,006	2.50
Oklahoma	38,511	....	40,041	40,041	39,904	1.19
Oregon	63,677	....	43,562	43,562	43,414	1.29
Pennsylvania	93,465	....	104,592	104,592	104,235	3.10
Rhode Island	11,905	....	15,995	15,995	15,941	0.47
South Carolina	54,045	....	38,738	38,738	38,605	1.15
South Dakota	30,199	....	27,367	27,367	27,273	0.81
Tennessee	90,493	....	68,447	68,447	68,213	2.03
Texas	282,845	....	253,698	253,698	252,832	7.51
Utah	33,834	....	37,558	37,558	37,430	1.11
Vermont	12,061	....	6,990	6,990	6,966	0.21
Virginia	75,555	....	76,509	76,509	76,247	2.26
Washington	110,015	....	97,415	97,415	97,082	2.88
West Virginia	20,339	....	27,576	27,576	27,481	0.82
Wisconsin	72,669	....	58,247	58,247	58,048	1.72
Wyoming	27,002	....	22,636	22,636	22,558	0.67
American Samoa	9,077	....	6,196	6,196	6,175	0.18
Guam	16,744	....	16,286	16,286	16,230	0.48
Northern Mariana Islands	9,600	....	7,314	7,314	7,289	0.22
Puerto Rico	10,710	....	13,576	13,576	13,530	0.40
Freely Associated States	25,080	....	34,939	34,939	34,820	1.03
Virgin Islands	15,242	....	6,024	6,024	6,003	0.18
Indian Tribes	....	....	....	....	....	....
Undistributed	....	....	....	....	....	....
Total	**3,470,785**	**........**	**3,378,106**	**3,378,106**	**3,366,575**	**[1] 100.00**

* $500 or less or 0.005 percent or less.

[1] Excludes undistributed obligations.

Department of Transportation, Federal Highway Administration **69-8083-0-7-401**

Table 17–46. HIGHWAY PLANNING AND CONSTRUCTION (20.205)

(Obligations in thousands of dollars)

State or Territory	FY 2009 Actual	Estimated FY 2010 obligations from: Previous authority	New authority	Total	FY 2011 (estimated)	FY 2011 Percentage of distributed total
Alabama	1,188,900	99,623	647,760	747,383	708,076	1.88
Alaska	491,728	57,319	383,182	440,501	443,743	1.18
Arizona	1,029,907	217,305	629,575	846,880	707,332	1.88
Arkansas	700,958	123,655	484,117	607,772	499,417	1.32
California	5,629,877	488,591	3,213,092	3,701,683	3,565,173	9.45
Colorado	825,764	95,719	482,508	578,227	529,339	1.40
Connecticut	767,785	85,192	436,496	521,688	486,289	1.29
Delaware	233,642	61,725	208,325	270,050	164,834	0.44
District of Columbia	263,732	14,022	180,194	194,216	160,988	0.43
Florida	3,354,172	362,366	1,531,829	1,894,195	1,817,536	4.82
Georgia	1,792,809	341,453	1,135,635	1,477,088	1,239,881	3.29
Hawaii	279,976	40,717	219,078	259,795	169,713	0.45
Idaho	418,483	50,567	245,776	296,343	277,518	0.74
Illinois	2,188,124	158,637	1,336,645	1,495,282	1,394,358	3.70
Indiana	1,448,810	180,557	793,596	974,153	916,869	2.43
Iowa	847,735	26,870	457,034	483,904	475,621	1.26
Kansas	639,776	114,965	402,046	517,011	379,888	1.01
Kentucky	1,066,857	119,778	599,562	719,340	637,610	1.69
Louisiana	1,220,463	96,114	718,966	815,080	674,794	1.79
Maine	308,366	6,800	187,206	194,006	187,001	0.50
Maryland	973,646	94,294	558,895	653,189	591,366	1.57
Massachusetts	883,520	169,852	956,779	1,126,631	609,662	1.62
Michigan	1,712,983	209,243	987,902	1,197,145	1,037,249	2.75
Minnesota	1,019,099	124,227	624,136	748,363	622,234	1.65
Mississippi	831,272	54,618	435,332	489,950	468,776	1.24
Missouri	1,288,751	230,600	865,206	1,095,806	905,257	2.40
Montana	523,662	72,791	352,932	425,723	375,064	0.99
Nebraska	422,181	78,902	294,054	372,956	288,252	0.76
Nevada	487,454	104,899	284,186	389,085	356,370	0.94
New Hampshire	282,261	6,070	164,423	170,493	163,647	0.43
New Jersey	1,334,018	162,947	944,176	1,107,123	973,404	2.58
New Mexico	562,158	61,909	346,059	407,968	352,772	0.94
New York	2,324,738	125,068	1,598,373	1,723,441	1,666,502	4.42
North Carolina	1,563,306	168,384	875,372	1,043,756	1,001,585	2.66
North Dakota	416,521	23,114	237,737	260,851	247,523	0.66
Ohio	1,954,873	462,516	1,221,923	1,684,439	1,282,532	3.40
Oklahoma	1,172,512	52,335	582,556	634,891	626,787	1.66
Oregon	747,110	76,137	453,313	529,450	489,642	1.30
Pennsylvania	2,320,113	117,335	1,553,374	1,670,709	1,590,032	4.22
Rhode Island	326,496	11,968	217,338	229,306	218,523	0.58
South Carolina	995,812	127,349	572,277	699,626	607,761	1.61
South Dakota	394,360	94,044	268,072	362,116	272,667	0.72
Tennessee	1,368,520	76,739	828,028	904,767	801,074	2.12
Texas	4,322,933	1,028,289	2,761,588	3,789,877	3,045,069	8.07
Utah	554,133	5,136	318,898	324,034	317,293	0.84
Vermont	253,448	27,521	219,989	247,510	202,084	0.54
Virginia	1,175,896	351,748	984,630	1,336,378	965,275	2.56
Washington	1,204,228	135,626	579,206	714,832	664,881	1.76
West Virginia	644,518	17,167	412,290	429,457	406,571	1.08
Wisconsin	1,229,099	173,922	673,799	847,721	716,519	1.90
Wyoming	423,932	....	236,269	236,269	242,382	0.64
American Samoa	30,943	....	16,772	16,772	16,772	0.04
Guam	44,722	....	16,949	16,949	16,949	0.04
Northern Mariana Islands	9,874	....	3,409	3,409	3,409	0.01
Puerto Rico	204,534	26,301	127,016	153,317	127,016	0.34
Freely Associated States	....	....	....	....	....	....
Virgin Islands	30,984	4,770	12,870	17,640	12,870	0.03
Indian Tribes	24,028	....	....	....	....	....
Undistributed	1,001,568	382,131	5,967,250	6,349,381	4,380,025	....
Total	**59,758,070**	**7,599,927**	**41,846,000**	**49,445,927**	**42,101,776**	**[1] 100.00**

Note: This table also includes Budget account number 69-0504-0-1-401.

[1] Excludes undistributed obligations.

Department of Transportation, Federal Transit Administration 69-8350-0-7-1

Table 17–47. FEDERAL TRANSIT FORMULA GRANTS PROGRAMS (20.507)

(Obligations in thousands of dollars)

State or Territory	FY 2009 Actual	Estimated FY 2010 obligations from:			FY 2011 (estimated)	FY 2011 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	21,968	29,939	63,339	93,278	53,823	0.54
Alaska	58,403	4,155	33,955	38,110	73,195	0.73
Arizona	51,946	81,410	151,068	232,478	115,149	1.15
Arkansas	16,509	5,846	13,025	18,871	32,716	0.33
California	993,663	261,300	670,432	931,732	1,464,136	14.65
Colorado	91,712	20,871	101,108	121,979	124,697	1.25
Connecticut	13,848	164,732	298,652	463,384	190,652	1.91
Delaware	18,143	13,940	24,536	38,476	19,040	0.19
District of Columbia	3,683	121,465	203,059	324,524	255,859	2.56
Florida	206,620	92,759	252,515	345,274	394,318	3.94
Georgia	125,671	51,450	102,693	154,143	209,814	2.10
Hawaii	27,169	11,283	57,395	68,678	49,581	0.50
Idaho	10,425	4,890	17,229	22,119	20,258	0.20
Illinois	456,042	38,108	165,951	204,059	672,276	6.73
Indiana	85,485	22,268	56,582	78,850	107,962	1.08
Iowa	37,446	4,653	14,266	18,919	41,560	0.42
Kansas	18,724	12,968	29,426	42,394	34,112	0.34
Kentucky	43,825	3,619	17,526	21,145	56,489	0.57
Louisiana	59,144	6,827	20,862	27,689	78,464	0.78
Maine	14,848	2,646	9,728	12,374	15,964	0.16
Maryland	148,019	32,752	101,120	133,872	234,380	2.34
Massachusetts	85,660	150,219	347,682	497,901	433,884	4.34
Michigan	100,841	33,583	73,666	107,249	152,310	1.52
Minnesota	77,291	46,018	87,204	133,222	119,952	1.20
Mississippi	11,943	13,436	38,592	52,028	29,671	0.30
Missouri	81,423	19,314	48,319	67,633	107,331	1.07
Montana	14,866	2,584	6,229	8,813	16,562	0.17
Nebraska	8,859	12,048	26,589	38,637	25,319	0.25
Nevada	42,002	14,094	28,487	42,581	52,553	0.53
New Hampshire	9,913	6,476	14,281	20,757	15,254	0.15
New Jersey	516,442	14,163	126,355	140,518	671,852	6.72
New Mexico	30,311	4,980	16,525	21,505	30,629	0.31
New York	718,325	458,719	1,241,508	1,700,227	1,777,601	17.78
North Carolina	70,504	62,938	127,378	190,316	114,968	1.15
North Dakota	10,076	1,323	7,025	8,348	12,352	0.12
Ohio	129,293	62,286	117,144	179,430	219,493	2.20
Oklahoma	35,022	7,362	17,064	24,426	44,290	0.44
Oregon	94,015	5,245	54,787	60,032	98,319	0.98
Pennsylvania	377,252	49,703	181,661	231,364	489,473	4.90
Rhode Island	25,217	13,190	45,465	58,655	32,349	0.32
South Carolina	24,627	20,937	41,652	62,589	48,271	0.48
South Dakota	9,601	1,632	4,292	5,924	12,277	0.12
Tennessee	70,497	14,688	43,677	58,365	82,655	0.83
Texas	374,249	70,230	177,139	247,369	447,542	4.48
Utah	46,728	....	5,434	5,434	66,988	0.67
Vermont	15,631	7,803	25,813	33,616	7,246	0.07
Virginia	186,279	1,488	18,814	20,302	165,444	1.66
Washington	148,579	64,225	162,510	226,735	255,413	2.56
West Virginia	9,630	49,063	181,795	230,858	24,998	0.25
Wisconsin	69,622	9,630	24,245	33,875	92,687	0.93
Wyoming	7,165	10,146	25,236	35,382	9,858	0.10
American Samoa	370	513	2,054	2,567	582	0.01
Guam	941	410	719	1,129	1,378	0.01
Northern Mariana Islands	2,158	2	667	669	1,447	0.01
Puerto Rico	37,211	....	7,797	7,797	88,678	0.89
Freely Associated States	....	59,244	91,566	150,810	....	....
Virgin Islands	2,459	....	140	140	1,810	0.02
Indian Tribes	....	....	....	....	....	....
Undistributed	[1] 60,402	....	[2] 51,321	51,321	[3] 81,243	....
Total	**6,008,697**	**2,275,573**	**5,875,299**	**8,150,872**	**10,077,124**	**[4] 100.00**

[1] FY 2009 undistributed is the Oversight takedown and does not include the $64 administrative oversight takedown in the 2009 American Recovery and Reinvestment Act.
[2] FY 2010 undistributed is the Oversight takedown
[3] FY 2011 undistributed in the Oversight takedown
[4] Excludes undistributed obligations.

Environmental Protection Agency, Office of Water **68-0103-0-1-304**

Table 17–48. CAPITALIZATION GRANTS FOR CLEAN WATER STATE REVOLVING FUND (66.458)

(Obligations in thousands of dollars)

State or Territory	FY 2009 Actual	Estimated FY 2010 obligations from: Previous authority	New authority	Total	FY 2011 (estimated)	FY 2011 Percentage of distributed total
Alabama	51,950	....	23,013	23,013	21,917	1.10
Alaska	27,806	....	12,317	12,317	11,731	0.59
Arizona	32,895	1	13,901	13,902	13,238	0.66
Arkansas	25,995	....	13,463	13,463	12,822	0.64
California	333,570	325	147,193	147,518	140,180	7.01
Colorado	37,163	....	16,463	16,463	15,678	0.78
Connecticut	56,916	....	25,213	25,213	24,012	1.20
Delaware	19,533	3,280	10,103	13,383	9,622	0.48
District of Columbia	14,682	10,405	10,103	20,508	9,622	0.48
Florida	159,805	....	69,471	69,471	66,161	3.31
Georgia	78,552	18,203	34,797	53,000	33,139	1.66
Hawaii	30,774	5,224	15,940	21,164	15,180	0.76
Idaho	22,808	....	10,103	10,103	9,622	0.48
Illinois	209,809	331	93,080	93,411	88,645	4.43
Indiana	112,149	369	49,600	49,969	47,236	2.36
Iowa	72,081	....	27,854	27,854	26,527	1.33
Kansas	41,936	522	18,577	19,099	17,692	0.88
Kentucky	59,130	....	26,194	26,194	24,946	1.25
Louisiana	55,469	7,456	22,624	30,080	21,546	1.08
Maine	35,964	1	15,932	15,933	15,172	0.76
Maryland	112,366	....	49,777	49,777	47,405	2.37
Massachusetts	157,741	....	69,876	69,876	66,546	3.33
Michigan	199,766	3,376	88,493	91,869	84,277	4.21
Minnesota	95,925	81	37,827	37,908	36,025	1.80
Mississippi	41,858	....	18,542	18,542	17,659	0.88
Missouri	129,094	18,855	57,054	75,909	54,335	2.72
Montana	27,808	....	10,103	10,103	9,622	0.48
Nebraska	23,769	1	10,527	10,528	10,025	0.50
Nevada	19,533	3,447	10,103	13,550	9,622	0.48
New Hampshire	53,198	....	20,567	20,567	19,587	0.98
New Jersey	189,853	....	84,102	84,102	80,095	4.00
New Mexico	23,620	3,274	10,103	13,377	9,622	0.48
New York	518,988	....	227,170	227,170	216,345	10.82
North Carolina	71,568	12,281	37,144	49,425	35,374	1.77
North Dakota	23,482	(2,600)	10,103	7,503	9,622	0.48
Ohio	299,469	416	115,861	116,277	110,341	5.52
Oklahoma	32,644	5,453	16,627	22,080	15,835	0.79
Oregon	52,443	40	23,249	23,289	22,141	1.11
Pennsylvania	157,078	48,630	81,524	130,154	77,639	3.88
Rhode Island	26,680	4,515	13,819	18,334	13,161	0.66
South Carolina	47,595	8	21,084	21,092	20,079	1.00
South Dakota	22,894	....	10,103	10,103	9,622	0.48
Tennessee	67,490	....	29,897	29,897	28,473	1.42
Texas	212,366	31,102	94,067	125,169	89,585	4.48
Utah	24,480	....	10,844	10,844	10,328	0.52
Vermont	22,808	3,274	10,103	13,377	9,622	0.48
Virginia	95,149	....	42,119	42,119	40,112	2.01
Washington	80,812	....	35,791	35,791	34,085	1.70
West Virginia	72,424	14	32,083	32,097	30,554	1.53
Wisconsin	125,601	....	55,639	55,639	52,988	2.65
Wyoming	22,808	....	10,103	10,103	9,622	0.48
American Samoa	3,754	1,605	11,129	12,734	10,619	0.53
Guam	3,018	246	8,052	8,299	7,683	0.38
Northern Mariana Islands	1,852	474	5,172	5,646	4,935	0.25
Puerto Rico	70,071	1,115	26,843	27,958	25,564	1.28
Freely Associated States	....	....	....	....	....	....
Virgin Islands	1,963	458	6,459	6,917	6,163	0.31
Indian Tribes	66,341	2,598	42,000	44,598	40,000	2.00
Undistributed	62	8,597	....	8,597	....	....
Total	**4,677,357**	**193,377**	**2,100,000**	**2,293,375**	**2,000,000**	[1] **100.00**

[1] Excludes undistributed obligations.

Environmental Protection Agency, Office of Water **68-0103-0-1-304**

Table 17–49. CAPITALIZATION GRANTS FOR DRINKING WATER STATE REVOLVING FUND (66.468)

(Obligations in thousands of dollars)

State or Territory	FY 2009 Actual	Estimated FY 2010 obligations from: Previous authority	New authority	Total	FY 2011 (estimated)	FY 2011 Percentage of distributed total
Alabama	56,292	....	16,823	16,823	15,608	1.23
Alaska	19,500	8,172	13,573	21,745	12,593	0.99
Arizona	57,034	....	27,259	27,259	25,290	1.99
Arkansas	34,714	10,229	20,539	30,768	19,056	1.50
California	161,569	....	126,958	126,958	117,792	9.29
Colorado	42,498	....	24,074	24,074	22,335	1.76
Connecticut	19,500	8,146	13,573	21,719	12,593	0.99
Delaware	26,990	....	13,573	13,573	12,593	0.99
District of Columbia	27,780	8,668	13,573	22,241	12,593	0.99
Florida	88,530	....	44,316	44,316	41,116	3.24
Georgia	62,921	(18,100)	32,071	13,971	29,755	2.35
Hawaii	152,348	8,146	13,573	21,719	12,593	0.99
Idaho	23,901	....	13,573	13,573	12,593	0.99
Illinois	94,205	....	51,230	51,230	47,531	3.75
Indiana	42,982	....	22,638	22,638	21,003	1.66
Iowa	32,541	10,148	23,169	33,317	21,496	1.70
Kansas	27,646	....	16,605	16,605	15,406	1.21
Kentucky	47,864	....	19,592	19,592	18,178	1.43
Louisiana	40,777	....	25,649	25,649	23,797	1.88
Maine	27,646	....	13,573	13,573	12,593	0.99
Maryland	44,185	3,026	21,059	24,085	19,538	1.54
Massachusetts	60,362	....	25,303	25,303	23,476	1.85
Michigan	150,335	52	41,226	41,278	38,250	3.02
Minnesota	24,697	....	22,776	22,776	21,132	1.67
Mississippi	27,954	....	14,125	14,125	13,105	1.03
Missouri	48,010	15,816	26,234	42,050	24,340	1.92
Montana	27,646	6,672	13,573	20,245	12,593	0.99
Nebraska	35,316	....	13,573	13,573	12,593	0.99
Nevada	19,500	8,146	13,573	21,719	12,593	0.99
New Hampshire	27,646	8,146	13,573	21,719	12,593	0.99
New Jersey	61,181	....	28,995	28,995	26,901	2.12
New Mexico	31,040	8,146	13,573	21,719	12,593	0.99
New York	123,076	....	89,427	89,427	82,970	6.54
North Carolina	72,771	27,414	35,593	63,007	33,023	2.60
North Dakota	33,850	2,600	13,573	16,173	12,593	0.99
Ohio	69,827	100	43,610	43,710	40,461	3.19
Oklahoma	39,627	....	16,863	16,863	15,646	1.23
Oregon	45,979	11,912	13,573	25,485	12,593	0.99
Pennsylvania	79,948	5,762	39,766	45,528	36,894	2.91
Rhode Island	27,646	8,146	13,573	21,719	12,593	0.99
South Carolina	27,646	806	13,573	14,379	12,593	0.99
South Dakota	27,646	....	13,573	13,573	12,593	0.99
Tennessee	43,120	....	15,084	15,084	13,995	1.10
Texas	227,768	4,359	86,254	90,613	80,026	6.31
Utah	27,646	....	13,573	13,573	12,593	0.99
Vermont	41,313	8,146	13,573	21,719	12,593	0.99
Virginia	52,666	....	23,008	23,008	21,347	1.68
Washington	53,718	....	34,650	34,650	32,148	2.54
West Virginia	29,886	8,146	13,573	21,719	12,593	0.99
Wisconsin	70,976	....	23,399	23,399	21,710	1.71
Wyoming	20,012	....	13,573	13,573	12,593	0.99
American Samoa	2,223	202	2,057	2,259	....	....
Guam	3,137	887	5,138	6,025	....	....
Northern Mariana Islands	9,975	504	6,148	6,652	....	....
Puerto Rico	19,500	8,146	13,573	21,719	12,593	0.99
Freely Associated States	....	....	....	....	....	....
Virgin Islands	1,999	835	7,016	7,851	....	....
Indian Tribes	137,879	2,644	27,740	30,384	27,740	2.19
Undistributed	32,033	11,983	2,000	13,983	18,889	....
Total	**2,966,978**	**188,005**	**1,387,000**	**1,575,006**	**1,287,000**	**[1] 100.00**

[1] Excludes undistributed obligations.

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Table 17–50. UNIVERSAL SERVICE FUND E-RATE

(Obligations in thousands of dollars)

State or Territory	FY 2009 Actual	Estimated FY 2010 obligations from:			FY 2011 (estimated)	FY 2011 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	26,201	....	35,462	35,462	36,491	1.72
Alaska	17,494	....	23,679	23,679	24,366	1.15
Arizona	39,406	....	53,336	53,336	54,884	2.59
Arkansas	17,506	....	23,695	23,695	24,383	1.15
California	207,060	....	280,525	280,525	288,388	13.62
Colorado	12,149	....	16,444	16,444	16,921	0.80
Connecticut	18,756	....	25,386	25,386	26,123	1.23
Delaware	615	....	833	833	857	0.04
District of Columbia	12,411	....	16,798	16,798	17,286	0.82
Florida	70,855	....	95,901	95,901	98,685	4.66
Georgia	58,293	....	78,899	78,899	81,189	3.83
Hawaii	1,865	....	2,525	2,525	2,598	0.12
Idaho	4,120	....	5,577	5,577	5,739	0.27
Illinois	59,563	....	80,618	80,618	82,956	3.92
Indiana	15,991	....	21,644	21,644	22,272	1.05
Iowa	8,536	....	11,553	11,553	11,889	0.56
Kansas	13,286	....	17,983	17,983	18,505	0.87
Kentucky	22,266	....	30,137	30,137	31,012	1.46
Louisiana	31,131	....	42,136	42,136	43,359	2.05
Maine	5,106	....	6,910	6,910	8,842	0.42
Maryland	8,840	....	11,965	11,965	12,312	0.58
Massachusetts	18,248	....	24,698	24,698	25,415	1.20
Michigan	46,004	....	62,266	62,266	64,073	3.03
Minnesota	13,260	....	17,948	17,948	18,469	0.87
Mississippi	21,405	....	28,972	28,972	29,813	1.41
Missouri	18,495	....	25,032	25,032	25,759	1.22
Montana	3,047	....	4,123	4,123	4,243	0.20
Nebraska	7,256	....	9,821	9,821	10,106	0.48
Nevada	2,496	....	3,379	3,379	3,477	0.16
New Hampshire	1,865	....	2,525	2,525	2,598	0.12
New Jersey	32,333	....	43,763	43,763	45,033	2.13
New Mexico	22,971	....	31,090	31,090	31,993	1.51
New York	173,459	....	234,774	234,774	241,589	11.41
North Carolina	45,492	....	61,573	61,573	63,361	2.99
North Dakota	2,838	....	3,841	3,841	3,953	0.19
Ohio	52,257	....	70,730	70,730	72,783	3.44
Oklahoma	26,581	....	35,977	35,977	37,021	1.75
Oregon	11,933	....	16,151	16,151	16,620	0.78
Pennsylvania	56,927	....	77,050	77,050	79,287	3.74
Rhode Island	4,745	....	6,422	6,422	6,608	0.31
South Carolina	30,247	....	40,939	40,939	42,127	1.99
South Dakota	4,558	....	6,169	6,169	6,348	0.30
Tennessee	33,610	....	45,490	45,490	46,811	2.21
Texas	136,742	....	185,079	185,079	190,452	8.99
Utah	12,986	....	17,577	17,577	18,087	0.85
Vermont	1,247	....	1,688	1,688	1,737	0.08
Virginia	24,869	....	33,659	33,659	34,636	1.64
Washington	23,957	....	32,425	32,425	33,366	1.58
West Virginia	7,210	....	9,759	9,759	10,042	0.47
Wisconsin	11,499	....	15,564	15,564	16,016	0.76
Wyoming	3,609	....	4,884	4,884	5,026	0.24
American Samoa	3,426	....	4,636	4,636	4,771	0.23
Guam	271	....	366	366	377	0.02
Northern Mariana Islands	693	....	938	938	965	0.05
Puerto Rico	7,610	....	10,300	10,300	10,599	0.50
Freely Associated States	....	....	....	....	....	....
Virgin Islands	3,909	....	5,290	5,290	5,444	0.26
Indian Tribes	....	....	....	....	....	....
Undistributed	....	....	....	....	....	....
Total	**1,519,505**	**.........**	**2,056,904**	**2,056,904**	**2,118,062**	**[1] 100.00**

[1] Excludes undistributed obligations.

18. STRENGTHENING FEDERAL STATISTICS

Federal statistical programs produce key information to illuminate public and private decisions on a range of topics, including the economy, the population, agriculture, crime, education, energy, the environment, health, science, and transportation. The share of budget resources spent on supporting Federal statistics is relatively modest—about 0.02 percent of GDP in non-decennial census years and roughly double that in decennial census years—but that funding is leveraged to inform crucial decisions in a wide variety of spheres. The ability of governments, businesses, and the general public to make appropriate decisions about budgets, employment, investments, taxes, and a host of other important matters depends critically on the ready availability of relevant, accurate, and timely Federal statistics.

The Federal statistical community remains eager for opportunities to improve these measures of our Nation's performance. For example, during 2009, Federal statistical agencies: (i) incorporated the Troubled Assets Relief Program, Federal assistance to Fannie Mae and Freddie Mac, the American Recovery and Reinvestment Act, and the "cash for clunkers" program into the national economic accounts (Bureau of Economic Analysis); (ii) conducted the Address Canvassing operation for the 2010 Decennial Census, in which more than 150,000 temporary field workers fanned out across the country and verified the addresses and locations of over 140 million housing units in less than four months (Census Bureau); (iii) added three industries to productivity measures, which are used to analyze trends in production costs, to compare trends in efficiency across industries, and to examine the effects of technological improvements (Bureau of Labor Statistics); (iv) developed the full scale Business R&D and Innovation Survey, which will provide government and business policymakers, researchers, and the media with information needed to measure and evaluate the Nation's R&D enterprise and to assess how effective our R&D efforts are in keeping the United States competitive globally (Division of Science Resources Statistics/NSF and the Census Bureau); (v) expanded the Research and Development (R&D) satellite account and developed a framework for capitalizing R&D expenditures in the 2007 benchmark Input-Output accounts (Bureau of Economic Analysis); (vi) collected new data on employer costs associated with pension funds and health coverage and other new data sets targeting specific needs of the Bureau of Economic Analysis, including data on franchising, computer systems integration, patient care, and research and development acquisitions (Census Bureau); (vii) completed the first national assessment of the scope and extent of "food deserts"—areas with limited access to affordable and nutritious food—whose findings will allow targeting of efforts to increase access to healthy, affordable food (Economic Research Service); (viii) published data for the time period 1959-2007 to gain a more complete understanding of the long-term trends in the number and percentage of persons under age 65 with different types of health insurance coverage and with no coverage (National Center for Health Statistics); (ix) prepared to conduct the first-ever national On-Farm Renewable Energy Production Survey (National Agricultural Statistics Service); (x) used the cost savings from electronic tax return information filing to expand and integrate samples and to increase published data (Statistics of Income Division, IRS); (xi) expanded the program to collect and publish U.S. and regional renewable fuel (mainly ethanol) information (Energy Information Administration); (xii) released the 2007 Commodity Flow Survey data providing characteristics of the 12.5 billion tons of raw materials and goods transported by the Nation's freight transportation system (Bureau of Transportation Statistics); and (xiii) launched a major multi-year project to redesign the National Crime Victimization Survey, which provides the only national data on the extent of crime both reported and not reported to law enforcement as well as the characteristics and consequences of such victimization to the American public (Bureau of Justice Statistics).

For Federal statistical programs to be used by their wide range of users, the underlying data systems must be credible. To foster this credibility, Federal statistical programs seek to adhere to high-quality standards and to maintain integrity and efficiency in the production of data. As the collectors and providers of these basic statistics, the responsible agencies act as data stewards—balancing public information demands and decision-makers' needs for information with legal and ethical obligations to minimize reporting burden, respect respondents' privacy, and protect the confidentiality of the data provided to the Government. This chapter presents highlights of principal statistical agencies' 2011 budget proposals.

Highlights of 2011 Program Budget Proposals

The programs that provide essential statistical information for use by governments, businesses, researchers, and the public are carried out by more than 80 agencies spread across every department and several independent agencies. Excluding cyclical funding for the decennial census, nearly 40 percent of the total budget for these programs provides resources for 13 agencies or units that have statistical activities as their principal mission (see Table 18–1). The remaining funding supports work in more than 70 agencies or units that carry out statistical activities in conjunction with other missions such as providing services, conducting research, or implementing regulations. More comprehensive budget and program information about the Federal statistical system will be available in OMB's annual report, *Statistical Programs of the United States Government, Fiscal Year 2011*, when it is published later this year. The following highlights elaborate on the Administration's proposals for the programs of the principal Federal statistical agencies.

Bureau of Economic Analysis (BEA): Funding is requested to continue BEA's core programs, and to: (1) improve Foreign Direct Investment statistics by re-examining the coverage and detail of the data collected on multinational corporations, redesigning surveys to maximize their efficiency, and improving the quantity and usefulness of the resulting data; (2) develop a New Economic Dashboard to expand the statistical coverage of the business and government sectors and to develop new data series that will better serve the statistical and regulatory communities including new measures of GDP-by-Industry on a quarterly basis (currently only available on an annual basis) as well as new detail and breakouts of the business sector, with an emphasis on small businesses; (3) produce a new suite of measures of household income distribution, expenses, debt, and savings in "Everyday Economics: The American Household," which will detail household spending power, debt, and the composition of savings to provide critical tools necessary to identify signs of weakness in the future; and (4) create common BEA-EIA statistics on energy supply, consumption, and price data to provide consistent metrics for discussing energy trends and developing forecast models of energy supply and consumption dynamics.

Bureau of Justice Statistics (BJS): Funding is requested to: (1) improve BJS' criminal victimization statistics derived from the National Crime Victimization Survey (NCVS) as well as their usefulness by addressing recommendations of the 2008 National Research Council report, *Surveying Victims: Options for Conducting the National Crime Victimization Survey*; (2) respond to recommendations of the 2009 National Research Council report, *Ensuring the Quality, Credibility, and Relevance of U.S. Justice Statistics*; and (3) maintain BJS' core statistical programs that provide law enforcement data from more than 3,000 local agencies on the organization and administration of police and sheriffs' departments; nationally representative prosecution data on resources, policies, and practices of local prosecutors; court and sentencing statistics, including Federal and State case processing data; data on correctional populations and facilities from Federal, State, and local governments; and information about prisoner re-entry and recidivism.

Bureau of Labor Statistics (BLS): Funding is requested to provide support for ongoing BLS programs, and to: (1) continue development of the new "green-collar" jobs data series, which will measure employment and wages for businesses whose primary activities can be defined as "green," and produce information on the occupations involved, in whole or in part, in green economic activities; (2) expand the Occupational Employment Statistics (OES) sample to include annual data from a subset of establishments, allowing year-to-year comparisons of occupational trends in employment and wages; (3) modernize the Consumer Expenditure (CE) survey, improving the quality of data generated by the survey and the accuracy of its inputs into the Consumer Price Index (CPI); (4) reduce the variance of the CPI by increasing by 50 percent the number of CPI commodity and services price quotes collected; (5) research how to improve or replace the current survey for identifying the sample of retail outlets that is used to initiate and reprice items in the CPI; (6) modify the CE survey to support the Census Bureau in its development of a supplemental statistical poverty measure; (7) expand BLS's ability to produce estimates for local pay areas for the President's Pay Agent via a new model-based approach that utilizes OES and Employment Cost Index data, while allowing for the elimination of the Locality Pay Surveys (LPS); and (8) restructure the way in which the Current Employment Statistics (CES) program produces State and metropolitan area data estimates and improve the program's response rates for both preliminary and final estimates, thereby reducing the statistical error on the estimates. Savings from the LPS and CES items above, and the elimination of the International Labor Comparisons program, will partially fund these improvements.

Bureau of Transportation Statistics (BTS): Funding is requested to support the development and improvement of transportation system performance measures and for the maintenance of the BTS core statistical programs, including: (1) planning and implementation of the initial phase of the 2012 Commodity Flow Survey; (2) production of transportation statistics related to safety, economic competitiveness, and livable communities; (3) release of monthly statistics on the modes of transportation used in international trade with the U.S. major economic partners; (4) production of a core set of transportation performance indicators including the Transportation Services Index; and (5) collection, analysis, and dissemination of airline performance data.

Census Bureau: Funding is requested for the Census Bureau's ongoing economic and demographic programs and for the 2010 Census. For the 2010 Census program, funding is requested to: (1) compile and deliver State-level population totals from the 2010 Census to the President for the apportionment of seats in the U.S. House of Representatives by December 31, 2010, as well as to deliver data to the States for use in redistricting by March 31, 2011; (2) provide data used for the distribution of Federal funds and for other purposes; (3) complete fieldwork for the Coverage Measurement Program which gathers additional information to identify reasons for differences between pre-census listing operations and post-census records; and (4) conduct evaluations of the 2010 Census. For the Census Bureau's other economic and demographic programs, funding is requested for: (1) the Geographic Support program for improved address coverage, continual update of road and other special data, and enhanced quality measures of the geographic programs; (2) the American Community Survey program to expand the sample size to increase the reliability of small area estimates, to enhance field and telephone center data collection, to conduct a 100 percent non-response follow-up operation in Remote Alaska and small American Indian, Alaska Native, and Native Hawaiian Homeland areas, and for additional review of three-year and five-year data; (3) expansion of research and production capacities in order to complement the official poverty measures with annual supplementary measures of poverty from the Current Population Survey; (4) using administrative records to simulate the 2010 Census in order to thoroughly examine and document the coverage and quality of major governmental and commercial administrative record sets; (5) enhancing existing data integration infrastructure in order to facilitate more efficient and higher quality record linkage among health surveys and Centers for Medicare & Medicaid Services administrative data; and (6) additional resources devoted to IT security.

Economic Research Service (ERS): Funding is requested to continue ERS' core programs, and to enable ERS to provide the best possible analysis of how USDA policies and programs can better support healthy food choices, healthy consumers, and sustainable and healthy communities by developing data and conducting economic research on the access by low-income communities to affordable and nutritious food and on the local food environment--the type of food retail outlets, food prices, and the availability of fresh, local food sources. Data would be obtained through linking spatial characteristics available in Federal and proprietary data sets including community factors such as race/ethnicity, unemployment rates, public transportation systems, crime rates, school characteristics, USDA food assistance program delivery and participation, local food prices, food store and fast food access and availability, local costs of healthy diets, and other environmental factors. Funds are also requested to maintain data confidentiality and research efficiency during physical relocation of secure data labs. These initiatives would be funded within available resources by reductions in lower priority programs. Additional funding is requested to: (1) use administrative records to better understand how nutrition assistance and other government assistance programs work together to provide a social safety net, to better assess how nutrition assistance and health care policy work together to improve dietary and health outcomes; and (2) serve as the Program Management Office for an interagency Statistical Community of Practice, designed to increase the sharing across agencies of statistical protocols and tools for the collection, storage, analysis, and dissemination of statistical data to improve the statistical system's data quality, ease of use, information security, and system-wide operating efficiency.

Energy Information Administration (EIA): Funding is requested to maintain core energy data, analyses, and forecasting programs critical to energy markets and policymakers, and to: (1) perform research on energy market behavior and the interrelationship of energy and financial markets; (2) expand surveys of energy consumption in homes, commercial buildings, and manufacturing to provide baseline information critical to understanding energy utilization and for use as the basis for benchmarking and performance measurement of energy efficiency programs; (3) continue to upgrade the aging National Energy Model, which will improve EIA's ability to assess and forecast supply, demand, and technology trends affecting U.S. and world energy markets; and (4) continue to implement improvements in energy data coverage, quality, and integration.

National Agricultural Statistics Service (NASS): The requested funding would reallocate resources by eliminating lower priority programs in order to free resources to: (1) improve county estimates of crop production used to administer risk management procedures as key triggers for crop insurance and disaster recovery programs; (2) expand the number of States that have a cropland data layer and provide NASS the ability to collect additional data on crop conditions, soil moisture, and/or drought monitoring to fill a significant informational gap in current remote sensing to measure climate change; and (3) establish an on-going organic agriculture data series to allow USDA and others to monitor the continued growth, evolution, and understanding of this sector in support of a nutritious domestic and international food supply.

National Center for Education Statistics (NCES): Funding is requested to continue NCES' core programs, and to: (1) conduct the National Assessment of Educational Progress (NAEP), including administration of 2011 national and State reading and math assessments at grades 4 and 8, a national writing assessment at grades 4, 8, and 12, a State grade 4 writing assessment, and assessments for a small number of urban districts that participate in the Trial Urban District Assessments; (2) participate in the 2011 Trends in International Mathematics and Science Study (TIMSS), a study of 4th and 8th grade mathematics and science achievement in the United States and other countries; (3) conduct an equating study between NAEP and TIMSS that would allow States to compare their students' 8th grade mathematics achievement to that of students in other countries; (4) conduct the 2011 Programme for the International Assessment of Adult Competencies, an international assessment that will allow the United States to benchmark its adult literacy with that of other countries; and (5) provide support for the development of statewide longitudinal data systems to allow States to improve their data systems, including ensuring that information is available at the pre-school, postsecondary, and workforce levels in addition to kindergarten through grade 12.

National Center for Health Statistics (NCHS): Funding is requested to continue data collection, analysis, and dissemination activities for NCHS surveys and maintain sample sizes at the expanded levels of FY 2010, including the National Vital Statistics System, National Health Interview Survey, National Health and Nutrition Examination Survey (NHANES) and National Health Care Surveys; and to: (1) continue providing timely, accurate estimates of high priority health measures; (2) enhance the quality and usability of data access tools through improved tutorials; (3) fully support electronic birth records in all 50 States in FY 2011, and gradually phase in electronic death records over three years; (4) expand the sample size of the National Ambulatory Medical Care Survey to monitor the characteristics of ambulatory care providers and their patients at the national level and in selected States; (5) continue providing NHANES data on diet and nutrition, blood pressure, chronic diseases, and other health indicators; and (6) enhance the National Health Interview Survey to produce annual estimates for selected States on a broad range of health and health care measures.

Office of Research, Evaluation, and Statistics (ORES), SSA: Funding is requested to continue ORES' core programs, and to: (1) modernize ORES' processes for developing and disseminating data from the Social Security Administration's major administrative data files for statistical purposes; (2) support outside surveys and linkage of SSA administrative data to surveys; (3) create new public use files of administrative data, such as earnings histories for a sample of Social Security Numbers, and information on samples of Social Security and Supplemental Security Income beneficiaries; (4) strengthen microsimulation models that estimate the distributional effects of proposed changes in Social Security programs; and (5) develop a topical module for the redesign of the Survey of Income and Program Participation to address Social Security's data needs for microsimulation models, program evaluation, and analysis.

Science Resources Statistics Division (SRS), NSF: Funding is requested to implement ongoing programs on the science and engineering enterprise, and to: (1) continue to implement redesign and improvement activities for a broad range of surveys, particularly the sample frame redesign of the National Survey of College Graduates and the suite of research and development surveys; (2) support the Science of Science and Innovation Policy program's efforts to develop the data, tools, and knowledge needed for a new science of science policy by enhancing the comparability, scope, and availability of international data; (3) field a data collection on postdoctoral students based on pilot activities in FY2010; and (4) expand activities to develop improved data on innovation activities by developing an innovation module for the Business R&D and Innovation Survey and continuing the development of a Microbusiness R&D and Innovation Survey, with data collection expected to begin late in 2011.

Statistics of Income Division (SOI), IRS: Funding is requested to continue SOI's core programs, and to: (1) continue to modernize tax data collection systems, particularly to efficiently assimilate into SOI systems data captured from the electronic filing of tax and information returns; (2) examine means to better mask individual data records to minimize the risk of reidentification in the Individual Public-Use cross-section file; (3) expand and improve dissemination of tax data by implementing a table wizard application on www.irs.gov/taxstats, making data files available through www.data.gov, and supporting focused research projects that have the potential to improve the administration of the tax system; (4) develop statistical techniques to identify outliers and edit data in IRS administrative population files; and (5) provide relevant statistics needed to evaluate and monitor the tax-related provisions of the American Recovery and Reinvestment Act of 2009.

Table 18–1. 2009-2011 BUDGET AUTHORITY FOR PRINCIPAL STATISTICAL AGENCIES[1]
(in millions of dollars)

	2009 Actual	Estimate	
		2010	2011
Bureau of Economic Analysis	87	94	109
Bureau of Justice Statistics[2]	51	67	70
Bureau of Labor Statistics	597	611	646
Bureau of Transportation Statistics	27	28	30
Census Bureau[3]	4169	7355	1297
Salaries and Expenses[3]	264	289	310
Periodic Censuses and Programs	3905	7066	987
Economic Research Service	80	82	87
Energy Information Administration	111	111	129
National Agricultural Statistics Service[4]	152	162	165
National Center for Education Statistics[5]	255	266	279
Statistics[5]	116	127	135
Assessment	130	130	135
National Assessment Governing Board	9	9	9
National Center for Health Statistics[6]	125	139	162
Office of Research, Evaluation, and Statistics, SSA	27	29	32
Science Resources Statistics Division, NSF	39	35	37
Statistics of Income Division, IRS	42	43	44

[1] Reflects any recissions.

[2] Includes funds for management and administrative costs of $6, $7, and $7 million in 2009, 2010, 2011, respectively that were previously displayed separately.

[3] Salaries and Expenses funds include discretionary and mandatory funds. For the Periodic Censuses and Programs account, FY 2009 includes $1 billion in American Recovery and Reinvestment Act funding.

[4] Includes funds for the periodic Census of Agriculture of $37, $38, and $33 million in 2009, 2010, and 2011, respectively. FY 2009 funding was used to summarize and publish the 2007 Census of Agriculture. FY 2010 and FY 2011 funding will be used to continue planned follow-on studies and preparations for the 2012 Census of Agriculture.

[5] Includes funds for salaries and expenses of $17, $18, and $18 million in 2009, 2010, and 2011, respectively, that are reflected in the Institute of Education Sciences (IES) budget. In addition, NCES manages the IES grant program for the State Longitudinal Data System which is funded at $65 million, $58 million, and $65 million in 2009, 2010, and 2011, respectively.

[6] All funds from the Public Health Service Evaluation Fund. Administrative costs for NCHS that previously were displayed as part of the NCHS budget line are now reflected in two consolidated CDC-wide budget lines for management and administrative costs.

19. INFORMATION TECHNOLOGY

Twenty years ago, people working for the Federal Government had access to the world's best technology. Today, many Government employees have better technology at home than at work. The Federal Government spends tens of billions of dollars annually on information technology (IT). However, fragmentation, poor project execution, and the drag of legacy technology have prevented the Government from realizing the productivity and performance gains that are found when IT is deployed effectively in the private sector. Under the leadership of the Federal Chief Information Officer, the Administration will continue its efforts to close the gap in effective technology use between the private and public sectors. The Administration will continue to streamline operations, transform customer service, and maximize the return on investment from information technology.

In its first year in office, the Obama Administration leveraged the power of information technology to transform the Federal Government. Starting on his first full day in office, the President led this effort by issuing a directive to make the Government more open and transparent. The Administration engaged the American people in new ways such as virtual town hall meetings and improved the quality of the services delivered to the public. Key initiatives demonstrate the commitment to changing the way Government works:

- In May 2009, Data.gov was launched to enhance access to Federal data. Since then, the site has grown to contain over 167,000 data sets and tools for using the data. After the Environmental Protection Agency toxic release data was featured on Data.gov, the frequency of downloads of that data increased over tenfold.
- In June 2009, the IT Dashboard was implemented to provide unprecedented transparency into $78 billion in annual Federal spending on IT investments. Agency Chief Information Officers now review the IT Dashboard monthly to provide updated status information on major IT investments more frequently than ever before.
- In September 2009, Apps.gov was launched to provide Federal agencies easy access to new cloud computing and social media technologies. This enabled agencies to transform their computing services quickly and avoid months of delay and redundant effort.
- In October 2009, a new platform, Cyberscope, was launched to streamline the annual security reporting workload and improved the ability to analyze and report on IT security across the Federal Government.
- In December 2009, OMB issued the Open Government Directive instructing all agencies to implement the principles of transparency, participation and collaboration set forth by the President.
- In January 2010, the Federal CIO held the first "TechStat" session with the Environmental Protection Agency, using the IT Dashboard to identify and correct IT investment problems. TechStat sessions will be a regular practice going forward to detect IT investment problems early, reduce waste, and increase the rate of successful project completion.

These efforts demonstrate that the Federal Government can implement new technology to solve old problems quickly and cost-effectively. In 2011, the Administration will build on these efforts to leverage the power of technology to transform the Government and meet its responsibilities to manage IT resources with a bold new strategy to guide the Federal enterprise.

Table 19–1. FEDERAL IT SPENDING, BUDGETS OF 2009–2011 INCLUDING MAJOR FEDERAL IT INVESTMENT

(Investment counts, spending in millions of dollars)

	2009	2010	2011
Number of Major IT Investments	807	781	809
All IT Investments	6,575	7,409	7,463
Major IT Investment Spending ($ M).	37,250	40,328	40,409
All IT Investment Spending ($ M)	71,227	78,440	79,375

Notes: The table compares the Budgets of three years, not final actuals or enacted levels for 2009 or 2010.
Values for 2011 are based on the best available agency estimates

MANAGING THE FEDERAL IT PORTFOLIO

Federal Spending on Information Technology— The total planned spending on information technology in 2011 is $79.4 billion, a 1.2% increase from the 2010 Budget level of $78.4 billion. Table 19.1 above displays the spending estimates presented in the last three budgets. Data displayed in Charts 19.1 and 19.2 reflect actual levels through 2009 and the enacted 2010 level, highlighting the 1.6% decrease from the 2010 enacted level of $80.6 billion.

Identifying ways to achieve greater efficiencies in the areas of most rapid cost growth in the past, like development of new mission-oriented systems and infrastructure, is an important part of the Administration's IT strategy. The strategy to control IT spending will also focus on reversing the growth in the number of agency data centers which increased over 150 percent from 432 in 1998 to 1,100 in 2009.

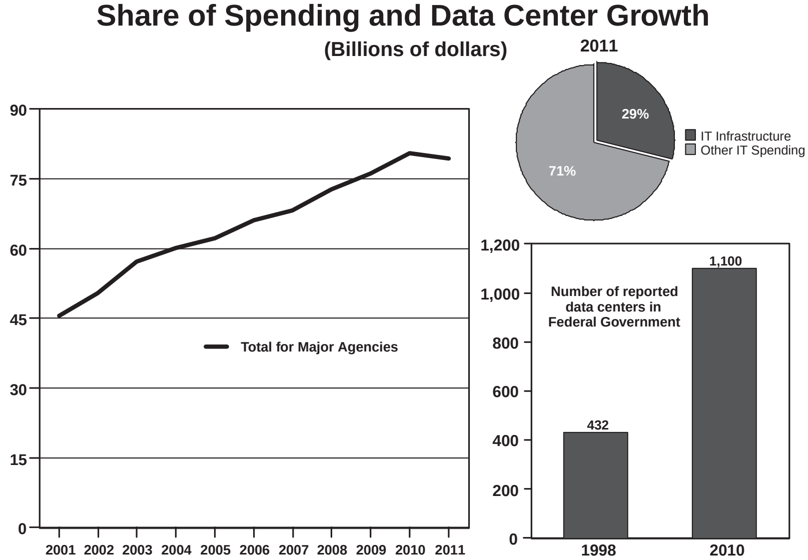
Federal IT spending of nearly $80 billion a year demands continuous improvements in oversight. Responding to the need, the Administration launched a publicly accessible IT Dashboard, located at *http://it.usaspending.gov*, to increase the visibility of agencies' IT spending, promote accountability, and help managers identify and eliminate redundancies. Here American taxpayers can see whether major IT investments are well managed by viewing costs, schedule, performance, and CIO ratings of IT investments. The Dashboard's capabilities will continue to improve oversight of the main drivers behind increased IT spending, including mission-related spending (up approximately 90 percent since 2001), shown in Chart 19–2, and investments for internal management.

Federal Enterprise Architecture—Early engagement in strategic planning processes and development of robust system architectures is central to the Administration's approach to effective IT. Stronger interventions early in project planning are needed to give the Federal enterprise a modern, interconnected, responsive information technology environment, which will support improved business processes and program performance. The history of many past failures in Federal IT investments is rife with examples where proper planning, consultation with business owners, and the development of a sound architecture could have saved many millions of dollars from being wasted, rather than waiting until burgeoning costs and repeated non-deliveries on required capabilities forced managers to abandon the project. For example, use of the National Information Exchange Model, a Federal, State, local and tribal interagency initiative that enables seamless information exchange, has improved information sharing and reduced redundant investments.

Starting in 2009 with initiatives such as Data.gov and the expanded USASpending.gov, the Federal CIO began to transform the face of Federal IT investment management. This new approach will redesign IT in key business areas from the ground up, based on the concept of central Federal platforms designed to streamline processes and modernize information technology services. This will provide an interoperable, secure, and cost-effective Federal IT enterprise.

Chart 19-1. Totals for Federal IT Spending, Infrastructure Share of Spending and Data Center Growth

(Billions of dollars)



MODERNIZING FEDERAL AND NATIONAL IT INFRASTRUCTURE TO BE EFFICIENT AND EFFECTIVE

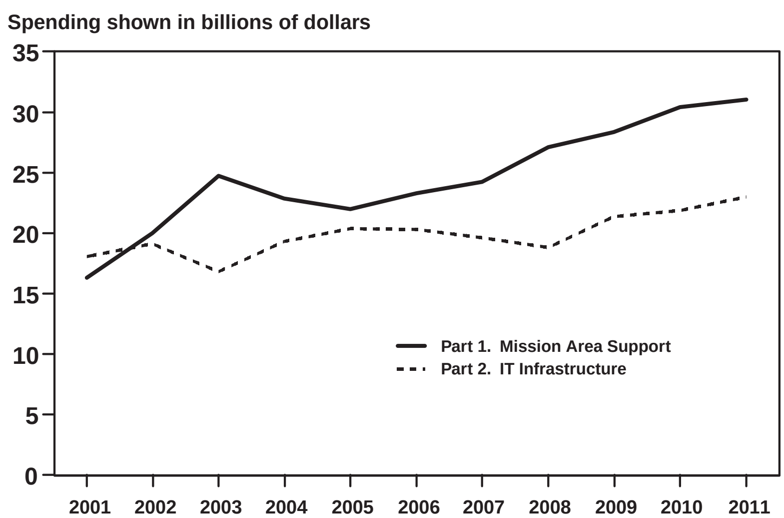
Centralized Provision of Information Technology Services for Non-Military Agencies—As technology and IT management practices continue to evolve at a rapid pace, we need to identify and adopt creative and innovative means to achieve greater efficiency and effectiveness. Following examples set by the Department of Defense, several State governments, and best practices in private industry, the Administration will establish one or more efficient, centralized service providers for non-military agencies for key strategic IT services. Centralizing key Federal IT services through this approach will reduce duplicative and wasteful spending, reduce facility space usage and energy consumption, increase security, and improve service delivery. Centralized provision of key IT services could prevent billions of dollars in increased costs across the Federal Government.

Several IT services have been identified as potential candidates for delivery through new platforms hosted by central service providers. Central service providers will leverage planning and analysis conducted in 2010 to deliver shared IT services more efficiently and effectively. Governance, funding, performance metrics and service models will be created, communicated and implemented. In 2011, previous pilot efforts will migrate into production. The Office of Management and Budget (OMB) will provide guidance addressing the provision of services by central providers and their role in supporting the efficient and effective use of IT in the Federal Government in delivering benefits to the public.

Cloud Computing—Adoption of a cloud computing model is a major part of the strategy to achieve efficient and effective IT. After evaluation in 2010, agencies will deploy cloud computing solutions across the Government to improve the delivery of IT services. There will be an online storefront to enable subscribers to access lightweight collaboration tools, software, and platform and infrastructure service offerings in a cloud environment. Cloud computing will be implemented in a secure manner.

Data Center Consolidation—Data center consolidation is another key element of the new Federal IT strategy. It is clear that agencies are not implementing technological solutions as effectively and efficiently as possible. A 1998 survey of Federal agencies identified 432 agency data centers. In September 2009, agencies reported that the number of Federal data centers grew to 1,100. This growth trend conflicts with the proven best practice of consolidating and reducing the number of data centers to reduce costs, energy consumption, and environmental impacts, and improve service and performance. Consolidating Federal data centers will play an important role in meeting the goals of Executive Order 13423 "Strengthening Federal Environmental, Energy and Transportation Management," Executive Order 13514 "Federal Leadership in Environmental, Energy, and Economic Performance," and the Energy Security and Independence Act of 2007. OMB will work with agencies to develop a Government-wide strategy and agency plans to reduce the number and cost of Federal data centers. This will reduce energy consumption, space usage and environmental impacts, while increasing the utilization and efficiency of IT assets, in concert with the transition to cloud computing. OMB will monitor agency implementa-

Chart 19-2. Components of Federal IT Spending – Mission Support and Infrastructure



tions of data center consolidation plans, identifying and addressing any problems that arise.

Leveraging the Federal Government's Buying Power and the Federal eMall—The Federal Government often buys information technology through numerous, fragmented suboptimal purchases. Existing programs such as Smart Buy, run by the General Services Administration, enable the government to pool its purchasing, but they are limited in scope and much more can be done. In 2009, Apps.gov was established to provide a modern online storefront to streamline agencies' acquisition of software at low cost or no cost. OMB will work with the acquisition community to identify additional opportunities to consolidate purchases, reduce administrative costs, and leverage Federal buying power to get the greatest value for the taxpayers' dollars.

Federal agencies are spending upwards of $20 billion annually using purchase cards. In many instances, staff within the same agency purchase identical goods through separate orders. Some of these orders are placed through existing on-line ordering portals (e.g., GSA Advantage, Navy eMall); others are placed over the phone or by fax; and many are made by staff walking into stores. Currently, there is no effective way for agencies to collect the data on all of their purchase card activity so that they can identify savings opportunities, such as taking advantage of bulk discounts or soliciting more strategic sourcing opportunities.

Moving the majority of routine Federal purchase card transactions to one or more of the existing online Federal eMalls has the potential for significant annual savings. Specifically, an on-line Federal eMall will provide visibility into Government-wide purchase card transactions, including the ability to view and analyze purchase data across the Government to more effectively develop strategic sourcing policies. At the same time, internal controls related to Federal purchase cards will be improved through the use of electronic approval of purchases, records of purchases, and documentation of purchases maintained electronically. OMB will work with agencies to expand the use of on-line eMalls for Federal purchases in 2010 and monitor these efforts for further expansion in 2011 and beyond based on lessons learned.

Building a Strong Federal IT Workforce—Rapid advances in IT are driving strong demand for highly skilled employees to manage IT projects and systems needed to improve program performance. Qualified personnel with the necessary competencies are required to help ensure agency IT systems are well planned, managed, operated and maintained. The need for skilled IT professionals, including experienced managers for major IT investment projects, has steadily increased. According to the Office of Personnel Management, there were about 70,000 IT professionals (GS-2210 Federal job series) in the Federal workforce as of March 2009. Increasing demands will conflict with anticipated retirements of current IT professionals projected by the Center for Workforce Information at OPM to continue at a rate of over 2,500 annually (or about 4% of the workforce) for the next seven years. In 2010, the Federal CIO Council will conduct a government-wide IT workforce survey to enable agency managers to identify future workforce needs. Streamlined hiring processes will help agencies to attract and retain the best talent in the future.

An Efficient Federal Workforce—With rapid advances in IT, agencies must adopt the best in 21st century technology to attract and retain the best and brightest future employees and enable all Federal employees to work at their peak performance. Much of the work within the Government could be improved with a technology platform that enables effective collaboration across agencies, across distances, and across governmental boundaries. The rise in social media and web 2.0 technologies has proven that no single organization has a monopoly on good ideas. Today, in the Federal Government, it is difficult just to locate a person in another agency, much less find people with common interests and problems and leverage IT to work collaboratively. A collaboration platform would integrate social media technology with the ability to collaborate across Government boundaries. This platform would enable employees to locate other Government employees with common challenges, needed skills, and ideas to solve common problems, communicate and share information, and generate better solutions to problems more efficiently. In 2010, we will evaluate alternatives, determine the best solutions, develop an implementation plan, and initiate implementation. In 2011, these capabilities will be deployed across the Federal Government.

Health Information Technology (HIT)—As the Federal Government implements the requirements of the HITECH Act of 2009, the Administration will continue to leverage Federal information technology to support goals for population health, encourage care coordination through the development of interoperability standards, and assist the development and integration of privacy and security protections into the HIT framework.

Smart Grid—Our electricity transmission grid must be expanded and modernized to improve reliability, efficiency, and security, while enabling increased generation from clean energy sources. In 2011, the Administration will continue to advance the development of advanced grid technologies such as smart metering and communications, cybersecurity systems, and large-scale energy storage. These technologies will promote energy savings for consumers, increase energy efficiency, and foster the growth of renewable energy sources like wind and solar power.

Focus on Customer Service – In 2010 and 2011, the Federal CIO will continue to collaborate with agencies to harness the power of IT to make Government work better for the American people. Examples of successful initiatives already undertaken include:

- Simplifying the student loan application process to reduce time and complexity in the Department of Education and the Internal Revenue Service.
- Streamlining veterans benefits processing and reducing the backlog in the Department of Veterans Affairs.
- Enabling immigration applicants to get updates on the status of their applications in the U.S. Citizenship and Immigration Services.

TRANSPARENCY AND PARTICIPATION

USASpending—The public deserves to see how the Government spends their taxpayer dollars. Because of the scope and complexity of that spending, considerable effort is required to identify, collect and make sense of all that data. Upon launch in 2007, the focus was solely on meeting congressionally mandated deadlines. Consequently, the site was not designed for scalability or real-time data reporting, and does not provide a capability for sub-award reporting.

In early 2010, the USASpending.gov platform is being re-engineered to create a scalable platform flexible enough to accommodate future growth and speedy assimilation of new and diverse datasets; however, without additional resources included in the 2011 budget, the site will still not be fully compliant with the Federal Funding Accountability and Transparency Act (FFATA). In 2010 and 2011, USASpending.gov will leverage the efforts of FederalReporting.gov to provide for recipient/sub-recipient reporting, making the site FFATA compliant.

Data.gov—Data.gov allows the public to easily find, download, and use datasets and data tools that are generated and managed by the Federal Government. As a priority Administration initiative, the vision for Data.gov was encapsulated in the President's January 21, 2009 Open Government and Transparency memorandum where he states that information should be disclosed "rapidly in forms that the public can readily find and use."

Following the example of Data.gov, States and cities in the United States and other countries are creating their own sites to make their data more publicly accessible. As a result of making more data available on Data.gov, new software applications providing useful services to the citizens have been rapidly developed for the public by the private sector.

Geospatial Platform — In 2010 and 2011, Federal data managers for geospatial data will move to a portfolio management approach, creating a Geospatial Platform to support GeoOneStop, place-based initiatives, and other potential future programs. This transformation will be facilitated by improving the governance framework to address the requirements of State, local and tribal agencies, Administration policy, and agency mission objectives. Investments will be prioritized based on business needs. The Geospatial Platform will explore opportunities for increased collaboration with Data.gov, with an emphasis on reuse of architectural standards and technology, ultimately increasing access to geospatial data.

Citizen Services Dashboard — In 2010 and 2011, the Administration will develop and implement a Citizens' Services Dashboard to provide transparency into the quality of service the Government delivers to the public by highlighting the top service delivery touch points for each major Federal department and agency.

Challenge Platform — In 2010 and 2011, the Administration will develop and implement web-based platforms to facilitate innovation through challenges and prizes. A challenge is exactly what the name suggests: it is a challenge by one party (a "seeker") to a third party or parties (a "solver") to identify a solution to a particular problem. Challenge platforms are tools that provide a forum for the seeker to post the problem and invite a community of solvers to suggest, collaborate on, and judge solutions. Challenge platforms can also be used to run incentive prizes which reward contestants for accomplishing a particular future goal. Challenges are an important tool for achieving the President's goals for Government to be more transparent, participatory and collaborative.

Transparency of Research and Development Information—In order to fulfill requirements in the E-Government Act regarding the maintenance of a repository of information on research and development (R&D), in a manner harmonized with the Administration's efforts to improve the transparency and usability of Federal data, the Administration is committed to exploring with stakeholders a fundamental change in how data on R&D should be made available to the public. As in other areas included in the push for greater transparency, the emphasis will be on testing models for making R&D related data from contributing agencies available in ways that are secure, interoperable, and usable by a wide array of potential users. Efforts in this area will be coordinated with plans in closely related areas such as USASpending and Data.gov.

Broadband Access for Americans—Greater citizen engagement and participation in Federal, State and local civic processes is aided by reliable, cost effective access to broadband internet services. In the near term, the Departments of Agriculture and Commerce are awarding more than $7 billion in grants and loans under the Recovery Act, designed to expand broadband infrastructure capacity and improve subscribership. Broadband is a foundation for economic innovation and technological advances, and the Administration will continue to work toward universal, affordable access. Increased access to broadband capabilities will be enhanced over the long term by a national plan which will be submitted to Congress in 2010, aiming to advance the objective of ready access to broadband services for all Americans.

SECURITY AND PRIVACY

Securing Government Systems — Our Nation's security and economic prosperity depend on the stability and integrity of our Federal communications and information infrastructure. As stated in the Cyberspace Policy Review, the 60-day clean-slate evaluation of cyber activities ordered by the President, threats to cyberspace pose some of the most serious economic and national security challenges of the 21st century for the United States. The group of state and non-state actors who target U.S. citizens, businesses, and Federal agencies is growing. US-CERT, the computer response center for civilian agencies, sees millions of attempts daily to access open ports and vulnerable applications on Federal networks.

Historically, the Federal Government has not been as effective as necessary in its cyber defense. An inadequate cybersecurity workforce, a focus on compliance rather than outcomes, and a cumbersome and time-consuming process for collecting information regarding agency security postures have hindered our cyber security management capabilities. OMB will work with agencies, Inspectors General, Chief Information Officers, senior agency officials for Privacy, as well as GAO and the Congress, to strengthen the Federal Government's IT security and privacy programs. As part of those activities, OMB will:

- *Utilize a Modern Platform for Federal Information Security Management Act (FISMA) Reporting.* On October 19, 2009, OMB launched an interactive data collection tool—CyberScope—enabling agencies to fulfill their FISMA reporting requirements through a modern digital platform. The broad range of meaningful information collected, the use of secure two-factor authentication, and the online access to data provides for a more efficient and effective reporting process. In the spring of 2010, OMB will unveil a cybersecurity dashboard, unlocking the value of agency FISMA reporting by presenting the information gathered to agencies' IT professionals and management in a timely, comprehensive, and secure manner.

- *Collect More Specific Cost/Budget Information.* Beginning with the 2009 FISMA report, OMB is collecting cost estimates and actual amounts spent on IT security. Collection of this information, especially when combined with performance-based metrics, will allow both OMB and agency management to make informed, risk-based decisions on where to allocate scarce resources.

- *Implement New Security Metrics.* In September 2009, OMB established a task force which has developed new, outcome-focused metrics for information security performance for Federal agencies rather than merely demonstrating compliance. These metrics will be used in agencies 2010 FISMA reports to OMB and the Congress. Additionally, OMB and the task force will release a roadmap for future reporting under FISMA, which will incorporate real-time metrics and enhance Government-wide situational awareness in 2010.

- *Move towards Situational Awareness across the Government.* More frequent reporting, near or at real-time, is imperative for developing situational awareness across the Federal enterprise. The use of Security Information Management or Security Information Event Management tools will assist in progressing towards real time security awareness and management in the Government.

- *Cybersecurity Workforce.* On October 1, 2009, as a result of OMB collaboration with the Office of Personnel Management, DHS Secretary Janet Napolitano announced that DHS has the authority to hire up to 1,000 new cyber security professionals over the next three years to fill staffing gaps at various DHS agencies. This new hiring authority will enable DHS to recruit skilled cyber analysts, developers and engineers to serve their country by helping to secure the Nation against cyber threat.

Identity Management—The Cyberspace Policy Review outlined a number of cybersecurity recommendations. To support this effort, the Federal Chief Information Officers' Council developed the "Identity, Credential and Access Management (ICAM) Roadmap and Implementation Guidance" document to provide implementation guidance for program managers, leadership, and stakeholders as they plan and upgrade their architectures. One of the major outcomes of this effort is to enable agencies to create and maintain information systems that deliver more convenience, appropriate security, and privacy protection, with less effort and at a lower cost. The ICAM roadmap, issued in November 2009, outlines a number of transition activities for agencies to complete. It also serves as an important tool for providing awareness to external mission partners and driving the development and implementation of interoperable solutions. ICAM solutions will leverage the existing investments in the Federal Government while promoting efficient use of tax dollars when designing, deploying, and operating ICAM systems.

As part of this effort, OMB will continue to oversee the implementation of the strong Federal identity management scheme outlined in Homeland Security Presidential Directive 12 (HSPD-12). This directive, "Policy for a Common Identification Standard for Federal Employees and Contractors," addressed the September 11th Commission recommendation to improve the security of Federal facilities and information systems. Agencies are required to follow specific, technical standards and business processes for the issuance of Federal credentials including a standardized background investigation to verify employees' and contractors' identities. HSPD-12 credentials facilitate physical access control and provide for digital signature, encryption, archiving of documents, multi-factor authentication, and single sign-on to improve security and facilitate information sharing. They also provide for a very high level of trust in identity credentials during disaster response, disaster recovery, and reconstitution of Government scenarios.

As of September 1, 2009, more than 4.1 million credentials (71 percent of those needed) were issued to the Federal workforce and 3.3 million background investigations (57 percent of those needed) were completed. Additionally, 20 credential issuance infrastructures are in operation nationwide and 55 system integrators and 449 products are on the Approved Products and Services list maintained by GSA. Agencies are currently focusing on completing the issuance of credentials to their remaining employees and contractors and leveraging the electronic capabilities of the credentials.

Protecting Privacy — Federal agencies will continue to implement breach notification plans, eliminate unnecessary collection and use of Social Security numbers in agency programs, reduce unnecessary holdings of personally identifiable information, and develop policies outlining rules of behavior and identifying consequences and corrective actions to address non-compliance. Agencies are expected to demonstrate progress in all aspects of privacy protection. The Federal Government will continue to improve information security for Federal systems and the information sector overall. This focus, along with a commitment to ensuring privacy as investments are made in the widespread implementation of electronic health records, will maintain the privacy of personal information for all Americans as a top priority.

CONCLUSION

The Obama Administration is committed to making the Government work better for the American people and be more responsive to their needs. The Government will get rid of waste and inefficiency that bloats our deficits and squanders the taxpayers' hard earned dollars. The Administration will accomplish this by revamping outdated information technology that undermines our efficiency, threatens our security, and fails to serve the public's interests.

The Administration's announcement in June 2009, of a shorter, simpler, and more user friendly Free Application for Federal Student Aid (FAFSA) is one example of serving Americans better through information technology. FAFSA will make it easier for all Americans to apply for college financial aid. Streamlining the application process will increase postsecondary enrollment, particularly among low- and middle-income students, as part of the Administration's initiative to meet the President's challenge to the Nation to once again have the highest percentage of college graduates in the world. Making the path to a college education easier will send a clear message to young people as well as adults that college is within their reach.

Streamlining the higher education aid process is just one example where innovations in Federal information technology have created value for American taxpayers. The Obama Administration moved in 2009 to open the Government and make it more transparent; engage the American public in collaborative ways through new media technologies; and drive innovation, efficiency, and effectiveness through transformative approaches like cloud computing. The new IT Dashboard was used by the Department of Veterans Affairs to identify 45 IT projects at risk that were put on hold until they could be reevaluated and corrected. The General Services Administration demonstrated the potential for cost savings from cloud computing by moving USA.gov onto a cloud computing platform and saving $1.7 million annually. Data.gov proved the value of making more data available when programmers outside the Federal Government built "Fly on Time," a useful tool for travelers to predict travel times, leveraging ease of access to Federal data sources to provide all Americans with a valuable innovation. Catalyzed by greater data availability, such innovations can benefit the public with greater speed and at less cost than direct investment of tax dollars.

This innovative use of technology will continue in 2010. The Administration will enhance Data.gov and USASpending.gov to improve transparency and openness of the Government, acquire and deploy new social media technologies to improve citizen engagement, explore using innovative tools to improve the collaboration and effectiveness of the Federal workforce, and initiate pilot projects in cloud computing to transform how the Government provides computing services while taking steps to improve the security of Federal information and systems.

In 2011, the Administration will build upon this foundation and further increase transparency by providing more data of greater detail and quality, institutionalizing the use of social media and other tools for citizen engagement and Federal workforce collaboration, migrating successful cloud computing pilots to mainstream production services, consolidating data centers to reduce costs and environmental impacts, and increasing the security profile of all Federal information and systems.

Through these efforts, we will realize the potential of information technology to transform the Government and improve its services to all Americans.

20. FEDERAL INVESTMENT

Federal investment is the portion of Federal spending intended to yield long-term benefits. It promotes improved efficiency within Federal agencies, as well as growth in the national economy by increasing the overall stock of capital. Investment spending can take the form of direct Federal spending or of grants to State and local governments. It can be designated for physical capital, which creates a tangible asset that yields a stream of services over a period of years. It also can be for research and development, education, or training, all of which are intangible but still increase income in the future or provide other long-term benefits.

Most presentations in this volume combine investment spending with spending for current use. This chapter focuses solely on Federal and federally financed investment. It provides a comprehensive picture of Federal investment spending, but because it disregards spending for non-investment activities, it provides only a partial picture of Federal support for specific national needs, such as defense, transportation, or environmental protection.

In this chapter, investment is discussed in the following sections:

- a description of the size and composition of Federal investment spending; and
- a presentation of trends in the stock of federally financed physical capital, research and development, and education.

PART I: DESCRIPTION OF FEDERAL INVESTMENT

The distinction and classification of spending between investment and current outlays is a matter of judgment. The budget has historically employed a relatively broad classification, encompassing physical investment, research, development, education, and training. The budget further classifies investments into those that are grants to State and local governments, such as grants for highways, and all other investments, or "direct Federal programs." This "direct Federal" category consists primarily of spending for assets owned by the Federal Government, such as weapons systems and buildings, but also includes grants to private organizations and individuals for investment, such as capital grants to Amtrak or higher education loans directly to individuals.

The definition of investment in a particular presentation can vary depending on specific considerations:

- Taking the approach of a traditional balance sheet would limit investment to only those physical assets owned by the Federal Government, excluding capital financed through grants and intangible assets such as research and education.
- Focusing on the role of investment in improving national productivity and enhancing economic growth would exclude items such as national defense assets, the direct benefits of which enhance national security rather than economic growth.
- Examining the efficiency of Federal operations would confine the coverage to investments that reduce costs or improve the effectiveness of internal Federal agency operations, such as computer systems.
- Considering a "social investment" perspective would broaden the coverage of investment beyond what is included in this chapter to include programs such as childhood immunization, maternal health, certain nutrition programs, and substance abuse treatment, which are designed in part to prevent more costly health problems in future years.

This analysis takes the relatively broad approach of including all investment in physical assets, research and development, and education, regardless of ultimate ownership of the resulting asset or the purpose it serves. It does not include "social investment" items like health care or social services where it is difficult to separate out the degree to which the spending provides current versus future benefits. The definition of investment used in this section provides consistency over time (historical figures on investment outlays back to 1940 can be found in the separate *Historical Tables* volume). Table 20–2 at the end of this section allows disaggregation of the data to focus on those investment outlays that best suit a particular purpose.

In addition to this basic issue of definition, there are two technical problems in the classification of investment data: the treatment of grants to State and local governments and the classification of spending that could be shown in multiple categories.

First, for some grants to State and local governments it is the recipient jurisdiction not the Federal Government that ultimately determines whether the money is used to finance investment or current purposes. This analysis classifies all of the outlays into the category in which the recipient jurisdictions are expected to spend a majority of the money. Hence, the Community Development Block Grants are classified as physical investment, although some may be spent for current purposes. General purpose fiscal assistance is classified as current spending, although some may be spent by recipient jurisdictions on investment.

Second, some spending could be classified in more than one category of investment. For example, outlays for construction of research facilities finance the acquisition of physical assets, but they also contribute to research and development. To avoid double counting, the outlays are classified hierarchically in the category that is most commonly recognized as investment: physical assets, followed by research and development, followed by education and training. Consequently, outlays for the conduct of research and development do not include outlays for the construction of research facilities, because these outlays are included in the category for investment in physical assets.

When direct loans and loan guarantees are used to fund investment, the subsidy value is included as investment. The subsidies are classified according to their program purpose, such as construction or education and training. For more information about the treatment of Federal credit programs, refer to Chapter 22, "Credit and Insurance," in this volume.

This section presents spending for gross investment, without adjusting for depreciation.

Composition of Federal Investment Outlays

Major Federal Investment

The composition of major Federal investment outlays is summarized in Table 20–1. They include major public physical investment, the conduct of research and development, and the conduct of education and training. Combined defense and non-defense investment outlays were $482.2 billion in 2009. They are estimated to increase to $619.4 billion in 2010 before falling to $602.7 billion in 2011. The large increase in Federal investment from 2009 to 2010 can be attributed to further spending of funds from P.L. 111-5, the American Recovery and Reinvestment Act of 2009 (Recovery Act). Likewise, the

Table 20–1. COMPOSITION OF FEDERAL INVESTMENT OUTLAYS
(In billions of dollars)

Federal Investment	Actual 2009	Estimate 2010	Estimate 2011
Major public physical capital investment:			
Direct Federal:			
National defense	139.7	163.8	156.3
Nondefense	46.9	52.5	55.8
Subtotal, direct major public physical capital investment	186.6	216.3	212.1
Grants to State and local governments	75.2	111.3	107.5
Subtotal, major public physical capital investment	261.8	327.7	319.5
Conduct of research and development:			
National defense	82.9	83.3	82.5
Nondefense	56.9	60.9	66.6
Subtotal, conduct of research and development	139.8	144.3	149.0
Conduct of education and training:			
Grants to State and local governments	69.7	106.9	79.6
Direct Federal	10.9	40.5	54.5
Subtotal, conduct of education and training	80.6	147.4	134.1
Total, major Federal investment outlays	482.2	619.4	602.7
MEMORANDUM			
Major Federal investment outlays:			
National defense	222.7	247.2	238.8
Nondefense	259.6	372.2	363.9
Total, major Federal investment outlays	482.2	619.4	602.7
Miscellaneous physical investment:			
Commodity inventories	0.2	–0.2	–0.1
Other physical investment (direct)	12.3	18.5	4.3
Total, miscellaneous physical investment	12.5	18.3	4.2
Total, Federal investment outlays, including miscellaneous physical investment	494.8	637.7	606.9

decrease in the overall level of Federal investment from 2010 to 2011 can be attributed to the completion of several Recovery Act provisions, most notably a $23.1 billion decrease in outlays for the State Fiscal Stabilization grant program.

Major Federal investment outlays will comprise an estimated 15.7 percent of total Federal outlays in 2011 and 3.9 percent of the Nation's gross domestic product. Greater detail on Federal investment is available in Table 20–2 at the end of this section. That table includes both budget authority and outlays.

Physical investment. Outlays for major public physical capital investment (hereafter referred to as "physical investment outlays") are estimated to be $319.5 billion in 2011. Physical investment outlays are for construction and rehabilitation, the purchase of major equipment, and the purchase or sale of land and structures. Approximately two-thirds of these outlays are for direct physical investment by the Federal Government, with the remainder being grants to State and local governments for physical investment.

Direct physical investment outlays by the Federal Government are primarily for national defense. Defense outlays for physical investment are estimated to be $156.3 billion in 2011. Almost all of these outlays, or an estimated $142.0 billion, are for the procurement of weapons and other defense equipment, and the remainder is primarily for construction on military bases, family housing for military personnel, and Department of Energy defense facilities.

Outlays for direct physical investment for non-defense purposes are estimated to be $55.8 billion in 2011. These outlays include $35.9 billion for construction and rehabilitation. This amount includes funds for water, power, and natural resources projects of the Corps of Engineers, the Bureau of Reclamation within the Department of the Interior, and the Tennessee Valley Authority; construction and rehabilitation of veterans hospitals and Indian Health Service hospitals and clinics; facilities for space and science programs; Postal Service facilities; energy conservation projects in the Department of Energy; construction for the administration of justice programs (largely in Customs and Border Protection within the Department of Homeland Security); construction of office buildings by the General Services Administration; and construction for embassy security. Outlays for the acquisition of major equipment are estimated to be $19.1 billion in 2011. The largest amounts are for the air traffic control system; weather and climate monitoring in the National Oceanic and Atmospheric Administration; law enforcement activities, largely in the Department of Homeland Security and the Federal Bureau of Investigation; and information systems in the Department of Veterans Affairs.

Grants to State and local governments for physical investment are estimated to be $107.5 billion in 2011. Over 60 percent of these outlays, or $66.9 billion, are to assist States and localities with transportation infrastructure, primarily highways. Other major grants for physical investment fund sewage treatment plants, community and regional development, and public housing.

Conduct of research and development. Outlays for the conduct of research and development are estimated to be $149.0 billion in 2011. These outlays are devoted to increasing basic scientific knowledge and promoting research and development. They increase the Nation's security, improve the productivity of capital and labor for both public and private purposes, and enhance the quality of life. More than half of these outlays, an estimated $82.5 billion, are for national defense. Physical investment for research and development facilities and equipment is included in the physical investment category.

Non-defense outlays for the conduct of research and development are estimated to be $66.6 billion in 2011. These are largely for the National Aeronautics and Space Administration, the National Science Foundation, the National Institutes of Health, and the Department of Energy.

A more complete and detailed discussion of research and development funding can be found in Chapter 21, "Research and Development," in this volume.

Conduct of education and training. Outlays for the conduct of education and training are estimated to be $134.1 billion in 2011. These outlays add to the stock of human capital by developing a more skilled and productive labor force. Grants to State and local governments for this category are estimated to be $79.6 billion in 2011, nearly 60 percent of the total. They include education programs for the disadvantaged and individuals with disabilities, training programs in the Department of Labor, Head Start, the State Fiscal Stabilization Fund, and other education programs. Direct Federal education and training outlays are estimated to be $54.5 billion in 2011. Programs in this category primarily consist of aid for higher education through student financial assistance, loan subsidies, veterans education, and health training programs. Significant downward re-estimates of student loan subsidies recorded in 2009 reduced net outlays for direct Federal education and training to $10.9 billion in that year, leading to a large increase in this category in 2010 and 2011.

This category does not include outlays for education and training of Federal civilian and military employees. Outlays for education and training that are for physical investment and for research and development are in the categories for physical investment and the conduct of research and development.

Miscellaneous Physical Investment

In addition to the categories of major Federal investment, several miscellaneous categories of investment outlays are shown at the bottom of Table 20–1. These items, all for physical investment, are generally unrelated to improving Government operations or enhancing economic activity.

Outlays for commodity inventories are for the purchase or sale of agricultural products pursuant to farm price support programs and other commodities. Sales are estimated to exceed purchases by $89 million in 2011.

Outlays for other miscellaneous physical investment are estimated to be $4.3 billion in 2011. This category consists entirely of direct Federal outlays and includes primarily conservation programs.

Detailed Table on Investment Spending

The following table provides data on budget authority as well as outlays for major Federal investment divided according to grants to State and local governments and direct Federal spending. Miscellaneous investment is not included because it is generally unrelated to improving Government operations or enhancing economic activity.

Table 20–2. FEDERAL INVESTMENT BUDGET AUTHORITY AND OUTLAYS: GRANT AND DIRECT FEDERAL PROGRAMS

(In millions of dollars)

Description	Budget Authority			Outlays		
	2009 Actual	2010 Estimate	2011 Estimate	2009 Actual	2010 Estimate	2011 Estimate
GRANTS TO STATE AND LOCAL GOVERNMENTS						
Major public physical investment:						
Construction and rehabilitation:						
Transportation:						
Highways	57,053	43,487	42,127	39,358	51,278	48,226
Mass transportation	19,744	10,585	10,361	11,186	15,283	13,899
Rail transportation	8,115	2,535	1,000	2	454	1,283
Air and other transportation	4,786	3,483	3,380	3,938	3,856	3,459
Subtotal, transportation	89,698	60,090	56,868	54,484	70,871	66,867
Other construction and rehabilitation:						
Pollution control and abatement	8,534	3,938	3,621	2,355	5,091	4,785
Community and regional development	10,015	5,619	5,375	7,961	10,560	11,244
Housing assistance	16,042	10,254	7,451	7,771	14,016	13,694
Other	13,188	3,528	3,992	1,028	8,993	9,004
Subtotal, other construction and rehabilitation	47,779	23,339	20,439	19,115	38,660	38,727
Subtotal, construction and rehabilitation	137,477	83,429	77,307	73,599	109,531	105,594
Other physical assets	1,856	1,859	1,921	1,613	1,790	1,859
Subtotal, major public physical investment	139,333	85,288	79,228	75,212	111,321	107,453
Conduct of research and development:						
Agriculture	361	385	413	310	377	456
Other	309	291	294	348	418	401
Subtotal, conduct of research and development	670	676	707	658	795	857
Conduct of education and training:						
Elementary, secondary, and vocational education	113,485	38,952	42,215	51,589	82,404	58,773
Higher education	452	463	388	483	622	473
Research and general education aids	1,100	875	822	794	951	909
Training and employment	6,572	3,894	4,064	4,044	5,864	3,921
Social services	15,946	10,692	11,829	10,453	14,111	12,531
Agriculture	498	520	504	467	607	585
Other	1,886	2,390	2,451	1,865	2,377	2,439
Subtotal, conduct of education and training	139,939	57,786	62,273	69,695	106,936	79,631
Subtotal, grants for investment	279,942	143,750	142,208	145,565	219,052	187,941
DIRECT FEDERAL PROGRAMS						
Major public physical investment:						
Construction and rehabilitation:						
National defense:						
Military construction and family housing	18,875	15,453	15,456	9,896	15,860	14,288
Atomic energy defense activities and other	244	173	50	222	188	49
Subtotal, national defense	19,119	15,626	15,506	10,118	16,048	14,337
Nondefense:						
International affairs	1,620	895	920	574	344	449
General science, space, and technology	2,778	2,566	2,850	3,149	2,312	2,012
Water resources projects	9,947	3,413	2,793	3,634	5,544	4,916
Other natural resources and environment	1,695	837	770	1,027	1,325	1,228
Energy	19,553	7,222	9,895	4,029	10,949	15,613

Table 20–2. FEDERAL INVESTMENT BUDGET AUTHORITY AND OUTLAYS: GRANT AND DIRECT FEDERAL PROGRAMS—Continued
(In millions of dollars)

Description	Budget Authority			Outlays		
	2009 Actual	2010 Estimate	2011 Estimate	2009 Actual	2010 Estimate	2011 Estimate
Postal service	502	623	574	1,006	647	632
Transportation	302	85	126	130	309	302
Veterans hospitals and other health facilities	8,107	1,028	3,664	3,532	3,642	3,954
Administration of justice	2,412	1,529	1,196	2,323	2,171	1,931
GSA real property activities	6,775	1,308	1,380	1,586	2,528	3,035
Other construction	10,043	2,295	2,127	8,319	2,781	1,817
Subtotal, nondefense	63,734	21,801	26,295	29,309	32,552	35,889
Subtotal, construction and rehabilitation	82,853	37,427	41,801	39,427	48,600	50,226
Acquisition of major equipment:						
National defense:						
Department of Defense	135,583	134,650	137,610	129,331	147,338	141,555
Atomic energy defense activities	469	498	482	282	442	427
Subtotal, national defense	136,052	135,148	138,092	129,613	147,780	141,982
Nondefense:						
General science and basic research	1,725	818	815	719	1,349	1,047
Space flight, research, and supporting activities	186	110	120	148	139	139
Postal service	326	877	976	804	830	861
Air transportation	4,664	3,746	3,370	3,885	3,395	3,498
Water transportation (Coast Guard)	1,466	1,489	1,292	1,147	1,536	1,612
Other transportation (railroads)	2,790	1,565	1,615	1,665	2,539	1,875
Hospital and medical care for veterans	785	1,332	1,018	1,111	1,086	1,013
Federal law enforcement activities	2,159	1,773	1,740	1,929	1,704	1,655
Department of the Treasury (fiscal operations)	275	304	442	266	257	327
National Oceanic and Atmospheric Administration	1,898	1,432	2,122	1,233	1,440	1,669
GSA general services funds	855	1,044	1,044	855	1,044	1,044
Other	4,341	4,127	4,258	3,518	4,237	4,311
Subtotal, nondefense	21,470	18,617	18,812	17,280	19,556	19,051
Subtotal, acquisition of major equipment	157,522	153,765	156,904	146,893	167,336	161,033
Purchase or sale of land and structures:						
National defense	-29	-29	-27	-18	-18	-24
Natural resources and environment	207	341	445	208	224	340
General government	150	141	136	149	141	136
Other	171	2,003	-6	-53	61	375
Subtotal, purchase or sale of land and structures	499	2,456	548	286	408	827
Subtotal, major public physical investment	240,874	193,648	199,253	186,606	216,344	212,086
Conduct of research and development:						
National defense:						
Defense military	80,893	81,006	77,451	79,708	79,638	78,513
Atomic energy and other	3,582	3,767	3,990	3,210	3,709	3,950
Subtotal, national defense	84,475	84,773	81,441	82,918	83,347	82,463
Nondefense:						
International affairs	255	255	255	260	233	233
General science, space, and technology:						
NASA	8,847	6,584	7,364	9,160	7,960	6,839
National Science Foundation	6,578	4,634	5,119	3,936	5,259	5,049
Department of Energy	4,476	3,822	3,975	3,347	4,066	4,159
Other general science, space, and technology	802	857	866	876	787	1,164
Subtotal, general science, space, and technology	20,703	15,897	17,324	17,319	18,072	17,211
Energy	3,327	2,147	2,459	1,846	2,719	3,616
Transportation:						
Department of Transportation	875	905	908	583	719	713
NASA	650	435	1,075	777	540	766
Other transportation	18	24	20	20	26	24
Subtotal, transportation	1,543	1,364	2,003	1,380	1,285	1,503
Health:						
National Institutes of Health	38,019	30,334	31,265	28,663	30,666	35,526
Other health	1,760	490	500	892	614	798

Table 20–2. FEDERAL INVESTMENT BUDGET AUTHORITY AND OUTLAYS: GRANT AND DIRECT FEDERAL PROGRAMS—Continued
(In millions of dollars)

Description	Budget Authority			Outlays		
	2009 Actual	2010 Estimate	2011 Estimate	2009 Actual	2010 Estimate	2011 Estimate
Subtotal, health	39,779	30,824	31,765	29,555	31,280	36,324
Agriculture	1,574	1,640	1,623	1,519	1,642	1,760
Natural resources and environment	2,197	2,300	2,506	1,898	2,019	2,121
National Institute of Standards and Technology	536	470	551	425	518	669
Hospital and medical care for veterans	1,020	1,162	1,180	1,016	1,102	1,152
All other research and development	1,085	1,194	1,258	1,035	1,248	1,108
Subtotal, nondefense	72,019	57,253	60,924	56,253	60,118	65,697
Subtotal, conduct of research and development	156,494	142,026	142,365	139,171	143,465	148,160
Conduct of education and training:						
Elementary, secondary, and vocational education	1,568	2,604	2,572	1,521	1,582	2,203
Higher education	12,039	18,529	36,303	-3,171	20,306	31,913
Research and general education aids	2,228	2,337	2,438	2,147	2,197	2,215
Training and employment	3,646	2,442	2,380	2,245	2,357	2,617
Health	1,886	1,626	1,733	1,645	1,591	1,702
Veterans education, training, and rehabilitation	4,599	9,170	10,948	4,328	9,679	11,034
General science and basic research	1,193	1,047	1,074	963	1,102	1,097
National defense	....	....	....	19	....	....
International affairs	569	661	663	542	608	654
Other	972	1,031	1,038	665	1,069	1,042
Subtotal, conduct of education and training	28,700	39,447	59,149	10,904	40,491	54,477
Subtotal, direct Federal investment	**426,068**	**375,121**	**400,767**	**336,681**	**400,300**	**414,723**
Total, Federal investment	**706,010**	**518,871**	**542,975**	**482,246**	**619,352**	**602,664**

PART II: FEDERALLY FINANCED CAPITAL STOCKS

Federal investment spending creates a "stock" of capital that is available for future productive use. Each year, Federal investment outlays add to this stock of capital. At the same time, however, wear and tear and obsolescence reduce it. This section presents very rough measures over time of three different kinds of capital stocks financed by the Federal Government: public physical capital, research and development (R&D), and education.

Federal spending for physical assets adds to the Nation's capital stock of tangible assets, such as roads, buildings, and aircraft carriers. These assets deliver a flow of services over their lifetime. The capital depreciates as the asset ages, wears out, is accidentally damaged, or becomes obsolete.

Federal spending for the conduct of R&D adds to an "intangible" asset, the Nation's stock of knowledge. Spending for education adds to the stock of human capital by providing skills that help make people more productive. Although financed by the Federal Government, R&D or education can be carried out by Federal or State government laboratories, universities and other nonprofit organizations, local governments, or private industry. R&D covers a wide range of activities, from the investigation of subatomic particles to the exploration of outer space; it can be "basic" research without particular applications in mind, or it can have a highly specific practical use. Similarly, education includes a wide variety of programs, assisting people of all ages beginning with pre-school education and extending through graduate studies and adult education. Like physical assets, the capital stocks of R&D and education provide services over a number of years and depreciate as they become outdated.

For this analysis, physical and R&D capital stocks are estimated using the perpetual inventory method. Each year's Federal outlays are treated as gross investment, adding to the capital stock; depreciation reduces the capital stock. Gross investment less depreciation is net investment. The estimates of the capital stock are equal to the sum of net investment in the current and prior years. Conversely, the year-to-year change in the capital stock estimates is annual net investment. A limitation of the perpetual inventory method is that the original investment spending may not accurately measure the current value of the asset created, even after adjusting for inflation, because the value of existing capital changes over time due to changing market conditions. However, alternative methods for measuring asset value, such as direct surveys of current market worth or indirect estimation based on an expected rate of return, are especially difficult to apply to assets that do not have a private market, such as highways or weapons systems.

In contrast to physical and R&D stocks, the estimate of the education stock is based on the replacement cost method. Data on the total years of education of the U.S.

population are combined with data on the current cost of education and the Federal share of education spending to yield the cost of replacing the Federal share of the Nation's stock of education.

It should be stressed that these estimates are rough approximations, and provide a basis only for making broad generalizations. Errors may arise from uncertainty about the useful lives and depreciation rates of different types of assets, incomplete data for historical outlays, and imprecision in the deflators used to express costs in constant dollars. The methods used to estimate capital stocks are discussed further in Chapter 30, "Budget and Financial Reporting," in this volume. Additional detail about these methods appeared in a methodological note in Chapter 7, "Federal Investment Spending and Capital Budgeting," in the *Analytical Perspectives* volume of the 2004 Budget.

The Stock of Physical Capital

This section presents data on stocks of physical capital assets and estimates of the depreciation of these assets.

Trends. Table 20–3 shows the value of the net federally financed physical capital stock since 1960, in constant fiscal year 2005 dollars. The total stock grew at a 2.3 percent average annual rate from 1960 to 2009, with periods of faster growth during the late 1960s and the 1980s. The stock amounted to $2,646 billion in 2009 and is estimated to increase to $2,793 billion by 2011. In 2009, the national defense capital stock accounted for $769 billion, or 29 percent of the total, and non-defense stocks for $1,876 billion, or 71 percent of the total.

Real stocks of defense and nondefense capital show very different trends. Non-defense stocks have grown consistently since 1970, increasing from $524 billion in 1970 to $1,876 billion in 2009. With the investments proposed in the Budget, nondefense stocks are estimated to grow to $1,967 billion in 2011. During the 1970s, the non-defense capital stock grew at an average annual rate of 5.0 percent. In the 1980s, however, the growth rate slowed to 2.9 percent annually, with growth continuing at about that rate since then.

Real national defense stocks began in 1970 at a relatively high level, and declined steadily throughout the decade as depreciation from investment during the Vietnam war exceeded new investment in military construction and weapons procurement. Starting in the early 1980s, a large defense buildup began to increase the stock of defense capital. By 1987, the defense stock exceeded its earlier Vietnam-era peak. In the early 1990s, however, depreciation on the increased stocks and a slower pace of defense physical capital investment began to reduce the stock from its previous levels. The increased defense investment in the last few years has reversed this decline, increasing the stock from a low of $647 billion in 2001 to $826 billion in 2011.

Another trend in the Federal physical capital stocks is the shift from direct Federal assets to grant-financed assets. In 1960, 37 percent of federally financed non-defense capital was owned by the Federal Government, and 63 percent was owned by State and local governments but financed by Federal grants. Expansion in Federal grants for highways and other State and local capital, coupled

Table 20–3. NET STOCK OF FEDERALLY FINANCED PHYSICAL CAPITAL
(In billions of 2005 dollars)

Fiscal Year	Total	National Defense	Total Nondefense	Direct Federal Capital: Total	Direct Federal Capital: Water and Power	Direct Federal Capital: Other	Capital Financed by Federal Grants: Total	Capital Financed by Federal Grants: Transportation	Capital Financed by Federal Grants: Community and Regional	Capital Financed by Federal Grants: Natural Resources	Capital Financed by Federal Grants: Other
Five year intervals:											
1960	888	622	267	98	61	37	169	102	31	24	12
1965	989	603	386	126	76	50	260	182	37	26	14
1970	1,169	645	524	150	91	59	374	265	54	30	24
1975	1,220	558	662	171	105	66	491	325	88	48	29
1980	1,362	506	856	200	126	74	656	395	139	91	31
1985	1,585	586	999	228	139	88	771	458	168	115	30
1990	1,881	740	1,142	263	150	112	879	534	182	130	33
1995	2,041	731	1,310	305	160	144	1,006	616	194	142	53
Annual data:											
2000	2,159	650	1,509	346	164	182	1,163	714	212	151	87
2001	2,208	647	1,561	359	167	193	1,202	740	215	153	94
2002	2,270	651	1,619	374	169	206	1,244	770	219	154	101
2003	2,336	661	1,675	388	170	218	1,286	799	223	156	109
2004	2,403	678	1,725	399	172	228	1,326	826	226	158	116
2005	2,466	696	1,770	409	172	236	1,361	852	229	159	121
2006	2,531	717	1,814	419	173	245	1,395	878	231	160	127
2007	2,543	725	1,818	420	174	247	1,398	876	236	160	126
2008	2,623	759	1,864	433	175	258	1,430	903	235	161	131
2009	2,646	769	1,876	444	177	267	1,432	906	234	161	132
2010 est.	2,783	826	1,957	462	187	275	1,495	943	240	164	147
2011 est.	2,793	826	1,967	475	193	282	1,492	942	239	164	147

with slower growth in direct Federal investment for water resources, for example, shifted the composition of the stock substantially. In 2009, 24 percent of the nondefense stock was owned by the Federal Government and 76 percent by State and local governments.

The growth in the stock of physical capital financed by grants has come in several areas. The growth in the stock for transportation is largely grants for highways, including the Interstate Highway System. The growth in community and regional development stocks occurred largely following the enactment of the Community Development Block Grant in the early 1970s. The value of this capital stock has grown only slowly in the past few years. The growth in the natural resources area occurred primarily because of construction grants for water infrastructure projects. The value of this federally financed stock has increased about 40 percent since the mid-1980s.

The Stock of Research and Development Capital

This section presents data on the stock of research and development (R&D) capital, taking into account adjustments for its depreciation.

Trends. As shown in Table 20–4, the R&D capital stock financed by Federal outlays is estimated to be $1,393 billion in 2009 in constant 2005 dollars. Roughly half is the stock of basic research knowledge; the remainder is the stock of applied research and development.

The nondefense stock accounted for about three-fifths of the total federally financed R&D stock in 2009. Although investment in defense R&D has exceeded that of nondefense R&D in nearly every year since 1981, the nondefense R&D stock is actually the larger of the two, because of the different emphasis on basic research and applied research and development. Defense R&D spending is heavily concentrated in applied research and development, which depreciates much more quickly than basic research. The stock of applied research and development is assumed to depreciate at a ten percent geometric rate, while basic research is assumed not to depreciate at all.

The defense R&D stock rose slowly during the 1970s, as gross outlays for R&D trended down in constant dollars and the stock created in the 1960s depreciated. Increased defense R&D spending from 1980 through 1990 led to a more rapid growth of the R&D stock. Subsequently, real defense R&D outlays tapered off, depreciation grew, and, as a result, the real net defense R&D stock stabilized at around $475 billion. Renewed spending for defense R&D in recent years has begun to increase the stock, and it is projected to increase to $547 billion in 2011.

The growth of the nondefense R&D stock slowed from the 1970s to the 1980s, from an annual rate of 3.8 percent in the 1970s to a rate of 2.1 percent in the 1980s. Gross investment in real terms fell during of the early 1980s, and about three-fourths of new outlays went to replacing depreciated R&D. Since 1984, however, nondefense R&D outlays have been on an upward trend while depreciation has edged down. As a result, the net nondefense R&D capital stock has grown more rapidly.

Table 20–4. NET STOCK OF FEDERALLY FINANCED RESEARCH AND DEVELOPMENT [1]
(In billions of 2005 dollars)

Fiscal Year	National Defense			Nondefense			Total Federal		
	Total	Basic Research	Applied Research and Development	Total	Basic Research	Applied Research and Development	Total	Basic Research	Applied Research and Development
Five year intervals:									
1970	294	18	276	242	75	167	536	93	443
1975	311	23	288	296	110	186	607	133	475
1980	315	28	287	350	148	202	666	176	490
1985	362	34	328	382	196	186	744	230	514
1990	454	41	413	432	257	174	885	298	587
1995	476	48	428	519	331	189	996	379	617
Annual data:									
2000	476	55	422	611	414	197	1,087	468	619
2001	474	57	417	634	435	200	1,108	491	617
2002	472	58	414	661	457	204	1,134	516	618
2003	477	60	417	690	481	209	1,167	541	626
2004	483	61	421	720	506	214	1,202	567	635
2005	498	63	435	744	529	215	1,242	591	650
2006	509	64	445	770	552	218	1,278	616	663
2007	520	65	454	795	575	220	1,314	640	674
2008.	529	67	462	820	598	222	1,349	665	684
2009	536	68	468	857	624	233	1,393	692	701
2010 est.	542	69	473	897	653	245	1,440	722	718
2011 est.	547	71	477	941	683	258	1,488	753	735

[1] Excludes stock of physical capital for research and development, which is included in Table 20–3.

Table 20–5. NET STOCK OF FEDERALLY FINANCED EDUCATION CAPITAL
(In billions of 2005 dollars)

Fiscal Year	Total Education Stock	Elementary and Secondary Education	Higher Education
Five year intervals:			
1960	80	58	22
1965	115	83	31
1970	264	207	57
1975	394	318	75
1980	544	427	117
1985	651	489	162
1990	826	615	211
1995	989	722	267
Annual data:			
2000	1,211	882	329
2001	1,270	922	348
2002	1,325	963	361
2003	1,371	998	373
2004	1,426	1,031	395
2005	1,462	1,067	395
2006	1,551	1,116	435
2007	1,627	1,169	458
2008	1,731	1,243	488
2009	1,755	1,277	478
2010 est.	1,888	1,384	505
2011 est.	2,007	1,467	540

The Stock of Education Capital

This section presents estimates of the stock of education capital financed by the Federal Government.

As shown in Table 20–5, the federally financed education stock is estimated at $1,755 billion in 2009 in constant 2005 dollars. The vast majority of the Nation's education stock is financed by State and local governments, and by students and their families themselves. This federally financed portion of the stock represents about 3 percent of the Nation's total education stock.[1] Nearly three-quarters is for elementary and secondary education, while the remainder is for higher education.

The federally financed education stock has grown steadily in the last few decades, with an average annual growth rate of 5.0 percent from 1970 to 2009. The expansion of the education stock is projected to continue under this budget, with the stock rising to $2,007 billion in 2011.

[1] For estimates of the total education stock, see Chapter 31, "Social Indicators"

21. RESEARCH AND DEVELOPMENT

Scientific discovery and technological innovation are major engines of increasing productivity and are indispensable for promoting economic growth and job creation, advancing toward a clean energy future, improving the health of the population, and safeguarding our national security in the technologically driven 21^{st} Century.

The President's 2011 Budget proposes $147.7 billion for Federal research and development (R&D). This investment reinforces the Administration's commitment to science, technology, and innovation that will help the country make progress toward these national goals.

This investment is a cornerstone of the President's *Strategy for American Innovation: Driving Towards Sustainable Growth and Quality Jobs,* announced in September 2009. This investment moves the Nation toward the President's long-term goal that R&D investments in the United States should reach three percent of the Gross Domestic Product (GDP). The additional funding provided in the 2011 Budget will make progress toward this goal by increasing Federal funding for R&D as a percentage of GDP for non-defense activities. The 2011 Budget's proposed permanent extension of the research and experimentation tax credit will spur private investment in R&D by providing certainty that the credit will be available for the duration of the R&D investment.

In general, the Budget's priorities align with the conclusions in the report from the National Science and Technology Summit held in August 2008.

I. PRIORITIES FOR FEDERAL RESEARCH AND DEVELOPMENT

The Budget provides support for multidisciplinary research and promising, but exploratory and high-risk, research proposals that could fundamentally improve our understanding of nature, revolutionize fields of science, and lead to radically new technologies.

Investing in the Sciences for a Prosperous America

The Administration recognizes the Government's role in fostering scientific and technological breakthroughs, and has committed resources to ensure America leads the world in the innovations of the future. Federally supported research expands the frontiers of human knowledge and has been a reliable source of new knowledge to drive economic recovery, job creation, and economic growth. The Budget proposes $61.6 billion for basic and applied research, an increase of 5.6 percent above the 2010 enacted level.

The President's Plan for Science and Innovation, announced in April 2009, seeks to double Federal investment for basic research in key agencies: the National Science Foundation (NSF); the Department of Energy (DOE) Office of Science; and the laboratories of the Department of Commerce (DOC) National Institute of Standards and Technology (NIST). The American Recovery and Reinvestment Act and the 2010 appropriations provided critical down payments toward this doubling. The Budget proposes $13.3 billion in 2011 for these three agencies. This level is an increase of 6.6 percent above the 2010 enacted level of $12.4 billion. Priorities for 2011 include multidisciplinary research targeted at the jobs and industries of the future and at sustainability at NSF, basic energy sciences at DOE, and cybersecurity, biomanufacturing, and innovative energy technologies at NIST.

The Budget also supports research investments in other Federal agencies. The Budget proposes $429 million, an increase of 63 percent, for the Agriculture and Food Research Initiative, a competitively awarded research program within the U.S. Department of Agriculture's (USDA) new National Institute of Food and Agriculture (formerly the Cooperative State Research, Education and Extension Service). The Budget also proposes a 30-percent increase in funding for the National Center for Education Research, part of the Department of Education's Institute of Education Sciences. These funds will support much needed R&D investments to generate solutions to critical problems in education.

The Federal R&D effort needs complementary R&D investments from business to translate scientific discoveries into commercially successful, innovative products and services. In order to provide businesses with greater confidence to invest, innovate, and grow, the Budget proposes to make the Research and Experimentation tax credit permanent.

A Clean Energy Future

The Administration envisions the United States leading the world in research, development, demonstration, and deployment of clean-energy technology to reduce dependence on energy imports and to mitigate the impact of climate change while creating clean energy jobs and new businesses.

The 2011 Budget builds upon substantial clean energy R&D investments in the Recovery Act and 2010 appropriations to forge a comprehensive approach to transforming energy supply and slowing global climate change through cutting-edge science and technology. R&D funding will support renewable energy and energy efficiency technologies such as advanced batteries, solid-state lighting, solar, biomass, geothermal, and wind power. The 2011 Budget proposes $438 million for research and development of advanced coal-fueled power systems and carbon capture and storage technologies that reduce the carbon emission intensity of fossil fuel-based power systems. To further support achievement of clean energy and climate goals, the Budget supports strong, science-based nuclear energy R&D programs to advance nuclear technologies and improve their market competitiveness, including a broad new effort to encourage the development of creative, cutting-edge solutions. Longer-term nuclear R&D programs complement the near-term strategy to support the revitalization of the nuclear industry through loan guarantees. The Budget also proposes $170 million for bioenergy research in USDA to develop next-generation biofuels like cellulosic and algae-based biofuels that displace oil consumption and reduce greenhouse gas emissions.

The 2011 Budget proposes $300 million for the Advanced Research Projects Agency-Energy within DOE to support transformational discoveries and accelerate the development of clean energy.

Healthy Lives for All Americans

The Administration is committed to funding Federal R&D investments in biomedical and health research and supporting policies to increase the impact of these investments on health outcomes. The 2011 Budget strongly supports research that builds and expands upon recent discoveries in genomics and other high-throughput technologies to increase scientific knowledge and translate discoveries into better, more cost-effective medical treatments.

The 2011 Budget proposes $32 billion for the National Institutes of Health (NIH), an increase of $1 billion. The Budget will support bold and innovative efforts in research on diseases such as cancer and autism spectrum disorders.

The Budget also proposes $286 million for patient-centered health research in the Agency for Healthcare Research and Quality and $590 million for medical research in the Department of Veterans Affairs.

A Safe and Secure America

Federal R&D investments in security assure that we have the technologies needed to protect our troops, citizens, and national interests, including those needed to verify arms control and nonproliferation agreements essential to our security.

The 2011 Budget sustains the Department of Defense's (DOD) critical role in supporting technological advances with $3.1 billion for the Defense Advanced Research Projects Agency for its support of longer-term breakthrough research. The Budget proposes $6.5 billion for DOD basic and applied research, 2.3 percent above the 2010 enacted level of $6.3 billion. The Budget maintains scientific and technological preeminence for our Armed Forces.

The Budget invests in the technological capabilities necessary to monitor nuclear nonproliferation compliance and to prevent weapons of mass destruction from entering the country. The Budget proposes $352 million for DOE's nonproliferation and verification R&D portfolio, an increase of 11 percent over the 2010 level.

The Budget invests in the science and technology needed to combat natural and manmade threats to our Nation's food supply, including $113.6 million in the U.S. Department of Agriculture for research associated with the safety of the U.S. food supply.

In order to address these priorities effectively, the Administration recognizes the need to strengthen key cross-cutting areas.

Science, technology, engineering, and mathematics (STEM) education: The Administration is committed to strengthening STEM education, from pre-college to postgraduate to lifelong learning. The Budget invests $3.7 billion in STEM education programs throughout the Federal government. The Budget proposes $74 million for a coordinated DOE-NSF RE-ENERGYSE education campaign to inspire tens of thousands of young Americans to pursue STEM careers in clean energy. These Federal programs complement an expanding array of Federal-private partnerships in STEM education announced by the President in November 2009 in the "Educate to Innovate" campaign.

The Budget emphasizes suppport for researchers at the beginning of their careers to sustain and expand the Nations's scientific and technical workforce, including sustained investments toward tripling the number of NSF's Graduate Research Fellowships by 2013.

The Budget also proposes significant investments in STEM education at the Department of Education. Through the reauthorization of the Elementary and Secondary Education Act, the Administration is seeking to create the Effective Teaching and Learning: STEM program, which would support State and local efforts to implement a comprehensive STEM strategy for the provision of high-quality STEM instruction to students from preK–12. The Budget also dedicates $150 million within the Investing in Innovation program to competitive grants for school districts, nonprofits, and other organizations to test, validate, and scale promising strategies to improve student learning in STEM subjects.

Productive research institutions: The Administration recognizes the need for strong, productive research institutions, including our research universities and major public and private laboratories and research centers. The Budget sustains critical investments in university research from the NIH, NSF, DOD, and USDA, among others.

Space capabilities: The Administration is committed to enhancing our capabilities in space, which are essential for communications, geopositioning, intelligence gathering, Earth observation, and national defense. As part of this commitment, the National Aeronautics and Space Administration (NASA) will embark on vigorous new technology development and test programs aimed at increasing the capabilities and reducing the cost of NASA, other government, and U.S. commercial space activities.

Infrastructure: The Administration places a high priority on improving and protecting our information, communication, and transportation infrastructure, which is essential to our commerce, science, and security alike. As an example, the Administration is investing heavily in broadband infrastructure by implementing $7.2 billion provided for this purpose in the Recovery Act to USDA and DOC.

II. FEDERAL R&D DATA

R&D is the collection of efforts directed towards gaining greater knowledge or understanding and applying knowledge toward the production of useful materials, devices, and methods. R&D investments can be characterized as basic research, applied research, development, R&D equipment, or R&D facilities. The Office of Management and Budget has used those or similar categories in its collection of R&D data since 1949.

Federal R&D Funding

Basic research is systematic study directed toward a fuller knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific applications towards processes or products in mind. Basic research, however, may include activities with broad applications in mind.

Applied research is systematic study to gain knowledge or understanding necessary to determine the means by which a recognized and specific need may be met.

Development is systematic application of knowledge or understanding, directed toward the production of useful materials, devices, and systems or methods, including design, development, and improvement of prototypes and new processes to meet specific requirements.

Research and development equipment includes acquisition or design and production of movable equipment, such as spectrometers, research satellites, detectors, and other instruments. At a minimum, this category should include programs devoted to the purchase or construction of R&D equipment.

Research and development facilities include the acquisition, design, and construction of, or major repairs or alterations to, all physical facilities for use in R&D activities. Facilities include land, buildings, and fixed capital equipment, regardless of whether the facilities are to be used by the Government or by a private organization, and regardless of where title to the property may rest. This category includes such fixed facilities as reactors, wind tunnels, and particle accelerators.

There are more than 20 Federal agencies that fund R&D in the United States. The nature of the R&D that these agencies fund depends on the mission of each agency and on the role of R&D in accomplishing it. Table 21–1 shows agency-by-agency spending on basic and applied research, development, and R&D equipment and facilities.

III. MULTI-AGENCY R&D ACTIVITIES

A number of research investments are being addressed through multi-agency research activities coordinated through the National Science and Technology Council (NSTC) and other interagency forums. Many of the challenges simply cannot be addressed by a single agency.

Moreover, innovation often arises from combining the tools, techniques, and insights from multiple agencies. Table 21–2 shows details of three such interagency efforts: networking and information technology R&D, nanotechnology R&D, and climate change R&D.

Networking and Information Technology R&D: The Budget proposes $4.0 billion for the multi-agency Networking and Information Technology Research and Development (NITRD) Program, which plans and coordinates agency research efforts in cyber security, high-end computing systems, advanced networking, software development, high-confidence systems, information management, and other information technologies.

The 2011 Budget retains the important focus on investment in high-end computing research for both national security and large-scale scientific applications, particularly in advanced scalable simulations. The 2011 Budget also continues to emphasize foundations for assured computing and secure hardware, software and network design and engineering to address the goal of making Internet communications more secure and reliable. Reports and general information about NITRD are available at *www.nitrd.gov*.

Nanotechnology R&D: The Budget proposes $1.7 billion for the multi-agency National Nanotechnology Initiative (NNI). The NNI focuses on R&D that creates materials, devices, and systems that exploit the fundamentally distinct properties of matter as it is manipulated at the nanoscale (roughly 1 to 100 nanometers). The results of NNI-supported R&D are enabling breakthroughs in biomedical detection and treatment, advanced manufacturing at or near the nanoscale, environmental monitoring and protection, sustainable energy production as well as energy conversion and storage, and more powerful electronic devices, among many others.

Guided by the NNI strategies developed by the Nanoscale Science, Engineering, and Technology Subcommittee of the NSTC, participating agencies will continue to support nanoscience and nanotechnology development through investigator-led research; multidisciplinary centers of excellence; education and training; and infrastructure and standards development, including user facilities and networks that are broadly available to support research and innovation. In addition, consistent with the *NNI Strategy for Nanotechnology-Related Environmental Health, and Safety Research*, agencies continue to maintain a focus on the responsible development of nanotechnology, with attention to the human and environmental health impacts, as well as ethical, legal, and other societal issues. Reports and general information about NNI are available at *www.nano.gov.*

Climate Change R&D: The Budget proposes $2.6 billion for the U.S. Global Change Research Program (USGCRP), which integrates Federal research and solutions for climate and global change. The 2011 Budget supports scientific research and applications to support the goals set forth in the program's strategic plan. These activities can be grouped under the following areas: improve our knowledge of Earth's past and present climate variability and change; improve our understanding of natural and human forces of climate change; improve our capability to model and predict future conditions and impacts; assess the Nation's vulnerability to current and anticipated impacts of climate change; and improve the Nation's ability to respond to climate change by providing climate information and decision support tools that are useful to policy makers and the general public. Reports and general information about the USGCRP are available on the program's website, *www.globalchange.gov.*

The Climate Change Technology Program (CCTP) provides planning and analysis on the portfolio of federally funded climate change technology R&D. Reports and general information about the CCTP are available on the program's website, *www.climatetechnology.gov.*

Table 21–1. FEDERAL RESEARCH AND DEVELOPMENT SPENDING

(Budget authority, dollar amounts in millions)

	2009 Actual [1]	2010 Estimate	2011 Proposed	Dollar Change: 2010 to 2011	Percent Change: 2010 to 2011 [2]
By Agency					
Defense	81,121	81,090	77,548	–3,542	–4%
Health and Human Services	41,658	31,177	32,156	979	3%
Energy	13,268	10,693	11,219	526	5%
NASA	11,677	9,286	10,986	1,700	18%
National Science Foundation	7,576	5,092	5,571	479	9%
Agriculture	2,613	2,591	2,448	–143	–6%
Commerce	1,969	1,516	1,727	211	14%
Veterans Affairs	1,020	1,162	1,180	18	2%
Homeland Security	1,096	1,150	1,046	–104	–9%
Transportation	976	1,012	1,018	6	1%
Interior	775	755	772	17	2%
Environmental Protection Agency	559	622	651	29	5%
Education	312	348	383	35	10%
Smithsonian Institution	226	208	236	28	13%
Other	625	651	755	104	16%
TOTAL	**165,471**	**147,353**	**147,696**	**343**	**0%**
Basic Research					
Defense	1,727	1,830	1,998	168	9%
Health and Human Services	21,140	16,981	17,502	521	3%
Energy	4,505	3,862	4,003	141	4%
NASA	1,830	884	977	93	11%
National Science Foundation	6,107	4,291	4,684	393	9%
Agriculture	907	999	1,018	19	2%
Commerce	152	121	150	29	24%
Veterans Affairs	406	464	470	6	1%
Homeland Security	268	227	173	–54	–24%
Transportation	....	....	....	....	....
Interior	47	50	52	2	4%
Environmental Protection Agency	107	90	95	5	6%
Education	3	6	7	1	17%
Smithsonian Institution	152	162	178	16	10%
Other	26	35	34	-1	–3%
SUBTOTAL	**37,377**	**30,002**	**31,341**	**1,339**	**4%**

Table 21–1. FEDERAL RESEARCH AND DEVELOPMENT SPENDING—Continued

(Budget authority, dollar amounts in millions)

	2009 Actual [1]	2010 Estimate	2011 Proposed	Dollar Change: 2010 to 2011	Percent Change: 2010 to 2011 [2]
Applied Research					
Defense	5,066	4,500	4,479	–21	–0%
Health and Human Services	18,836	14,051	14,479	428	3%
Energy	3,686	3,131	3,728	597	19%
NASA	990	683	1,336	653	96%
National Science Foundation	471	343	435	92	27%
Agriculture	1,214	1,232	1,216	–16	–1%
Commerce	834	833	900	67	8%
Veterans Affairs	548	618	636	18	3%
Homeland Security	413	475	425	–50	–11%
Transportation	726	748	781	33	4%
Interior	652	624	637	13	2%
Environmental Protection Agency	367	437	458	21	5%
Education	189	205	225	20	10%
Smithsonian Institution	....	....	....	....	....
Other	447	447	541	94	21%
SUBTOTAL	**34,439**	**28,327**	**30,276**	**1,949**	**7%**
Development					
Defense	74,100	74,676	70,974	–3,702	–5%
Health and Human Services	20	20	25	5	25%
Energy	3,050	2,612	2,560	–52	–2%
NASA	6,677	5,452	6,126	674	12%
National Science Foundation	....	....	....	....	....
Agriculture	165	175	180	5	3%
Commerce	208	197	346	149	76%
Veterans Affairs	66	80	74	–6	–8%
Homeland Security	415	448	448	....	....
Transportation	230	242	212	–30	–12%
Interior	66	74	81	7	9%
Environmental Protection Agency	85	95	98	3	3%
Education	120	137	151	14	10%
Smithsonian Institution	....	....	....	....	....
Other	146	165	180	15	9%
SUBTOTAL	**85,348**	**84,373**	**81,455**	**–2,918**	**–3%**
Facilities and Equipment					
Defense	228	84	97	13	15%
Health and Human Services	1,662	125	150	25	20%
Energy	2,027	1,088	928	–160	–15%
NASA	2,180	2,267	2,547	280	12%
National Science Foundation	998	458	452	–6	–1%
Agriculture	327	185	34	–151	–82%
Commerce	775	365	331	–34	–9%
Veterans Affairs	....	....	....	....	....
Homeland Security	....	....	....	....	....
Transportation	20	22	25	3	14%
Interior	10	7	2	–5	–71%
Environmental Protection Agency	....	....	....	....	....
Education	....	....	....	....	....
Smithsonian Institution	74	46	58	12	26%
Other	6	4	....	–4	-100%
SUBTOTAL	**8,307**	**4,651**	**4,624**	**–27**	**–1%**

[1] The amounts for 2009 include funding from P.L. 111-5, the American Recovery and Reinvestment Act of 2009.

[2] Percentages may be rounded.

Table 21–2. AGENCY DETAIL OF SELECTED INTERAGENCY R&D EFFORTS

(Budget authority, dollar amounts in millions)

	2009 Actual [1]	2010 Estimate	2011 Proposed	Dollar Change: 2010 to 2011	Percent Change: 2010 to 2011 [2]
Networking and Information Technology R&D					
National Science Foundation	1,359	1,091	1,171	80	7%
Defense	1,368	1,278	1,107	–171	–13%
Health and Human Services [3]	1,238	986	1,019	33	3%
Energy	572	495	524	29	6%
Commerce	258	104	119	15	14%
National Aeronautics and Space Administration	100	82	82	....	....
Environmental Protection Agency	6	6	6	....	....
National Archives and Records Administration	5	5	5	....	....
TOTAL	**4,906**	**4,047**	**4,033**	**-14**	**-0%**
National Nanotechnology Initiative					
Energy	589	343	406	63	18
National Science Foundation	510	418	401	–17	–4%
Health and Human Services [4]	410	345	391	46	13%
Defense	459	436	349	-87	–20%
Commerce (NIST)	137	114	108	-6	-5%
Environmental Protection Agency	13	18	20	2	11%
National Aeronautics and Space Administration	17	17	17	....	....
Agriculture	15	15	14	-1	–7%
Homeland Security	9	12	12	....	....
Transportation	1	3	2	-1	–33%
Consumer Product Safety Commission	....	....	2	2	N/A
Justice	1	....	....	....	....
TOTAL	**2,161**	**1,721**	**1,722**	**1**	**0%**
U.S. Global Change Research Program					
National Aeronautics and Spce Administration	1,323	1,071	1,285	214	20%
Commerce (NOAA)	594	360	437	77	21%
National Science Foundation	390	319	370	51	16%
Energy	233	165	191	26	16%
Agriculture	47	109	157	48	44%
Interior (USGS)	45	63	81	18	29%
Environmental Protection Agency	18	21	22	1	5%
Smithsonian Institution	6	7	11	4	57%
Health and Human Services (NIH)	5	4	4	....	....
Transportation	2	3	3	....	....
U.S. Agency for International Development [5]	*17*	*36*	*43*	*7*	*19%*
TOTAL	**2,663**	**2,122**	**2,561**	**439**	**21%**

[1] Amounts for 2009 include funding from P.L. 111-5, the American Recovery and Reinvestment Act of 2009.
[2] Percentages may be rounded.
[3] Includes funds from offsetting collections for the Agency for Healthcare Research and Quality.
[4] Includes funds from the National Institutes of Health, National Institute of Occupational Safety and Health, and Food and Drug Administration.
[5] USAID funding supports USGCRP and the Climate Change International Assistance (CCIA) effort. In the past, some USAID funding was counted under both crosscuts. These efforts will only be counted toward the CCIA total.

22. CREDIT AND INSURANCE

The Federal Government offers direct loans and loan guarantees to support a wide range of activities including housing, education, business and development, and exports. The Federal Government also permits certain privately owned companies, called Government-Sponsored Enterprises (GSEs), to operate under Federal charters for the purpose of enhancing credit availability for targeted sectors. Through its insurance programs, the Federal Government insures deposits at depository institutions, guarantees private defined-benefit pensions, and insures against some other risks such as flood and terrorism. Recently, in response to severe financing difficulties in private markets, GSEs have been playing more active roles in the secondary market, Federal credit programs have sought to facilitate access to credit and support a greater number of borrowers, and Government guarantees and insurance have been expanded to new areas of the economy. Some of these measures are temporary, taken only to address the economic crisis.

This chapter discusses the roles of these diverse programs:

- The first section emphasizes the roles of Federal credit and insurance programs in addressing market imperfections that may prevent the private market from efficiently providing credit and insurance.
- The second section discusses individual credit programs and the GSEs intended to support four sectors: housing, education, business and development, and exports.
- The third section reviews Federal deposit insurance, pension guarantees, disaster insurance, and insurance against terrorism and other security-related risks.

I. THE FEDERAL ROLE

Credit and insurance markets often suffer from market imperfections and can require regulation or other Government involvement to function well. Relevant market imperfections include information failures, limited ability to secure resources, insufficient competition, externalities, and economic disequilibrium. Federal credit and insurance programs may improve economic efficiency if they effectively fill the gaps created by market imperfections. But the presence of a market imperfection does not mean that Government intervention will always be effective. To be effective, a credit or insurance program should be carefully designed to reduce inefficiencies in the targeted area while minimizing inefficiencies elsewhere.

Information Failures. Financial intermediaries may fail to allocate credit to creditworthy borrowers if there is an asymmetry in the information available to different agents in the market place. For example, some groups of borrowers, such as students and start-up businesses, have limited incomes and credit histories, which can make it difficult for financial institutions to distinguish between borrowers who represent good and bad risks. In this circumstance, “adverse selection” can cause the pool of borrowers to disproportionately contain bad risks, thereby causing creditworthy borrowers belonging to these groups to fail to obtain credit or to be forced to pay excessively high interest rates. Government credit programs can sometimes expand the pool of borrowers in such a way that pricing becomes attractive to a wider set of potential borrowers. Another example is caused by “moral hazard” problems, where the borrower or insured could behave so as to take advantage of the lender or insurer. This is the case for pension guarantees, where sponsors might underfund plans, and for deposit insurance, where banks might take more risk to earn a higher return. In these cases, the Government’s legal and regulatory powers can provide an advantage in comparison with a private insurer.

Limited Ability to Secure Resources. The ability of private entities to absorb losses is more limited than that of the Federal Government, which has general taxing and borrowing authority and can therefore spread risk more widely. For some events potentially involving a very large loss concentrated in a short time period, therefore, Government insurance can be more reliable. Such events include large bank failures and some natural and man-made disasters that can threaten the solvency of private insurers. In addition, some lenders may have limited funding sources. Small local banks, for example, may have to rely largely on local deposits.

Insufficient Competition. Competition can be insufficient in some markets because of barriers to entry or economies of scale. Insufficient competition may result in unduly high prices of credit and insurance in those markets.

Externalities. Decisions at the individual level are not socially optimal when individuals do not capture the full benefit (positive externalities) or bear the full cost (negative externalities) of their activities. Education, for example, generates positive externalities because the general public benefits from the high productivity and good citizenship of a well-educated person. Homeownership and small business activity may also have significant social benefits. Pollution, in contrast, is a negative externality, from which other people suffer. Without Government intervention, people will engage less than the socially optimal level in activities that generate positive externalities and more in activities that generate negative externalities.

Economic Disequilibrium. Another rationale for Federal intervention is economic disequilibrium. This is one rationale for deposit insurance. If many banks are hurt simultaneously by an economic shock, such as the one the Nation experienced recently, and depositors have a hard time knowing which ones may become insolvent, deposit insurance prevents a contagious rush to withdraw deposits. Such a rush could harm the entire economy.

Reducing Inequality and Increasing Access. In addition to correcting market failures, Federal credit programs are often used to provide subsidies that reduce inequalities or extend opportunities to disadvantaged regions or segments of the population.

II. CREDIT IN FOUR SECTORS

Housing Credit Programs and GSEs

Through housing credit programs, the Federal Government promotes homeownership and housing among various target groups, including low-income people, veterans, and rural residents. The primary function of housing GSEs is to increase liquidity in the mortgage market.

Federal Housing Administration

The Federal Housing Administration (FHA) guarantees mortgage loans to provide access to homeownership for people who may have difficulty obtaining a conventional mortgage. FHA has been a primary facilitator of mortgage credit for first-time and minority buyers, pioneered products such as the 30-year self-amortizing mortgage, and enhances the credit of many moderate and low-income households. It continues to have an important place in the mortgage market, but its role—and its risks—evolve.

FHA and the Mortgage Market

Shortly into the new millennium, FHA's market presence diminished greatly as lower interest rates increased the affordability of mortgage finance and as more borrowers used emerging non-prime mortgage products, including subprime and Alt-A mortgages. Many of these products had exotic and risky features such as low "teaser rates" offered for periods as short as the first two years of the mortgage, high loan-to-value ratios (with some mortgages exceeding the value of the house), and interest-only loans requiring full payoff at a set future date. The Alt-A mortgage made credit easily available by not requiring documentation of income or assets. This competition eroded FHA's market share, reducing it from 10 percent in 2000 to 2 percent in 2006.

Starting at the end of 2007 and continuing through the present day, the availability of FHA and Government National Mortgage Association credit guarantees have been important counter-cyclical responses to the tightening of the private credit markets. With fewer conventional options, borrowers and lenders have flocked to FHA mortgages which have the advantages of being widely understood in the mortgage market, and offering ready access to the secondary markets through "full faith and credit" securitization by the Government National Mortgage Association. FHA's loan volume soared to over $360 billion during 2009.

FHA's presence has supported the purchase market and enabled existing homeowners to re-finance at today's lower rates. If not for such re-financing options, many homeowners would face higher risk of foreclosure due to the less favorable terms of their current mortgages.

FHA's reverse mortgage program—its Home Equity Conversion Mortgage program, or HECM—has grown steadily throughout the decade. This program allows elderly homeowners to tap their home equity to help meet their retirement needs. FHA has successfully pioneered an innovative product that has served many borrowers. From a small pilot started in 1990, the program grew to volume of $30 billion in FY 2009. This program growth is attributable to a combination of factors: the sharp growth in home equity attributable to strong housing price appreciation through most of the decade, the growing population of eligible elderly homeowners, and increased marketing efforts by lenders offering the product.

While the provision of FHA insurance is serving a valuable role in addressing the needs of the present, the potential return of conventional finance to the mortgage market—with appropriate safeguards for consumers and investors including proper assessment and disclosure of risk—would broaden both the options available to borrowers and the sources of capital to fund those options. Nevertheless, FHA will continue to play an important role in the mortgage market going forward.

Policy Response to Address Weakness in the Mortgage Market

FHA continues to address potential foreclosures within its portfolio of insured mortgages. On May 20, 2009, the President signed the "Helping Families Save Their Homes Act of 2009." This new law provides the Federal Housing Administration (FHA) with additional loss mitigation authority which the Administration has implemented through the FHA-Home Affordable Modification Program (FHA-HAMP) as part of the broader Making Home Affordable Program. The new statutory authority allows FHA to pay partial insurance claims of up to 30 percent of the unpaid principal balance of a defaulted mortgage. This authority allows FHA to modify loans to terms that are sustainable for borrowers who have realistic expectations of repayment. The same Act enacted improvements to the HOPE for Homeowners program. This program offers an FHA re-financing option to borrowers paying a very high share of their income on their mortgage and therefore at risk of default. The program has experienced little demand since its inception in October 2008. The statutory improvements, which became effective at the start of CY 2010 include the lowering of program premia and increased underwriting flexibility. These changes broaden the potential population eligible for the program while maintaining critical risk management features.

FHA's Budget Costs

Throughout the recent period of stress in the mortgage market and into the Budget's projections for 2011, FHA, like all other mortgage market participants, has faced significant financial risk and incurred large costs associated with defaults. FHA made several improvements to its forecasting abilities and used its analysis to identify particularly high-cost mortgages. The quality of estimates for FHA's budgetary effects has improved and in doing so additional costs have been identified and reported. Since 1992, the net cost of FHA Mutual Mortgage single-family insurance has been reestimated and increased by a total of $37 billion excluding interest. As discussed in detail below, these reestimates have substantially reduced FHA's capital reserves. Forecasting improvements continue. Starting with the 2010 reestimate, FHA now uses an econometric model for projecting loss severity rates. As a result, this model reflects economic conditions more closely than previous methods did.

FHA improved its projections of default claims, correcting a structural under-estimation and producing fine-grained data on the relationship between underwriting variables and subsequent loan performance. These reviews also shed light on the high costs of Seller-Financed Downpayment Assistance Loans that, having both extremely high claim rates (over 30 percent in some cohorts) and poor recoveries on claims, contributed greatly to the reestimate costs. (These loans are qualitatively distinct from downpayment assistance provided by government agencies.) The upward cost reestimates occurred even as the housing market in general was prospering through the middle part of this decade and strong house-price growth increased the proceeds FHA took in from foreclosure sales. As more borrowers opted for non-prime private products, FHA's market share—particularly of low-risk borrowers—dwindled and its proportion of borrowers with Seller-Financed Downpayment Assistance grew sharply.

One of the major benefits of an FHA-insured mortgage is that it provides an option for borrowers who make only a modest downpayment, but show that they are credit-worthy and have sufficient income to afford the house they want to buy. The disadvantage to these low downpayment mortgages (roughly 80 percent of FHA-insured purchase loans are financed with less than five percent down) is that they have little in the way of an equity cushion should house prices decline. When income changes from job loss or divorce occur, the limited equity cushion associated with low downpayments make mortgage defaults more likely, as more homes cannot be sold at a sufficient price to pay off the debt.

FHA has safeguards (such as requiring documented income) to protect it from the worst credit-risk exposure, such as that experienced in the subprime and Alt-A markets. All parties that have credit-risk, however, have been significantly hurt by house price depreciation and the prospect of continued weakness in the near-term. FHA's exposure is more limited than many other mortgage market participants, however, due to a relatively lower number of mortgages in higher cost markets and historically low levels of originations until 2008. Moreover, even with growing proportions of Seller-Financed Downpayment Assistance Loans in its portfolio, FHA's portfolio performance has experienced lower levels of defaults than the subprime sector and less-significant declines in performance than Alt-A loans. Accordingly, the Budget's reestimates of FHA costs incorporate prudent projections of risk.

The FHA reverse mortgage product, HECMs, has experienced significant cost increases. This product displays unique risks—its borrowers generally make no payments until their home is sold, and its costs are particularly sensitive to long-term house price appreciation. As the average term of a HECM is longer than a forward mortgage, trends in house prices may compound, creating a proportionally larger effect on costs than for the forward program. The decline in house prices has adversely affected the projected credit performance of HECMs and the program has a positive subsidy rate for 2011. The President's Budget includes $250 million to fund the cost of guaranteeing HECMs as well as program changes described below.

Combining all these factors, FHA recorded a reestimate excluding interest of $8 billion in 2010 in the expected costs of its outstanding portfolio of the Mutual Mortgage Insurance Fund (MMI). Under the provisions of the Federal Credit Reform Act, these costs are recorded as mandatory outlays in the year the reestimates are performed and will increase the 2010 deficit. According to its annual actuarial analysis and in the absence of policy changes, FHA dropped below the statutorily-mandated capital ratio of 2 percent in 2009. As the housing market recovers, the actuarial review projects that the ratio will again exceed 2 percent by 2013. However, it is important to note that a low capital ratio does not threaten FHA's operations, either for its existing portfolio or for new books of business. Unlike private lenders, the guarantee on FHA and other federal loans is backed by the full faith and credit of the Federal Government, and is not dependent on capital reserves — FHA can never "run out" of money.

Continued short-term weakness in house prices and a long-term expectation that price appreciation will rebound to a modest rate of growth also increases risks on new FHA loan guarantees endorsed in 2010. The cost effects identified in the reestimates of the existing FHA portfolio also inform the credit subsidy estimates for new activity in both forward mortgages and HECMs.

Policy Responses to Enhance FHA's Risk Management and Capital Reserve

The Budget includes several policy changes to focus FHA's credit enhancement on prudent risks and improve the financial health of the MMI Fund with premia increases. FHA is promulgating most of these through the appropriate administrative methods. A key exception is the annual premia levels. The Budget proposes a statutory revision to allow FHA more flexibility in setting these premia subject to a specific cap, as discussed further below.

The policies are the product of considerable analysis focusing on three primary criteria: 1) effect on broader housing market stabilization and recovery; 2) effect on specific targeted populations; and 3) effect on the FHA MMI Fund capital reserves. The approach balances the goal of rebuilding FHA's capital reserves quickly against the risks of compromising FHA's mission and overcorrecting during this critical time in the fragile housing market recovery.

1. New loan-to-value (LTV) / credit score requirements. FHA's current minimum credit score is 500 (as measured by the FICO score). This will be raised to 580 for borrowers making low downpayments (those with loan-to-value ratios above 90 percent). Other borrowers, having the security of possessing a high amount of equity relative to low downpayment borrowers, will still be eligible for the current lower minimum credit score.

2. Mortgage insurance premia (MIP) increases. FHA is immediately raising the upfront premium from 1.75 percent of the loan amount to 2.25 percent for most of its mortgages. The President's Budget also includes a legislative proposal to increase the maximum annual premium the Secretary is authorized to charge. If granted this statutory flexibility, FHA will lower the upfront premium to 1 percent and increase the annual premia from 0.50 percent to 0.85 percent (0.90 percent for low downpayment mortgages).

3. Reduce allowable seller concessions from 6 percent to 3 percent to conform with industry standards and reduce potential house value inflation.

4. Increase enforcement and monitoring of FHA lenders.
   - Require approved mortgagees to assume liability for all of the loans that they originate or underwrite.
   - Eliminate independent FHA approval of mortgage brokers who originate but do not fund loans.
   - Pursue legislative authority to withdraw originating and underwriting approval for a lender nationwide on the basis of the actions of its regional branches.
   - More frequently monitor lender performance and compliance with FHA guidelines and standards.
   - Publicly report lender performance via a scorecard system to complement currently available Neighborhood Watch data.

The President's Budget also includes changes to the HECM program to minimize the risk and cost of the program. Starting in 2011, the program will have higher premia and borrowers will generally have access to slightly lower loan limits than currently in place. These changes in combination with credit subsidy appropriations described earlier will permit the program to meet demand for all qualifying loans.

VA Housing Program

The Department of Veterans Affairs (VA) assists veterans, members of the Selected Reserve, and active duty personnel in purchasing homes as recognition of their service to the Nation. The housing program substitutes the Federal guarantee for the borrower's down payment, making the lending terms more favorable than loans without a VA guarantee. VA provided 132,556 zero down payment loans in 2009. The number of loans VA guaranteed increased significantly in 2009, as the tightened credit markets continued to make the VA housing program more attractive to eligible homebuyers. Additionally, the historically low interest rate environment of 2009 allowed 89,725 Veteran borrowers to lower the interest rate on their home mortgages. VA provided $68 billion in guarantees to assist 323,812 borrowers in 2009, compared with $38 billion and 186,638 borrowers in 2008.

VA also assists borrowers through joint servicing efforts with VA-guaranteed loan servicers via home retention options and alternatives to foreclosure. These joint efforts helped resolve over 65 percent of defaulted VA-guaranteed loans in 2009.

Rural Housing Service

The U.S. Department of Agriculture's Rural Housing Service (RHS) offers direct and guaranteed loans to help very low- to moderate-income rural residents buy and maintain adequate, affordable housing. RHS housing loans and loan guarantees differ from other Federal housing loan programs in that they are means-tested, making them more accessible to low-income, rural residents.

The single family direct loans can reduce the borrower's interest rate down to as low as 1 percent. The program helps the "on the cusp" borrower obtain a mortgage, and requires graduation to private credit as the borrower's income and equity in their home increase over time. The interest rate depends on the borrower's income, and it is reviewed and reset annually. The direct program cost is balanced between interest subsidy and defaults. For 2011, RHS expects to provide $1.2 billion in loans.

For the guaranteed loan program, the 2011 Budget proposes to make the fee structure of the single family housing guarantee similar to that of HUD's FHA guaranteed loans. The up-front fee on new purchase loans will remain 2 percent, but an annual fee of .15 percent will be added to both new and refinanced loans. In addition, the up-front fee for refinanced loan guarantees will be increased to 1 percent. This change allows the subsidy for the loans to be completely offset without a significant additional burden to the borrowers, given that they can finance the up-front fee as part of the loan, and the annual fee will be a nominal amount added to the monthly payment. In addition to this change, the Budget includes language that will make the guaranteed loan program a direct endorsement program similar to VA and HUD's guaranteed loan programs. This will make RHS more efficient and allow the single family housing staff to focus more on single family housing direct loans. For 2011, the Budget will provide $12 billion in single family loan guarantees.

Within the multifamily housing portfolio, the 2011 Budget does not fund the revitalization demonstration programs. Instead, the Budget provides an increase in the multifamily housing direct loan level from $70 million to $95 million. In doing this, the Administration supports the poorest rural tenant population base. Meanwhile, the rental assistance grants, that are vital to the proper underwriting of the multifamily housing direct loan portfolio, are funded at $966 million, which is sufficient to renew the outstanding contracts. Multifamily Housing Guarantees and Farm Labor Housing are funded at historical levels.

Government-Sponsored Enterprises in the Housing Market

Homeownership has long been recognized as an important part of the American economy and part of the American dream. However, it has not always been within reach for the average American. During the Great Depression, housing markets were in turmoil. A typical mortgage required a down payment of around 50 percent and a balloon payment of principal within a few years. Limitations in financial and communication technology and restrictions on financial institutions made it difficult for surplus funds in one part of the country to be shifted to other parts of the country to finance residential housing. Starting in 1932, the Congress responded by creating a series of entities and programs that together promoted the development of long-term, amortizing mortgages and facilitated the movement of capital to support housing finance.

A key element of this response was the creation of the FHA in 1934. Another element was the establishment of several entities designed to develop secondary mortgage markets and to facilitate the movement of capital into housing finance. These entities were chartered by the Congress with public missions and endowed with certain benefits that give them competitive advantages when compared with fully private companies.

The Federal Home Loan Bank (FHLB) System, created in 1932, is comprised of twelve individual banks with shared liabilities. Together they lend money through advances to financial institutions—mainly banks and thrifts—that are involved in mortgage financing to varying degrees, and they also finance some mortgages on their own balance sheets. Recent financial market conditions have led to strong net interest income for the FHLBs, but several banks have experienced significant losses on their investments in private-label mortgage-backed securities. These securities constitute less than 5 percent of their total portfolio. The Federal National Mortgage Association, or Fannie Mae, created in 1938, and the Federal Home Loan Mortgage Corporation, or Freddie Mac, created in 1970, were established to support the stability and liquidity of a secondary market for residential mortgage loans. Fannie Mae's and Freddie Mac's public missions were later broadened to promote affordable housing. Together these three GSEs currently are involved, in one form or another, with more than one half of the $11-plus trillion residential mortgages outstanding in the U.S. today, not including indirect investments through advances of the FHLBs. Their share of outstanding residential mortgage debt peaked at 55 percent in 2003. Subsequently, originations of subprime and non-traditional mortgages led to a surge of private-label mortgage-backed securities (MBS), reducing the three GSEs' market share to a low of 47 percent in 2006. Recent disruptions in the financial market, however, have led to a resurgence of their market share, which has increased to almost match the previous high of 55 percent as of September 30, 2009.

The growing stress and losses in the mortgage markets over the last two years also reduced the GSEs' capital, and responsive legislation enacted in July 2008 strengthened GSE regulation and provided the Treasury Department with authorities to bolster the GSEs' financial condition. In September 2008, reacting to growing GSE losses and uncertainty that approached paralysis in the mortgage markets, the Federal Housing Finance Agency put Fannie Mae and Freddie Mac under Federal conservatorship, and Treasury began to exercise its GSE assistance authorities. The Budget continues to reflect the GSEs as non-budgetary entities, though their status will continue to be reviewed. All of the current federal assistance being provided to Fannie Mae and Freddie Mac, including the Senior Preferred Stock Purchase Agreements (PSPA), is shown on-budget, and discussed below.

Budget Summary Table S-12 displays estimated gross transactions between the Treasury Department and Fannie Mae and Freddie Mac under the PSPAs as well as the estimated market value of the GSE's and their balance sheet information for prior years. Dividend payments after 2011 were calculated to be consistent with the net value for the companies derived from an option pricing model. Starting in 2012, the Budget forecasts that Fannie Mae and Freddie Mac will have sufficient earnings to pay part but not all of the scheduled dividend payments. The Budget assumes that the net dividend payments received by Treasury for each year after 2011 will be $6.73 billion.

Mission

The mission of the housing GSEs is to support certain aspects of the U.S. mortgage market. Fannie Mae and Freddie Mac's mission is to promote affordable housing, and provide liquidity and stability to the secondary mortgage market. Currently, they engage in two major lines of business.

1. Credit Guarantee Business—Fannie Mae and Freddie Mac guarantee the timely payment of principal and interest on mortgage-backed securities (MBS). They create MBS by either buying and pooling whole mortgages or by entering into swap arrangements with mortgage originators. Over time

these MBS held by the public have averaged about one-quarter of the U.S. mortgage market, and as of November 30, 2009 they totaled $3.9 trillion.

2. Mortgage Investment Business—Fannie Mae and Freddie Mac manage retained mortgage portfolios composed of their own MBS, MBS issued by others, and individual mortgages. The GSEs finance the purchase of assets held in their portfolios through debt issued in the credit markets. As of November 30, 2009 these retained mortgages, financed largely by GSE debt, totaled $1.5 trillion.

The mission of the Federal Home Loan Bank System is broadly defined as promoting housing finance, and the System also has specific requirements to support affordable housing. Its principal business remains lending (secured by mortgages) to regulated depository institutions and insurance companies engaged in residential mortgage finance.

Regulatory Reform

The 2008 Housing and Economic Recovery Act (HERA) reformed and strengthened the GSEs' safety and soundness regulator by creating the Federal Housing Finance Agency (FHFA), a new independent regulator for Fannie Mae, Freddie Mac, and the Federal Home Loan Banks. The FHFA authorities consolidate and expand upon the regulatory and supervisory roles of what were previously three distinct regulatory bodies: the Federal Housing Finance Board as the FHLB's overseer; the Office of Federal Housing Enterprise Oversight as the safety and soundness regulator of the other GSEs; and HUD as their public mission overseer. FHFA has been given substantial authority and discretion to influence the size and composition of Fannie Mae and Freddie Mac investment portfolios through the establishment and compliance monitoring of housing goals and capital requirements. FHFA is required to issue housing goals for each of the regulated enterprises, including the FHLBs starting in 2011, with respect to single family and multi-family mortgages and has the authority to require a corrective "housing plan" if an enterprise does not meet its goals and statutory reporting requirements, and in some instances impose civil money penalties. In August of 2009, FHFA promulgated a final rule adjusting the overall 2009 housing goals downward based on a finding that current market conditions have reduced the share of loans that qualify under the goals. HERA mandated dramatic revisions to the housing goals, which beginning in 2010 will comprise four single-family goals and one multifamily special affordable goal. These changes will be promulgated by FHFA in the first half of 2010. The expanded authorities of FHFA also include the ability to place any of the regulated enterprises into conservatorship or receivership based on a finding of under-capitalization or a number of other factors.

Conservatorship

On September 6, 2008, FHFA placed Fannie Mae and Freddie Mac into conservatorship. This action was taken in response to the GSEs' declining capital adequacy and to support the safety and soundness of the GSEs and their role in the secondary mortgage market. HERA provides that as conservator FHFA may take any action that is necessary to return Fannie Mae and Freddie Mac to a sound and solvent condition and to preserve and conserve the assets of each firm. As conservator, FHFA has assumed the powers of the Board and shareholders at Fannie Mae and Freddie Mac. FHFA has appointed new Directors and CEOs that are responsible for the day-to-day operations of the two firms.

Department of Treasury GSE Programs under HERA

On September 7, 2008, the U.S. Treasury launched three new programs to provide temporary financial support to the GSEs under the temporary authority provided in HERA. These authorities sunset on December 31, 2009.

1. Senior Preferred Stock Purchase Agreements with Fannie Mae and Freddie Mac

Treasury initially entered into agreements with Fannie Mae and Freddie Mac to make investments of up to $100 billion in senior preferred stock in each GSE in order to ensure that each company maintains a positive net worth. In exchange for the substantial funding commitment the Treasury received $1 billion in preferred stock for each GSE and warrants to purchase up to a 79.9 percent share of common stock at a nominal price. On February 18, 2009 Treasury announced that the funding commitments for these agreements would be increased to $200 billion each. On December 24, 2009, Treasury announced that the funding commitments in the purchase agreements would be modified to allow for additional funding in the event that cumulative losses at either enterprise exceed $200 billion before December 31, 2012. In total, as of December 31, 2009, $110.6 billion has been paid to the GSEs, and the redemption face value of Treasury's preferred stock has increased accordingly. Fannie Mae and Freddie Mac must pay quarterly dividends to Treasury based on the redemption value of Treasury's senior preferred stock; $6.8 billion in dividends have been paid as of December 31, 2009.

2. GSE MBS Purchase Programs

Treasury initiated a temporary program to purchase MBS issued by Fannie Mae and Freddie Mac, which carry the GSEs' standard guarantee against default. The purpose of the program was to promote liquidity in the mortgage market and, thereby, affordable homeownership by stabilizing the interest rate spreads between mortgage rates and Treasuries. Treasury purchased $226 billion in MBS from September 2008 to December 31, 2009, when the statutory authority for this program expired. In addition, the Federal Reserve engaged in GSE MBS purchases over this period totaling $1 trillion through the end of 2009 (see discussion below).

3. GSE Lending Facility

Treasury promulgated the terms of a temporary secured lending credit facility available to Fannie Mae, Freddie Mac, and the Federal Home Loan Banks. The facility was intended to serve as an ultimate liquidity backstop to the GSEs if necessary. No loans were needed or issued through December 31, 2009, when Treasury's HERA purchase authority expired.

In December 2009, Treasury initiated two additional purchase programs under HERA authority to support state and local Housing Financing Agencies (HFAs). Historically, HFAs have funded their activities by issuing tax-exempt mortgage revenue bonds (MRBs), keeping the associated mortgage collateral produced on HFA balance sheets. The bond performance of HFAs has generally been strong. However, due to the uncertainties and strain throughout the housing sector and the widening of spreads in the tax-exempt market, HFAs have experienced challenges in issuing new bonds to fund new mortgage lending. They have also faced difficulties in renewing required liquidity facilities on non-punitive terms.

4. Temporary Credit and Liquidity Program (TCLP)

TCLP will provide HFAs with credit and liquidity facilities supporting up to $8.2 billion in existing HFA bonds, temporally replacing private market facilities that are expiring or imposing unusually high costs to the HFAs due to current market conditions. The fee for HFAs to use the TCLP will increase over time, encouraging the HFAs to transition from the TCLP to private market financing alternatives as quickly as possible. This assistance is designed to preserve the viability of the HFA infrastructure so that HFAs can continue their role in providing affordable mortgage credit to low and moderate income Americans.

5. New Issue Bond Purchase Program (NIBP)

Under NIBP Treasury will purchase up to $15.3 billion in securities of Fannie Mae and Freddie Mac backed by new HFA housing bonds. NIBP provides temporary liquidity support for new HFA tax-exempt housing bond issuances, which would not otherwise occur in the current economic and bond market environment. The program will support up to several hundred thousand new mortgages to first time homebuyers in 2010, as well as refinancing opportunities to put at-risk, but responsible and performing, borrowers into more sustainable mortgages. The NIBP will also support development of tens of thousands of new affordable rental housing units for working families.

Federal Reserve Agency Mortgage-Backed Securities and Direct GSE Obligation Purchase Programs

On November 25, 2008, the Federal Reserve Board announced new programs to purchase up to $500 billion in agency MBS, including Fannie Mae, Freddie Mac, and Ginnie Mae issuances, and up to $100 billion in direct obligations of the GSEs. On March 18, 2009 the Federal Reserve Board announced that the purchase targets for these program would be increased to up to $1.25 trillion and $200 billion respectively. This MBS purchase program is widely credited with pushing down mortgage interest rates, which according to the Freddie Mac Primary Mortgage Market Survey (PMMS) reached an all time low of 4.71 for the average 30-year fixed-rate the week ending December 3, 2009. The Federal Reserve Board has announced that it intends to wind both of these programs down by March 31, 2010.

Recent GSE Role in Administration Initiatives to Relieve the Foreclosure Crisis

While under conservatorship, Fannie Mae and Freddie Mac have continued to play a leading role in government and market initiatives to prevent homeowners who can no longer afford to make their mortgage payments from losing their homes. In November, 2008 the mortgage industry's HOPE NOW Alliance announced the Streamlined Modification Program (SMP). The SMP established industry standards for voluntary mortgage modifications to assist distressed borrowers by reducing their monthly mortgage payments to no more than 38 percent of a borrower's gross monthly income. However, only a small number of modifications were initiated under the SMP program. The limited success of the SMP program was due in part to restrictions in securitization agreements on mortgage servicers regarding permissible modifications. These restrictions included requiring a finding of imminent default or a demonstration that the net present value to the investor would be maximized before a loan can be modified.

In March 2009, the Administration announced its Making Home Affordable (MHA) program, which includes the Home Affordable Modification Program (HAMP), and the Home Affordable Refinance Program (HARP).

HAMP is a $75 billion program, which includes up to $50 billion of TARP funds, intended to bring relief to roughly three to four million at-risk homeowners struggling to make their mortgage payments, while preventing neighborhoods and communities from suffering the negative spillover effects of foreclosures. Fannie Mae and Freddie Mac are participating in the HAMP both for their own mortgage books and as the Treasury Department's agents. Under HAMP, lenders, servicers, and borrowers receive incentive and interest supplement payments from Treasury to reduce the monthly mortgage payment for troubled borrowers to 31 percent of their gross income, fixed for 5 years, establishing a new standard for mortgage modification affordability. Treasury is also working with the Federal Housing Administration (FHA) to incorporate HAMP incentive payments into FHA's mortgage modification program. As of November 30, 2009, 78 mortgage servicers have signed up to participate in the HAMP, over one million trial modifications have been extended to borrowers, and over 725,000 trial modifications were underway.

Fannie Mae and Freddie Mac are also integral to the HARP. Under the program, borrowers with a mortgage that is owned by Fannie Mae or Freddie Mac and with a current loan-to-value (LTV) ratio up to 125 percent may be eligible to refinance their mortgage to take advantage of the current low interest rate environment. Prior to HARP, the LTV limit of 80 percent for conforming purchase mortgages without a credit enhancement such as private mortgage insurance also applied to refinancing of mortgages owned by the GSEs. Under HARP, borrowers whose mortgages are already owned or guaranteed by Fannie Mae or Freddie Mac may be eligible to refinance their mortgage without obtaining new or additional mortgage insurance even if their current loan-to-value ratio is as high as 125 percent. (See Chapter 4 for more information).

Risks that GSEs Face

Like other financial institutions, the GSEs face a full range of risks, including market risk, credit risk, and operational risk. The housing market downturn in the last two years has significantly increased the credit risk for mortgage delinquencies and defaults faced by Fannie Mae and Freddie Mac. Systemic risk is the risk that liquidity or solvency problems at a financial institution or group of institutions could lead to problems more widely in the financial system or economy—the risk that a small problem could multiply to a point where it could jeopardize the country's economic well-being. Before conservatorship, Fannie Mae and Freddie Mac posed a significant systemic risk because of their size, high leverage and the critical role of mortgage financing in the economy. However, this risk has been substantially reduced as a result of the additional risk capital provided to them through the Senior Preferred Stock Purchase Agreements with the U.S. Department of Treasury.

The GSEs borrow significant funds from various types of investors, and the health of the housing market critically affects the overall economic activity. Thus, financial trouble at one or more of the GSEs could unsettle not only the mortgage finance markets but also other vital parts of the financial system and economy. As of November 30, 2009 their combined debt and guaranteed MBS totaled $5.5 trillion, about as large as the total publicly held debt of the United States. Historically, investors in GSE debt have included thousands of banks, institutional investors such as insurance companies, pension funds, foreign governments and millions of individuals through mutual funds and 401k investments. The investor-fueled growth of the GSEs was due in large part to the funding advantages arising from a public perception of a Federal guarantee of their obligations that yielded above-Treasury rate returns.

Future of the GSEs

The Administration continues to monitor the situation of the GSEs closely and will continue to provide updates on considerations for longer term reform of Fannie Mae and Freddie Mac as appropriate.

Education Credit Programs

The Department of Education (ED) helps finance student loans through two major programs: the Federal Family Education Loan (FFEL) program and the William D. Ford Federal Direct Student Loan (Direct Loan) program. Eligible institutions of higher education may participate in one or both programs. Loans are available to students regardless of income. However, borrowers with low family incomes are eligible for loans where the Federal Government subsidizes loan interest costs while borrowers are in school, during a six-month grace period after graduation, and during certain deferment periods.

Historically, the FFEL program provides loans through an administrative structure involving over 3,600 lenders, 35 State and private guaranty agencies, and over 5,000 participating schools. In the FFEL program, banks and other eligible lenders loan private capital to students and parents, guaranty agencies insure the loans, and the Federal Government reinsures the loans against borrower default. Lenders bear some of the default risk on all new loans, and the Federal Government is responsible for the remainder. ED also makes administrative payments to guaranty agencies and, in specific circumstances, pays interest subsidies on behalf of borrowers to lenders.

The William D. Ford Direct Student Loan program was authorized by the Student Loan Reform Act of 1993. Under the Direct Loan program, the Federal Government provides loan capital directly to nearly 1,100 schools, which then disburse loan funds to students. The program offers a variety of flexible repayment plans including income-contingent repayment, under which annual repayment amounts vary based on the income of the borrower and payments can be made over 25 years with any residual balances forgiven.

Due to significant disruptions in the credit markets, in early 2008 FFEL lenders expressed concerns that there would be insufficient capital to make FFEL loans to all eligible students in the 2008-2009 academic year. In response, Congress enacted the Ensuring Continued Access to Student Loans Act (ECASLA) which provided ED with the authority to purchase student loans. This authority was subsequently extended through the 2009-2010 academic year. ED used this authority to establish several temporary programs intended to ensure the availability of student loans:

- ***Loan Participation Interest Program:*** In this program ED purchases a 100 percent interest in any eligible FFEL loan originated during the academic year. Once the loan is fully disbursed, or before this program expires at the end of the academic year, the lender can either redeem ED's interest in a loan plus a yield of Commercial Paper plus 50 basis points or pledge the entire loan to ED in return for compensation of incurred expenses (such as origination and servicing) less ED's yield. Between this program and the Direct Loan program, over 88 percent of federal student loan volume in the 2008-2009 academic year and 85 percent in the 2009-2010 year will be financed by the Department.

- ***Loan Purchase Commitment Program***: ED commits to purchase any eligible loans originated by a FFEL lender during the applicable academic years for face value plus any incurred expenses. The Department also established a short-term version of this program to purchase up to $6 billion in loans originated in the 2007-2008 academic year.

- ***Asset-Backed Commercial Paper Conduit***: This conduit facilitates financial transactions similar to those involved in a typical securitization: Investors purchase commercial paper (backed by student loan assets) while the conduit uses these proceeds to pay interest to other investors once the commercial paper matures and to purchase additional student loans. Though the hope is that this Conduit will continue providing liquidity to FFEL lenders without federal intervention, the Department, using its ECASLA authority, will serve as a buyer-of-last-resort in cases where the Conduit is unable to refinance maturing commercial paper.

In the 2011 President's Budget, the Administration is proposing to end subsidies currently paid to FFEL lenders and to originate all loans through the Federal Direct Loan program beginning on July 1, 2010. Doing so will make certain that student loans will continue to be available to all eligible students without risk of disruption due to turmoil in the financial markets. If enacted, this proposal would save $2.3 billion in 2010, $25.1 billion over the five year budget window (2011-2015) and $43.3 billion over 10 years (2011-2020) under OMB scoring. Congress is currently working with the Administration on a broader student aid reconciliation bill that would enact such a proposal and use these savings to increase Federal Pell Grants, fund an American Graduation Initiative, and make significant investments in early learning programs.

Business and Rural Development Credit Programs and GSEs

Through various business lending programs, the Federal Government promotes entrepreneurship and energy efficiency. The Government also offers direct loans and loan guarantees to farmers who may have difficulty obtaining credit elsewhere and to rural communities that need to develop and maintain infrastructure. Two GSEs, the Farm Credit System and the Federal Agricultural Mortgage Corporation, increase liquidity in the agricultural lending market.

Small Business Administration

The Small Business Administration (SBA) helps entrepreneurs start, sustain, and grow small businesses. As a "gap lender" SBA works to supplement market lending and provide access to credit where private lenders are reluctant to do so without a Government guarantee. Additionally, SBA helps home- and business-owners, as well as renters, cover the uninsured costs of recovery from disasters through its direct loan program.

The 2011 Budget requests $994 million, including administrative funds, for SBA to support more than $28 billion in financing for small businesses and disaster victims. The 7(a) General Business Loan program will support up to $17.5 billion in guaranteed loans that will help small businesses operate and expand. This includes an estimated $16 billion in term loans and $1.5 billion in revolving lines of credit; the latter are expected to support $39 billion in total economic activity through draws and repayments over the life of the guarantee. The 504 Certified Development Company (CDC) program will support up to $7.5 billion in guaranteed loans for fixed-asset financing. SBA will supplement the capital of Small Business Investment Companies (SBICs) with up to $3 billion in long-term, guaranteed loans to support SBIC financing assistance for venture capital investments in small businesses. At the end of 2009, SBA's outstanding balance of direct and guaranteed loans totaled $90 billion.

Consistent with the overall credit markets, SBA's guaranteed lending declined in 2008 and early 2009 as the economy worsened, lending became constricted, and demand for loans dropped. However, with the overall improvement of economic conditions in mid-2009 and significant support through the American Recovery and Reinvestment Act, SBA's guaranteed lending began to recover from the depths of the recession. To reduce lender risk and borrower costs, the Recovery Act included credit subsidy budget authority (BA) to temporarily raise the SBA guarantee on most 7(a) loans to 90 percent, and reduce fees for the 7(a) and 504 programs. The Recovery Act subsidy of $375 million supported $12 billion in 7(a) and 504 loan guarantee approvals. The Department of Defense Appropriations Act, 2010 (Public Law 111-117) provided an additional $125 million in subsidy BA to support an additional $3.4 billion in loan guarantee approvals under these more generous terms; this funding is expected to support lending through February, 2010. The Administration supports extension of these program terms through September 30, 2010.

In addition, the Administration is also providing substantial assistance to SBA and other small business credit through several Department of Treasury programs using the resources of the Troubled Asset Relief Program (TARP). In 2009, this included providing a source of financing to 7(a) secondary market investors through the Term Asset-Backed Securities Loan Facility (TALF) program. The purchase of securities backed by the guaranteed portion of 7(a) loans is an important source of liquidity for SBA lenders. In addition, in March 2009 the Treasury Department announced its intention to directly purchase 7(a) secondary market securities and private first-lien loans under the 504 CDC program. While the program was ultimately not initiated on a large scale, the Federal government's commitment to a strong secondary market for 7(a) and 504 loans helped restore investor confidence and the market for these securities.

The Administration has begun programs to support broader small business lending. This includes offering low-cost capital through TARP to community banks and Community Development Financial Institutions (CDFIs) that commit to increase their small business loan originations. The Treasury Department has allocated at least $30 billion in TARP authority to continue and strengthen this effort in Fiscal Year 2010. For further information, see Chapter 4.

During the past year SBA experienced rising defaults in its outstanding portfolio, largely attributable to the economic downturn. For the 2011 Budget credit reestimates, SBA recorded a $4.5 billion net upward cost reestimate for its guaranteed loan programs, the Agency's largest reestimate ever since the implementation of Credit Reform in 1992. This additional cost reflects actual and expected losses on loans issued prior to 2009. It is covered by mandatory appropriations, and increases the 2010 Budget deficit. To help mitigate future loan losses, the Budget requests additional funds to strengthen SBA's loan and lender oversight system. In addition, the Administration will propose language in SBA's legislative package to address the rising cost of 7(a) guarantees by giving SBA the flexibility to adjust fees to make the program self-sustaining over time.

Due to higher actual and projected defaults, the subsidy cost of the 7(a) program—largely the difference between the program's net default costs and the share of costs covered by fees—is projected to double in 2011 from 2010. The Budget provides $198 million in subsidy BA to provide a loan program, equivalent to the historical SBA authorized program level, but with an accounting adjustment for revolving lines of credit, to capture their loan drawdown and repayment activity. This treatment more accurately reflects the total credit activity supported by the Federal guarantee.

The Budget also requests $3 million in subsidy BA and $10 million in technical assistance grant funds for the Microloan program. The Microloan program provides funds to non-profit intermediaries who in turn provide loans of up to $35,000 to new entrepreneurs.

The Budget also includes three legislative proposals to help small businesses access credit. The Budget includes language to: 1) increase the maximum 7(a) loan size from $2 million to $5 million; 2) increase the maximum 504/CDC loan from $2 million to $5 million for regular projects and from $4 million to $5.5 million for manufacturing projects, and 3) increase the maximum Microloan size from $35,000 to $50,000.

Credit Programs to Promote Clean and Efficient Energy

The Department of Energy (DOE) currently administers two credit programs that serve to enhance energy efficiency and reduce emissions: a loan guarantee program to support innovative energy technologies and a direct loan program to support advanced automotive technologies.

The DOE's loan guarantee program is authorized to issue loan guarantees for projects that employ innovative technologies to reduce air pollutants or man-made greenhouse gases. The program was first provided $4 billion in loan volume authority in 2007. The 2009 Consolidated Appropriations Act provided an additional $47 billion in loan volume authority, allocated as follows: $18.5 billion for nuclear power facilities, $2 billion for "front-end" nuclear enrichment activities, $6 billion for new or retrofitted coal-based power facilities equipped with carbon capture and sequestration (CCS) technologies, $2 billion for advanced coal gasification, and $18.5 billion for energy efficiency, renewable energy, and transmission and distribution projects.

The American Reinvestment and Recovery Act of 2009 amended the program's authorizing statute to allow loan guarantees on a temporary basis for commercial or advanced renewable energy systems, electric power transmission systems, and leading edge biofuel projects. The Recovery Act also initially provided $6 billion in new budget authority for credit subsidy costs incurred for eligible loan guarantees. The program currently has $4 billion after funds were transferred to support the Department of Transportation's "Cash for Clunkers" program.

Early solicitations for the guarantee program attracted many projects requesting loan guarantees for 100 percent of DOE-supported project debt. Consistent with Federal credit policies, loans with 100 percent guarantees in this program are made through the Federal Financing Bank, and therefore do not involve private sector lenders. The program's most recent solicitation, however, invites private sector lenders to participate under a new "Financial Institutions Partnership Program" whereby DOE provides guarantees for up to 80 percent of loan amounts financed by private sector financial institutions. This structure will utilize private sector expertise, expedite the lending/underwriting process, and leverage the program's funds by sharing project risks with the private sector while increasing private sector experience with financing energy technologies. The 2011 Budget expands the program's loan volume authority substantially to support the Administration's objective of promoting clean energy including $500 million in budget authority (credit subsidy) to support approximately $3 to 5 billion in end use energy efficiency and renewable energy projects and $36 billion in loan guarantee authority for nuclear power facilities.

The DOE's direct loan program, the Advanced Technology Vehicle Manufacturing (ATVM) direct loan program, was created to support the development of advanced technology vehicles and associated components in the United States that would improve vehicle energy efficiency by at least 25% relative to a 2005 Corporate Average Fuel Economy standards baseline. The 2009 Continuing Resolution appropriated $7.5 billion in credit subsidy costs to support a maximum of $25 billion in loans under ATVM. The program provides loans to automobile and automobile part manufacturers for the cost of re-equipping, expanding, or establishing manufacturing facilities in the United States to produce vehicles or qualified components, and for associated engineering integration costs.

Electric and Telecommunications Loans

Rural Utilities Service (RUS) programs of the US Department of Agriculture (USDA) provide loans for rural electrification, telecommunications, distance learning, telemedicine, and broadband, and also provide grants for distance learning and telemedicine (DLT).

The Recovery Act provided USDA $2.5 billion to support broadband loans and grants for fiscal years 2009 and 2010. This funding is expected to support over $6 billion in federal investments and will provide new and improved access to broadband services throughout rural America, based on the most appropriate technology for specific areas.

The Budget includes $4.1 billion in direct electric loans for distribution, construction of renewable energy facilities, transmission, and carbon capture projects on facilities that use fossil fuel. No funds are provided to support generation using fossil fuels, except for carbon capture projects. The Budget also provides $690 million in direct telecommunications loans, $400 million in broadband loans, $18 million in broadband grants, and $30 million in DLT grants.

USDA Rural Infrastructure and Business Development Programs

USDA provides grants, loans, and loan guarantees to communities for constructing facilities such as healthcare clinics, police stations, and water systems. Direct loans are available at lower interest rates for the poorest communities. These programs have very low default rates. The cost associated with them is due primarily to subsidized interest rates that are below the prevailing Treasury rates.

The program level for the Water and Wastewater (W&W) treatment facility loan and grant program in the 2011 President's Budget is $1.6 billion. These funds are available to communities of 10,000 or fewer residents. The Community Facility Program is targeted to rural communities with fewer than 20,000 residents. It will have a program level of $531 million in 2011.

USDA also provides grants, direct loans, and loan guarantees to assist rural businesses, cooperatives, nonprofits, and farmers in creating new community infrastructures (i.e. educational networks or healthcare coops) and to diversify the rural economy and employment opportunities. In 2011, USDA proposes to provide $978 million in loan guarantees and direct loans to entities that serve communities of 50,000 or less through the Business and Industry guaranteed loan program and Intermediary Relending program. These loans are structured to save/create jobs and stabilize fluctuating rural economies. A recently implemented performance assessment tool will be used to calculate their impact on income growth in local, state, and national economies.

The Rural Business Service is responsible for five rural renewable energy and small business programs. The Budget includes $240 million in discretionary and mandatory funds to support over $285 million in loans and grants for the following programs: the Rural Microentrepreneur Assistance Program, the Value-Added Agricultural Market Development Grant Program, the Biorefinery Assistance Program, the Rural Energy for America Program, and the Bioenergy Program for Advanced Biofuels. These programs are targeted to promote energy efficiencies, renewable energy, and small business development in rural communities.

Loans to Farmers

The Farm Service Agency (FSA) assists low-income family farmers in starting and maintaining viable farming operations. Emphasis is placed on aiding beginning and socially disadvantaged farmers. FSA offers operating loans and ownership loans, both of which may be either direct or guaranteed loans. Operating loans provide credit to farmers and ranchers for annual production expenses and purchases of livestock, machinery, and equipment, while farm ownership loans assist producers in acquiring and developing their farming or ranching operations. As a condition of eligibility for direct loans, borrowers must be unable to obtain private credit at reasonable rates and terms. As FSA is the "lender of last resort," default rates on FSA direct loans are generally higher than those on private-sector loans. FSA-guaranteed farm loans are made to more creditworthy borrowers who have access to private credit markets. Because the private loan originators must retain 10 percent of the risk, they exercise care in examining the repayment ability of borrowers. The subsidy rates for the direct programs have been fluctuating over the past several years. These fluctuations are mainly due to the interest component of the subsidy rate.

The number of loans provided by these programs has varied over the past several years. In 2009, FSA provided loans and loan guarantees to approximately 34,000 family farmers totaling $4.6 billion. Direct and guaranteed loan programs provided assistance totaling $1.5 billion to beginning farmers during 2009. Loans for socially disadvantaged farmers totaled $435 million, of which $186 million was in the farm ownership program and $249 million in the farm operating program. The average size of farm ownership loans continues to increase, with new customers receiving the bulk of these loans. In contrast, the majority of assistance provided in the operating loan program is to existing FSA farm borrowers. Overall, demand for FSA loans—both direct and guaranteed—continues to be high. More conservative credit standards and reduced profit margins are moving additional applicants from commercial credit to FSA direct programs. Also, the increase in market volatility and uncertainty is driving lenders to request guarantees in situations that they may not have in the past. In the 2011 Budget, FSA proposes to make $4.1 billion in direct and guaranteed loans through discretionary programs.

Lending to beginning farmers was strong during 2009. FSA loaned or guaranteed loans to over 13,000 beginning farmer borrowers. Loans provided under the Beginning Farmer Down Payment Loan Program represented 25 percent of total direct ownership loans made during the year, a substantial increase from previous years. Direct operating loans also demonstrated a 34 percent increase in the number of beginning farmers assisted as compared to 2008. Overall, lending to beginning farmers was 24 percent above the 2008 levels. Lending to minority and women farmers was a significant portion of overall assistance provided, with $435 million in loans and loan guarantees provided to more than 5,000 farmers. This represents an increase of 20 percent in the number of minority borrowers and an increase of 15 percent in the overall dollar value. Outreach efforts by FSA field offices to promote and inform beginning and minority farmers about available FSA funding have resulted in increased lending to these groups.

In 2009, FSA received funding through the American Recovery and Reinvestment Act to provide a total of $173 million in direct farm operating loans. These loans are used to purchase items such as farm equipment, feed, seed, fuel and other operating expenses and will stimulate rural economies by providing American farmers funds to operate.

FSA continues to evaluate the farm loan programs in order to improve their effectiveness. As part of this effort, FSA has undertaken an initiative to identify and develop outcome metrics for the direct and guaranteed loan programs. FSA is also developing a nationwide continuing education program for its loan officers to ensure they remain experts in agricultural lending. FSA will also be transitioning all information technology applications for direct loan servicing into a single, web-based application. In addition to moving direct loan servicing to a modern platform, the system will expand on existing capabilities to include all special servicing options, and its implementation will allow FSA to better service its delinquent and financially distressed borrowers.

The Farm Credit System and Farmer Mac

The Farm Credit System (FCS or System), including the Federal Agricultural Mortgage Corporation (Farmer Mac), is a Government-sponsored enterprise (GSE) that enhances credit availability for the agricultural sector. The banks and associations of the FCS provide production, equipment, and mortgage lending to farmers and ranchers, aquatic producers, agricultural cooperatives, related businesses, and rural homeowners, while Farmer Mac provides a secondary market for agricultural real estate, rural housing mortgages, certain rural utility loans, and farm and business loans guaranteed by the U.S. Department of Agriculture. Because Farmer Mac is governed by laws and regulations that are different from those governing the banks, associations, and service entities that compose the rest of the System, Farmer Mac is discussed separately below.

The Farm Credit System (Banks and Associations)

The financial condition of the System's banks and associations remains fundamentally sound. Between September 30, 2008 and September 30, 2009, the ratio of capital to assets increased from 13.4 percent to 13.6 percent. Capital consisted of $3.2 billion in restricted capital in the Farm Credit Insurance Fund, which is held by the Farm Credit System Insurance Corporation (FCSIC), and $26 billion of unrestricted capital. For the first nine months of calendar year 2009, net income equaled $2.02 billion compared with $2.37 billion for the same period of the previous year. The decrease in net income primarily resulted from increases in provision for loan losses and net noninterest expenses offset in part by an increase in net interest income. Over the 12-month period ending September 30, 2009, nonperforming loans as a percentage of total loans outstanding increased from 0.65 percent to 2.65 percent, primarily due to deterioration in the credit quality of loans to borrowers in certain agricultural sectors and also due to the downturn in the U.S. general economy. System assets grew a moderate 3.6 percent over the past twelve months as loan demand softened and commodity prices declined. The number of FCS institutions continues to decrease because of consolidation. As of September 30, 2009, the System consisted of five banks and 90 associations compared with seven banks and 104 associations in September 2002. Of the 95 FCS banks and associations, 80 had one of the top two examination ratings (1 or 2 on a 1-5 scale), 12 FCS institutions had a rating of 3, and 3 FCS institutions had a rating of 4.

Over the 12-month period ending September 30, 2009, the System's loans outstanding grew by $4.1 billion, or 2.6 percent, while over the past five years they grew by $67.3 billion, or 70.9 percent. As required by law, borrowers are also stockholder-owners of System banks and associations. As of September 30, 2009, the System had 483,797 stockholders. Loans to young, beginning, and small farmers and ranchers represented 11.4 percent, 19.3 percent, and 25.0 percent, respectively, of the total dollar volume of farm loans outstanding at the end of calendar year 2008. The percentage of loans made to young, beginning and small farmers in calendar year 2008 decreased slightly compared with calendar year 2007. Young, beginning, and small farmers are not mutually exclusive groups and, thus, cannot be added across categories. Maintaining special policies and programs for the extension of credit to young, beginning, and small farmers and ranchers is a legislative mandate for the System.

The System, while continuing to record strong earnings and capital growth, remains exposed to a variety of risks associated with its portfolio concentration in agriculture and rural America. The agricultural sector has recently experienced some stress, especially in ethanol, poultry, dairy, hogs, nursery, and forestry, and has become riskier with the overall downturn in the U.S. and global economies. This downturn has led to reduced demand for agricultural products and lower farm prices. Squeezed profit margins have seriously undermined incomes and thus repayment capacity for major farm commodity groups, especially those dependent on the livestock industry. The agricultural sector is also subject to possible future risks such as farmland values, weather-related catastrophes, rising regulatory costs, and long-term environmental risks related to global warming. Also, as a result of the prolonged financial crisis, issuing longer-term debt remains a challenge for the System.

FCSIC ensures the timely payment of principal and interest on FCS obligations on which System banks are jointly and severally liable. FCSIC holds the Insurance Fund, which supplements the System's capital. On September 30, 2009, the assets in the Insurance Fund totaled $3.21 billion. Of that amount $40 million was allocated to the Allocated Insurance Reserve Accounts (AIRAs). As of September 30, 2009, the Insurance Fund as a percentage of adjusted insured debt was 2.04 percent in the unallocated Insurance Fund and 2.07 percent including the AIRAs. This was above the statutory secure base amount (SBA) of 2 percent. During 2009 System debt decreased slightly, allowing the Insurance Fund to return to the SBA more rapidly than anticipated.

Farmer Mac

Farmer Mac was established in 1988 as a federally chartered institution within the FCS to facilitate a secondary market for farm real estate and rural housing loans. The Farm Credit System Reform Act of 1996 expanded Farmer Mac's role from a guarantor of securities backed by loan pools to a direct purchaser of mortgages, enabling it to form pools to securitize. In May 2008, the Food, Conservation and Energy Act of 2008 (2008 Farm Bill) expanded Farmer Mac's program authorities by allowing it to purchase and guarantee securities backed by rural utility loans made by cooperatives.

Farmer Mac continues to meet core capital and regulatory risk-based capital requirements. As of September 30, 2009, Farmer Mac's total program activity (loans purchased and guaranteed, AgVantage bond assets, and real estate owned) amounted to $10.8 billion, which represents an increase of 10 percent from the level a year ago. Of total program activity, on-balance-sheet loans and agricultural mortgage-backed securities accounted for $4.1 billion, and off-balance-sheet obligations accounted for $6.6 billion. Total assets were $5.7 billion, with nonprogram investments accounting for $1.3 billion of those assets. Farmer Mac's net income for the first three quarters of calendar year 2009 was $76.8 million, a significant increase from the same period in 2008 during which Farmer Mac reported a net loss of $93 million.

Earnings in 2009 were significantly aided by $56.7 million in pre-tax gains on trading assets and $15.5 million in pre-tax gains on financial derivatives. The prior year's reported year-to-date loss was primarily caused by $102 million in other-than-temporary impairment charges on two securities held in Farmer Mac's nonprogram investment portfolio. Farmer Mac liquidated these securities in 2009 and also replaced its Chief Executive Officer and Chief Financial Officer.

International Credit Programs

Seven Federal agencies -- the Department of Agriculture (USDA), the Department of Defense, the Department of State, the Department of the Treasury, the Agency for International Development (USAID), the Export-Import Bank, and the Overseas Private Investment Corporation (OPIC) -- provide direct loans, loan guarantees, and insurance to a variety of foreign private and sovereign borrowers. These programs are intended to level the playing field for U.S. exporters, deliver robust support for U.S. manufactured goods, stabilize international financial markets, and promote sustainable development.

Leveling the Playing Field

Federal export credit programs counter subsidies that foreign governments, largely in Europe and Japan, provide their exporters, usually through export credit agencies (ECAs). The U.S. Government has worked since the 1970's to constrain official credit support through a multilateral agreement in the Organization for Economic Cooperation and Development (OECD). This agreement has significantly constrained direct interest rate subsidies and tied-aid grants. Further negotiations resulted in a multilateral agreement that standardized the fees for sovereign lending across all ECAs beginning in April 1999. Fees for non-sovereign lending, however, continue to vary widely across ECAs and markets, thereby providing implicit subsidies.

The Export-Import Bank attempts to "level the playing field" strategically and to fill gaps in the availability of private export credit. The Export-Import Bank provides export credits, in the form of direct loans or loan guarantees, to U.S. exporters who meet basic eligibility criteria and who request the Bank's assistance. USDA's Export Credit Guarantee Programs (also known as GSM programs) similarly help to level the playing field. Like programs of other agricultural exporting nations, GSM programs guarantee payment from countries and entities that want to import U.S. agricultural products but cannot easily obtain credit.

Stabilizing International Financial Markets

Consistent with U.S. obligations in the International Monetary Fund regarding global financial stability, the ESF may provide loans or credits to a foreign entity or government of a foreign country. A loan or credit may not be made for more than six months in any 12-month period unless the President gives the Congress a written statement that unique or emergency circumstances require the loan or credit be for more than six months.

The 2009 Supplemental Appropriations Act provided increases in the U.S. participation in the IMF, including an increase in the U.S. quota subscription to the IMF of approximately $7.9 billion (at the December 2009 dollar/SDR exchange rate), and a $100 billion increase in the U.S. participation in the IMF New Arrangements to Borrow (NAB).

While U.S. participation in the quota and NAB are not credit programs, the Act requires the 2009 appropriations to be scored on a credit basis, with an adjustment to the discount rate for market risks. (See Chapter 13 for more information).

Using Credit to Promote Sustainable Development

Credit is an important tool in U.S. bilateral assistance to promote sustainable development. USAID's Development Credit Authority (DCA) allows USAID to use a variety of credit tools to support its development activities abroad. DCA provides non-sovereign loan guarantees in targeted cases where credit serves more effectively than traditional grant mechanisms to achieve sustainable development. DCA is intended to mobilize host country private capital to finance sustainable development in line with USAID's strategic objectives. Through the use of partial loan guarantees and risk sharing with the private sector, DCA stimulates private-sector lending for financially viable development projects, thereby leveraging host-country capital and strengthening sub-national capital markets in the developing world. While there is clear demand for

DCA's facilities in some emerging economies, the utilization rate for these facilities is still very low.

OPIC also supports a mix of development, employment, and export goals by promoting U.S. direct investment in developing countries. OPIC pursues these goals through political risk insurance, direct loans, and guarantee products, which provide finance, as well as associated skills and technology transfers. These programs are intended to create more efficient financial markets, eventually encouraging the private sector to supplant OPIC finance in developing countries. OPIC has also created a number of investment funds that provide equity to local companies with strong development potential.

Ongoing Coordination

International credit programs are coordinated through two groups to ensure consistency in policy design and credit implementation. The Trade Promotion Coordinating Committee (TPCC) works within the Administration to develop a National Export Strategy to make the delivery of trade promotion support more effective and convenient for U.S. exporters.

The Interagency Country Risk Assessment System (ICRAS) standardizes the way in which most agencies that lack sufficient historical experience budget for the cost associated with the risk of international lending. The cost of lending by these agencies is governed by proprietary U.S. Government ratings, which correspond to a set of default estimates over a given maturity. The methodology establishes assumptions about default risks in international lending using averages of international sovereign bond market data. The strength of this method is its link to the market and an annual update that adjusts the default estimates to reflect the most recent risks observed in the market.

Promoting Economic Growth and Poverty Reduction through Debt Sustainability

The Enhanced Heavily Indebted Poorest Countries (HIPC) Initiative reduces the debt of some of the poor countries with unsustainable debt burdens that are committed to economic reform and poverty reduction. The 2011 Budget continues to support debt reduction for countries that qualify under the HIPC Initiative.

III. INSURANCE PROGRAMS

Deposit Insurance

Federal deposit insurance promotes stability in the U.S. financial system. Prior to the establishment of Federal deposit insurance, depository institution failures often caused depositors to lose confidence in the banking system and rush to withdraw deposits. Such sudden withdrawals caused serious disruption to the economy. In 1933, in the midst of the Great Depression, a system of Federal deposit insurance was established to protect depositors and to prevent bank failures from causing widespread disruption in financial markets.

Today, the Federal Deposit Insurance Corporation (FDIC) insures deposits in banks and savings associations (thrifts) using the resources available in its Deposit Insurance Fund (DIF). The National Credit Union Administration (NCUA) insures deposits (shares) in most credit unions (certain credit unions are privately insured) using the resources available in the National Credit Union Share Insurance Fund (NCUSIF). As of September 30, 2009, the FDIC insured $6 trillion of deposits at 8,099 commercial banks and thrifts, and the NCUA insured $715 billion of shares at 7,640 credit unions.

The NCUA also administers the Central Liquidity Facility (CLF), which serves as a back-up lender for credit unions when market sources of liquidity are unavailable. By statute, the CLF is authorized to borrow up to 12 times its subscribed capital stock and surplus. As of 2009 this statue would allow the CLF to borrow up to approximately $44 billion. However, Congress traditionally sets the CLF borrowing limit on an annual basis through the appropriation process; historically, Congress has set the CLF borrowing limit at $1.5 billion. In order to give the CLF the flexibility to respond to the liquidity needs of credit unions at the height of the economic crises, the 2009 Omnibus Appropriations Act did not include the $1.5 billion appropriations limit on the CLF, effectively allowing the CLF to borrow up to its statutory limit. The CLF borrowed $19.5 billion in FY 2009.

Since its creation, the deposit insurance system has undergone a series of reforms. The Deposit Insurance Reform Act of 2005 allows the FDIC to better manage the DIF. For example, the Act authorizes the FDIC to charge premiums for deposit insurance on a risk-adjusted basis, and ensures that all financial institutions pay premiums for Federal insurance on their insured deposits regardless of the level of the DIF. The Act authorizes the FDIC to set a reserve ratio (ratio of the deposit insurance fund to total insured deposits) within a range of 1.15 percent and 1.5 percent. Should the reserve ratio fall below 1.15 percent, the FDIC is allowed additional time to restore the DIF, and when it rises to 1.35 percent, the FDIC is required to rebate half of the premiums it collects (at that point it would likely reduce required premiums as well).

The Emergency Economic Stabilization Act of 2008 temporarily increased the insured deposit level from $100,000 per account to $250,000 until December 31, 2009. On May 20, 2009, President Obama signed the Helping Families Save Their Homes Act, which further extended the temporary increase in the insured deposit level of $250,000 per account through December 31, 2013. Additionally, the Consolidated Appropriations Act of 2010 authorizes NCUA's Central Liquidity Facility (CLF), to borrow up to 12 times its subscribed capital stock and surplus, effectively raising the CLF's lending limit to $44 billion under the statutory formula for FY 2010.

Emergency Programs

Responding to the stress among financial institutions, the FDIC and the NCUA have committed resources to increase access to credit, strengthen financial institutions, and restore confidence in the housing sector. These programs include:

FDIC:

- 3-year guarantee of qualifying bank and bank holding company senior unsecured debt issued prior to October 31, 2009
- Removal of the insurance limit on participating banks' non-interest bearing transaction account deposits thru December 31, 2013

NCUA:

- Corporate credit union stabilization programs, including lending programs designed to increase liquidity at corporate credit unions
- Credit Union Homeowners Affordability Relief Program, which is designed to lower monthly mortgage payments for struggling low-and moderate-income credit union members

See Chapter 4 for additional programmatic detail.

Money Market Guarantee Program: In September 2008, Treasury opened a temporary money market mutual fund guarantee program, which guaranteed the share price of any publicly offered eligible money market mutual fund—both retail and institutional—that paid a fee to participate in the program. The program expired on September 18, 2009. Treasury had no losses under the program and earned approximately $1.2 billion in participation fees. (See Chapter 4 for additional information on this program.)

Recent Performance of the Federal Deposit Insurance Funds

As of September 30, 2009, the number of insured institutions on the FDIC's "problem list" (institutions with the highest risk ratings) rose to 552 institutions with $345.9 billion in aggregate assets. This is nearly double the number of "problem institutions" listed in December, 2008, and represents the highest level in both number of institutions and aggregate assets since the end of 1993. As of September 30, 2009, the DIF fund balance stood at -$8.2 billion, equivalent to a reserve ratio of -0.16 percent, or $69.3 billion below the level that would meet the target reserve ratio of 1.15 percent.

The National Credit Union Share Insurance Fund (SIF), the Federal fund for credit unions that is analogous to the DIF for banks and thrifts, ended September 2009 with assets of $8.5 billion and an equity ratio of 1.30 percent, which equals the NCUA-set target ratio.

Recent market volatility has seen an increase in observed losses in the credit union industry. The number of "problem institutions" reported by the NCUA has steadily risen since 2008, and as of September 2009 the SIF has set aside more than $520 million in reserves to cover potential insurance losses, significantly more than the $129 million set-aside as of September 2008. For the fiscal year ending on September 2009 and 2008, the SIF has incurred GAAP-based losses of $510 million and $298 million, respectively.

Restoration Plans

On September 30, 2008, the FDIC reported that the DIF reserve ratio had fallen below the minimum level of 1.15 percent. Pursuant to 12 U.S.C. 1817(b), the FDIC proposed a plan to restore the DIF to 1.15 percent within 5 years (i.e., prior to October 5, 2013) by increasing annual insurance premiums to an effective rate of 13.5 basis points. On February 27, 2009, citing the significant strains on banks, the FDIC extended the restoration plan horizon to seven years (i.e., prior to October 5, 2015). In May 2009, Congress amended the statute governing establishment and implementation of the Restoration Plan to allow the FDIC up to eight years (2017) to return the DIF reserve ratio back to 1.15 percent. At the same time, and in order to prevent the DIF balance from falling to a level close to or below zero, the FDIC adopted a final rule imposing a five basis point special assessment on each insured depository institution's total assets minus Tier 1 capital as of June 30, 2009. The FDIC collected a total $5.6 billion in special assessments on September 30, 2009.

In September, the FDIC announced that the DIF reserve ratio would become negative as of the end of the month. The FDIC has the authority to borrow up to $100 billion from the Treasury (and if necessary, up to $500 billion through 2010) to maintain sufficient DIF balances. However, to maintain balances, the FDIC Board of Directors adopted a Notice of Proposed Rulemaking to require insured institutions to prepay their estimated quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010, 2011 and 2012. The FDIC adopted the rule on November 12, and insured institutions prepaid three-years of assessments on December 30, 2009, for an estimated $45 billion in prepaid assessments. Unlike a special assessment, the prepaid assessments will not immediately affect bank earnings. Banks will book a prepayment asset on their balance sheets, and then a payment liability at the end of each quarter for that quarter's estimated prepayment. The Budget projects the DIF reserve ratio will return to 1.15 percent in 2018.

Both the current financial crisis and the savings and loan (S&L) crisis of the 1980s and early 1990s have shown that the current designated reserve ratio of 1.15 to 1.5 percent is inadequate to handle the unexpected risks and losses that come with a downturn in the economy. During the S&L crisis, the FDIC borrowed roughly $15 billion from the Treasury to meet its obligations. During the current crisis, the FDIC has assessed both a special assessment of $5.6 billion and a $45 billion three-year prepayment of assessments, totaling $50.6 billion to replenish the DIF. In the future, it may be appropriate to consider raising the target to a level above 1.5 percent in order to maintain positive fund balances during future downturns.

In 2009, the NCUA Board approved the assessment of $1.7 billion to federally insured credit unions in order to maintain the target equity ratio of 1.3 percent, and the assessment was received in December 2009. The Budget reflects NCUA maintaining an equity ratio of 1.3 percent over time, pursuant to the set target.

Pension Guarantees

The Pension Benefit Guaranty Corporation (PBGC) insures the pension benefits of workers and retirees in covered defined-benefit pension plans. PBGC pays benefits, up to a guaranteed level, when a company's plan closes without enough assets to pay future benefits. PBGC's claims exposure is the amount by which qualified benefits exceed assets in insured plans. In the near term, the risk of loss stems from financially distressed firms with underfunded plans. In the longer term, loss exposure results from the possibility that healthy firms become distressed and well-funded plans become underfunded due to inadequate contributions, poor investment results, or increased liabilities.

PBGC monitors companies with underfunded plans and acts to protect the interests of the pension insurance program's stakeholders where possible. Under its Early Warning Program, PBGC works with companies to strengthen plan funding or otherwise protect the insurance program from avoidable losses. However, PBGC's authority to prevent undue risks to the insurance program is limited. Most private insurers can diversify or reinsure their catastrophic risks or apply traditional insurance underwriting methods to these risks. Unlike private insurers, PBGC cannot deny insurance coverage or adjust premiums according to risk. PBGC's premiums are set in statute.

Claims against PBGC's insurance programs are highly variable. A single large pension plan termination may result in a larger claim against the Corporation than the termination of many smaller plans. Future results will continue to depend largely on the infrequent and unpredictable termination of a limited number of very large plans.

As a result of a flawed pension funding system and exposure to losses from financially troubled plan sponsors, PBGC's single-employer program incurred substantial losses from underfunded plan terminations in 2001 through 2006. The table below shows the ten largest plan termination losses in PBGC's history. Nine of the ten have come since 2001.

As of September 30, 2009, the single-employer and multiemployer programs reported deficits of $21.1 billion and $869 million, respectively. Notwithstanding these deficits, the Corporation has $70 billion in assets and will be able to meet its obligations for a number of years. However, neither program at present has the resources to fully satisfy PBGC's obligations in the long run.

PBGC estimates its long term loss exposure to reasonably possible terminations (e.g., underfunded plans sponsored by companies with credit ratings below investment grade) at approximately $168 billion on September 30, 2009. For 2009, this exposure was concentrated in the following sectors: manufacturing (primarily automobile/auto parts and primary and fabricated metals), transportation (primarily airlines), and wholesale and retail trade.

Table 22–1. TOP 10 FIRMS PRESENTING CLAIMS (1975–2009)

Single-Employer Program

Firm	Fiscal Year(s) of Plan Termination(s)	Claims (by firm)	Percent of Total Claims (1975–2009)
1 United Airlines	2005	$7,441,450,992	17.30%
2 Delphi	2009	6,108,491,551	14.20%
3 Bethlehem Steel	2003	3,654,380,116	8.50%
4 US Airways	2003, 2005	2,751,534,173	6.40%
5 LTV Steel*	2002, 2003, 2004	2,134,985,884	5.00%
6 Delta Air Lines	2006	1,641,083,525	3.80%
7 National Steel	2003	1,275,628,286	3.00%
8 Pan American Air	1991, 1992	841,082,434	2.00%
9 Trans World Airlines	2001	668,377,106	1.60%
10 Weirton Steel	2004	640,480,970	1.50%
Top 10 Total		27,157,495,038	63.30%
All Other Total		15,760,580,981	36.70%
Total		**$42,918,076,019**	**100.00%**

Sources: PBGC Fiscal Year Closing File (9/30/09), PBGC Case Management System, and PBGC Participant System (PRISM).

Due to rounding of individual items, numbers and percentages may not add up to totals.

Data in this table have been calculated on a firm basis and, except as noted, include all trusteed plans of each firm.

Values and distributions are subject to change as PBGC completes its reviews and establishes termination dates.

* Does not include 1986 termination of a Republic Steel plan sponsored by LTV.

Disaster Insurance

Flood Insurance

The Federal Government provides flood insurance through the National Flood Insurance Program (NFIP), which is administered by the Federal Emergency Management Agency of the Department of Homeland Security (DHS). Flood insurance is available to homeowners and businesses in communities that have adopted and enforce appropriate flood plain management measures. Coverage is limited to buildings and their contents. By the end of 2008, the program had over 5.6 million policies in more than 20,200 communities with over $1 trillion of insurance in force.

Prior to the creation of the program in 1968, many factors made it cost prohibitive for private insurance companies alone to make affordable flood insurance available. In response, the NFIP was established to make affordable insurance coverage widely available. The NFIP requires building standards and other mitigation efforts to reduce losses, and operates a flood hazard mapping program to quantify the geographic risk of flooding. These efforts have made substantial progress. However, structures built prior to flood mapping and NFIP floodplain management requirements, which make up 26 percent of the total policies in force, pay less than fully actuarial rates.

A major DHS goal is to have property owners be compensated for flood losses through flood insurance, rather than through taxpayer-funded disaster assistance. The marketing strategy aims to increase the number of Americans insured against flood losses and improve retention of policies among existing customers. The strategy includes:

1. Provide financial incentives to expand the flood-insurance business to the private insurers that sell and service flood policies for the Federal Government.

2. Conduct the national marketing and advertising campaign, FloodSmart, which uses TV, radio, print and online advertising, direct mailings, and public relations activities to help overcome denial and resistance and increase demand.

3. Foster lender compliance with flood insurance requirements through training, guidance materials, regular communication with lending regulators and the lending community.

4. Conduct NFIP training for insurance agents via instructor-led seminars, online training modules, and other vehicles.

5. Seek opportunities to simplify NFIP processes to make it easier for agents to sell and consumers to buy.

While these strategies have resulted in steady policy growth over recent years, the growth slowed somewhat in 2009 due to the severe downturn in the economy.

DHS also has a multi-pronged strategy for reducing future flood damage. The NFIP offers flood mitigation assistance grants to assist flood victims to rebuild to current building codes, including base flood elevations, thereby reducing future flood damage costs. In addition, two grant programs targeted toward repetitive and severe repetitive loss properties not only help owners of high-risk property, but also reduce the disproportionate drain on the National Flood Insurance Fund these properties cause through acquisition, relocation, or elevation. DHS is working to ensure that all of the flood mitigation grant programs are closely integrated, resulting in better coordination and communication with State and local governments. Further, through the Community Rating System, DHS adjusts premium rates to encourage community and State mitigation activities beyond those required by the NFIP. These efforts, in addition to the minimum NFIP requirements for floodplain management, save over $1 billion annually in avoided flood damages.

The program's reserve account, which is a cash fund, has sometimes had expenses greater than its revenue, forcing the NFIP to borrow funds from the Treasury in order to meet claims obligations. While funds borrowed during the 1970's were repaid by appropriations in the early 1980's, from 1986 until 2005, the program was able to repay all borrowed funds with interest from premium dollars. However, Hurricanes Katrina, Rita, and Wilma generated more flood insurance claims than the cumulative number of claims from 1968 to 2004. These three storms resulted in over 234,000 claims with total claims payments expected to be approximately $20 billion. As a result, the Administration and the Congress have increased the borrowing authority to $20.8 billion to date in order to make certain that all claims could be paid.

The catastrophic nature of the 2005 hurricane season has also triggered an examination of the program, and the Administration is working with the Congress to improve the program, based on the following principles: protecting the NFIP's integrity by covering existing commitments; phasing out subsidized premiums in order to charge fair and actuarially sound premiums; increasing program participation incentives and improving enforcement of mandatory participation in the program; increasing risk awareness by educating property owners; and reducing future risks by implementing and enhancing mitigation measures. The Administration looks forward to working with the Congress to enact program reforms that further mitigate the impact of flood damages and losses.

Crop Insurance

Subsidized Federal crop insurance administered by USDA's Risk Management Agency (RMA) assists farmers in managing yield and revenue shortfalls due to bad weather or other natural disasters. The program is a cooperative effort between the Federal Government and the private insurance industry. Private insurance companies sell and service crop insurance policies. These companies rely on reinsurance provided by the Federal Government and also by the commercial reinsurance market to manage their individual risk portfolio. The Federal Government reimburses private companies for a portion of the administrative expenses associated with providing crop insurance and reinsures the private companies for excess insurance losses on all policies. The Federal Government also subsidizes premiums for farmers.

During 2010, USDA will be pursuing changes to the financial terms in the agreement it has with the companies, the Standard Reinsurance Agreement (SRA). The Administration wants to promote change in the crop insurance program through the SRA re-negotiation. There is currently excess subsidy in the program for the companies, and the government should be able to offer the same program at less cost through the changes to the SRA proposed by the Administration on December 4, 2009. The Budget assumes that the SRA proposal will save the government $8 billion over 10 years.

There are various types of insurance programs. The most basic type of coverage is catastrophic coverage (CAT), which compensates the farmer for losses in excess of 50 percent of the individual's average yield at 55 percent of the expected market price. The CAT premium is entirely subsidized, and farmers pay only an administrative fee. Higher levels of coverage, called buy-up coverage, are also available. A premium is charged for buy-up coverage. The premium is determined by the level of coverage selected and varies from crop to crop and county to county. For the ten principal crops, which accounted for about 82% of total liability in 2009, the most recent data show that over 83% of eligible acres participated in the crop insurance program.

RMA offers both yield and revenue-based insurance products. Revenue insurance programs protect against loss of revenue stemming from low prices, poor yields, or a combination of both. These programs extend traditional multi-peril or yield crop insurance by adding price variability to production history.

RMA is continuously trying to develop new products or expand existing products in order to cover more types of crops. Currently, RMA has 22 active pilot programs and 12 programs developed by private parties or persons submitted to Federal Crop Insurance Corporation under section 508(h) of the Federal Crop Insurance Act. The Cabbage pilot program was converted to permanent status and proposals to convert the Avocado, Forage Seed, and Processing Chili Pepper pilot programs are underway. Improvements were made to pasture, rangeland, and forage pilots that are based on vegetation greenness and rainfall indices. The products were updated to meet the needs of livestock producers who purchase insurance protection for forage produced for grazing or harvested for hay. In 2009, there were 15,369 vegetation and rainfall policies sold covering nearly 41 million acres of pasture, rangeland and forage. There was over $534 million in liability and almost $42 million in indemnities paid to livestock producers who purchased the coverage.

For more information and additional crop insurance program details, please reference RMA's web site: (www.rma.usda.gov).

Insurance against Security-Related Risks

Terrorism Risk Insurance

The Terrorism Risk Insurance Program (TRIP) was authorized under P.L. 107-297 to help stabilize the insurance industry following the terrorist attacks of September 11, 2001. Initially, TRIP was a three-year Federal program that provided a system of shared public and private compensation for insured commercial property and casualty losses arising from certified acts of foreign terrorism. In 2005, Congress passed a two-year extension (P.L.109-144), which narrowed the Government's role by increasing the private sector's share of losses, reducing lines of insurance covered by the program, and adding a threshold event amount triggering Federal payments.

In 2007, Congress extended TRIP for an additional seven years (P.L.110-318), which also broadened the program to include losses from domestic as well as foreign acts of terrorism. For all seven extension years, it maintains an insurer deductible of 20 percent of the prior year's direct earned premiums, an insurer co-payment of 15 percent of insured losses above the deductible, and a $100 million event trigger amount for Federal payments. The 2007 extension also requires Treasury to recoup 133 percent of the Federal payments made under the program, and accelerates deadlines for recoupment of any Federal payments made before September 30, 2017.

The Budget baseline includes the estimated Federal cost of providing terrorism risk insurance, reflecting the 2007 extension of the TRIP. Using market driven data, the Budget projects annual outlays and recoupments for TRIP. These estimates represent the weighted average of TRIP payments over a full range of scenarios, most of which include no notional terrorist attacks (and therefore no TRIP payments), and some of which include notional terrorist attacks of varying magnitudes. On this basis, the Budget projects net spending of $1,187 billion over the 2011-2015 period and $1,260 billion over the 2011-2020 period.

The Administration proposes to decrease Government intervention in this insurance market by reducing the Federal subsidy to private insurers (i.e., increasing the share of losses retained by the private sector). Beginning in 2011, this proposal would increase the insurer deductible, co-payment, and the event trigger amount for Federal payments; the insurer deductible and co-payment would be increased again in 2013. The proposal would also remove coverage for domestic terrorism. Prior to the 2007 reauthorization, coverage of domestic terrorism was widely available even in the absence of Government support. The proposal would fully sunset TRIP in 2014, consistent with current law. By reducing this insurance market subsidy, the proposal would encourage the private sector to mitigate terrorism risk through other means, such as developing alternative reinsurance options prior to the 2014 program termination date and by building safer buildings. Additionally, this Budget proposal amends TRIP to allow insurers additional time to remit policyholder surcharges to Treasury and to require commercial property and casualty insurance policyholders to collectively pay back only 100 percent rather than 133 percent of the Federal payments made under the program. In so doing, the proposal would allow Treasury to assess a surcharge (recoup Federal payments) only after the economy begins to recover following a terrorist attack.

The Budget projects savings from this proposal of $378 million over the 2011-2015 period and $249 million over the 2011-2020 period.

Airline War Risk Insurance

After the September 11, 2001 attacks, private insurers cancelled third-party liability war risk coverage for airlines and dramatically increased the cost of other war risk insurance. In addition to a number of short term responses, the Congress also passed the Homeland Security Act of 2002 (P.L. 107-296). Among other provisions, this Act required the Secretary of Transportation to provide additional war risk insurance coverage for hull losses and passenger liability to air carriers insured for third-party war risk liability as of June 19, 2002. The Fiscal Year 2010 Federal Aviation Administration Extension Act, Part II (P.L. 111-116) further extended the requirement to provide insurance coverage. Acting on behalf of the Secretary, the FAA has made available insurance coverage for (i) hull losses at agreed value; (ii) death, injury, or property loss liability to passengers or crew, the limit being the same as that of the air carrier's commercial coverage before September 11, 2001; and (iii) third party liability, the limit generally being twice that of such coverage. The Secretary is also authorized to limit an air carrier's third party liability to $100 million, when the Secretary certifies that the loss is from an act of terrorism.

This program provides airlines with financial protection from war risk occurrences, and thus allows airlines to meet the basic requirement for adequate hull loss and liability coverage found in most aircraft mortgage covenants, leases, and government regulation. Without such coverage, many airlines might be grounded. Currently, aviation war risk insurance coverage is generally available from private insurers, but premiums are significantly higher in the private market. Also, private insurance coverage for occurrences involving weapons of mass destruction is more limited.

Currently, 61 air carriers are insured by Department of Transportation. Coverage for individual carriers ranges from $ 100 million to $4 billion per carrier, with the median insurance coverage at approximately $1.8 billion per occurrence. Premiums collected by the Government for these policies are deposited into the Aviation Insurance Revolving Fund. In 2009, the Fund collected approximately $ 150 million in premiums for insurance provided by DOT. At the end of 2009, the balance in the Aviation Insurance Revolving Fund available for payment of future claims was $1.3 billion. Although no claims have been paid by the Fund since 2001, the balance in the Fund would be inadequate to meet either the coverage limits of the largest policies in force ($4 billion) or to meet a series of large claims in succession. The Federal Government would pay any claims by the airlines that exceed the balance in the Aviation Insurance Revolving Fund.

Chart 22-1. Face Value of Federal Credit Outstanding

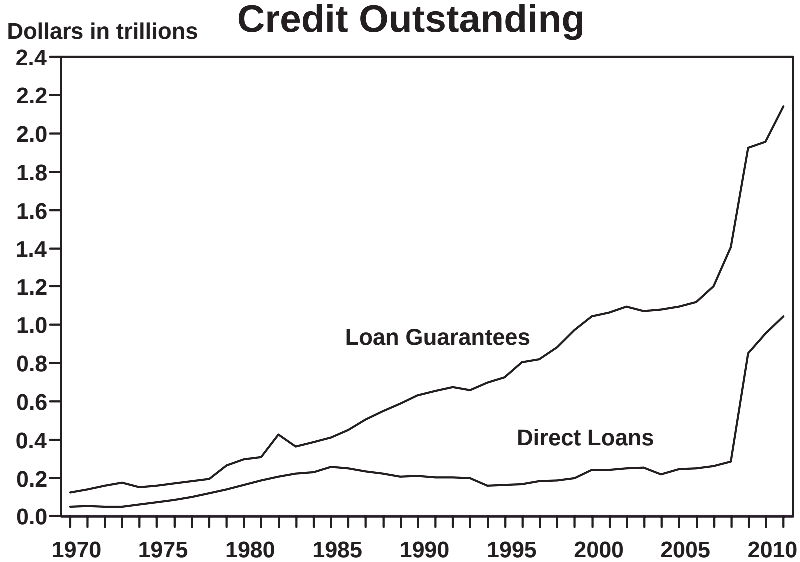


Table 22–2. ESTIMATED FUTURE COST OF OUTSTANDING FEDERAL CREDIT PROGRAMS

(In billions of dollars)

Program	Outstanding 2008	Estimated Future Costs of 2008 Outstanding [1]	Outstanding 2009	Estimated Future Costs of 2009 Outstanding [1]
Direct Loans: [2]				
Federal Student Loans	143	22	179	12
Farm Service Agency (excl. CCC), Rural Development, Rural Housing	45	9	47	10
Rural Utilities Service and Rural Telephone Bank	42	2	44	2
Disaster Assistance	10	3	10	3
Housing and Urban Development	9	3	9	6
Public Law 480	7	3	6	2
Agency for International Development	6	2	5	2
Education Temporary Student Loan Purchase Authority	5	0	51	–5
Export-Import Bank	5	2	6	2
GSE Mortgage-Backed Securities Purchase Program	3	*	186	–11
Troubled Asset Relief Program [3]	....	....	290	54
Other Direct Loan Programs	11	3	17	5
Total Direct Loans	286	49	850	82
Guaranteed Loans: [2]				
FHA-Mutual Mortgage Insurance Fund	448	17	691	28
Federal Student Loans	415	43	457	21
VA Mortgage	232	4	194	4
FHA-General and Special Risk Insurance Fund	128	2	128	6
Small Business [4]	75	2	75	4
Export-Import Bank	40	1	42	1
Farm Service Agency (excl. CCC), Rural Development, Rural Housing	37	1	50	2
International Assistance	22	2	21	2
Commodity Credit Corporation (CCC)	4	....	7	....
Troubled Asset Relief Program [3]	....	....	251	2
Government National Mortgage Association (GNMA) [4]	....	*	....	*
Other Guaranteed Loan Programs	6	2	8	....
Total Guaranteed Loans	1,407	74	1,924	70
Total Federal Credit	**1,693**	**123**	**2,774**	**152**

* Less than $500 million.

[1] Direct loan future costs are the financing account allowance for subsidy cost and the liquidating account allowance for estimated uncollectible principal and interest. Loan guarantee future costs are estimated liabilities for loan guarantees.

[2] Excludes loans and guarantees by deposit insurance agencies and programs not included under credit reform, such as Commodity Credit Corporation commodity price supports. Defaulted guaranteed loans which become loans receivable are accounted for as direct loans.

[3] As authorized by the Emergency Economic Stabilization Act (EESA), table includes equity purchases under the Troubled Asset Relief Program. Future costs for TARP equity purchases, direct loan transactions, and asset guarantees are calculated using the discount rate required by the Federal Credit Reform Act adjusted for market risks, consistent with the EESA.

[4] Certain SBA data are excluded from the totals because they are secondary guarantees on SBA's own guaranteed loans. GNMA data are excluded from the totals because they are secondary guarantees on loans guaranteed by FHA, VA and RHS.

Table 22–3. REESTIMATES OF CREDIT SUBSIDIES ON LOANS DISBURSED BETWEEN 1992–2009 [1]

(Budget authority and outlays, in millions of dollars)

Agency and Program	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
DIRECT LOANS												
Agriculture:												
Agriculture Credit Insurance Fund	....	331	–656	921	10	–701	–147	–2	–14	–251	–478	326
Farm Storage Facility Loans	....	....	....	–1	–7	–8	7	–1	....	50	–47	–11
Apple Loans	....	....	....	–2	1	....	*	*	*	*	–1	–1
Emergency Boll Weevil Loans	....	....	....	....	1	*	*	3	....	*	*	–*
Distance Learning, Telemedicine and Broadband Loans	....	....	....	1	–1	–1	1	7	1	3	–3	1
Rural Electrification and Telecommunications Loans	–39	....	–17	–42	101	265	143	–197	–108	–149	293	248
Rural Telephone Bank	–9	....	–1	....	–3	–7	–6	–17	–48	–22	36	1
Rural Housing Insurance Fund	71	....	19	–29	–435	–64	–200	109	....	–13	–405	17
Rural Economic Development Loans	–1	*	....	–1	–1	....	–2	*	–3	3	–1	–3
Rural Development Loan Program	–6	....	....	–1	–3	....	–3	–2	–7	*	–4	–4
Rural Community Facilities Program	....	....	....	....	....	....	....	....	....	4	77	–19
Rural Business and Industry Program	....	....	....	....	....	....	....	....	....	–22	–5	–5
Rural Water and Waste Disposal Program	....	....	....	....	....	....	....	....	....	–13	72	–125
Rural Community Advancement Program [2]	5	....	37	3	–1	–84	–34	–73	–77	....	....	....
P.L. 480	....	....	–23	65	–348	33	–43	–239	–26	44	–163	–171
P.L. 480 Title I Food for Progress Credits	....	....	....	....	–112	–44	....	....	....	....	....	....
Commerce:												
Fisheries Finance	....	....	–19	–1	–3	....	1	–15	–12	11	–16	–*
Defense:												
Military Housing Improvement Fund	....	....	....	....	....	....	*	–4	–1	–8	–2	–12
Education:												
Federal Direct Student Loan Program: [3]												
Volume reestimate	22	....	–6	....	43	....	....	....	....	....	....	....
Other technical reestimate	–383	–2,158	560	....	3,678	1,999	855	2,827	2,674	408	–45	–1,176
Temporary Student Loan Purchase Authority: [3]												
Volume reestimate	....	....	....	....	....	....	....	....	....	....	418	....
Other technical reestimate	....	....	....	....	....	....	....	....	....	....	444	1,076
College Housing and Academic Facilities Loans	....	....	–1	....	....	....	....	....	*	*	*	*
Historically Black Colleges and Universities	....	....	....	....	....	....	....	....	11	–16	–24	–75
TEACH Grants	....	....	....	....	....	....	....	....	....	....	....	12
Energy:												
Advanced Technology Vehicle Manufacturing Fund	....	....	....	....	....	....	....	....	....	....	....	12
Title 17 Innovative Technology Fund	....	....	....	....	....	....	....	....	....	....	....	–*
Homeland Security:												
Disaster Assistance	....	47	36	–7	–6	*	4	*	*	*	....	–18
Interior:												
Bureau of Reclamation Loans	....	3	3	–9	–14	....	17	1	1	5	–3	–1
Bureau of Indian Affairs Direct Loans	1	5	–1	–1	2	*	*	*	1	–1	....	1
Assistance to American Samoa	....	....	....	....	....	*	*	....	2	....	....	–4
Transportation:												
High Priority Corridor Loans	....	....	....	....	....	....	....	....	....	....	....	....
Alameda Corridor Loan	....	–58	....	....	....	–12	....	....	....	....	....	....
Transportation Infrastructure Finance and Innovation	....	....	18	....	....	....	3	–11	7	11	–163	92
Railroad Rehabilitation and Improvement Program	....	....	....	....	....	–5	–14	–11	–1	15	–8	14
Treasury:												
GSE Mortgage-Backed Securities Purchase Program	....	....	....	....	....	....	....	....	....	....	....	–8,165
Community Development Financial Institutions Fund	....	1	....	....	*	–1	*	–1	1	*	....	–2
Troubled Asset Relief Program Direct Loan [4]	....	....	....	....	....	....	....	....	....	....	....	–13,557
Troubled Asset Relief Program Equity [4]	....	....	....	....	....	....	....	....	....	....	....	–90,601
Veterans Affairs:												
Veterans Housing Benefit Program Fund	–111	–52	–107	–697	17	–178	987	–44	–76	–402	20	69

Table 22–3. REESTIMATES OF CREDIT SUBSIDIES ON LOANS DISBURSED BETWEEN 1992–2009—Continued

(Budget authority and outlays, in millions of dollars)

Agency and Program	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Native American Veteran Housing	....	....	....	....	–3	*	*	*	1	1	*	–*
Vocational Rehabilitation Loans	....	....	....	....	*	*	*	–1	1	–1	1	–*
Environmental Protection Agency:												
Abatement, Control and Compliance	....	....	3	–1	*	–3	*	*	*	*	*	–*
International Assistance Programs:												
Foreign Military Financing	1	152	–166	119	–397	–64	–41	–7	–6	7	....	....
U.S. Agency for International Development:												
Micro and Small Enterprise Development	....	....	....	*	....	*	....	....	....	....	....	....
Overseas Private Investment Corporation:												
OPIC Direct Loans	....	....	....	....	–4	–21	3	–7	72	31	–15	–46
Debt Reduction	....	36	–4	....	*	–47	–104	54	–3	....	....	....
Small Business Administration:												
Business Loans	....	....	1	–2	1	25	....	–16	–4	4	7	3
Disaster Loans	246	–398	–282	–14	266	589	196	61	258	–109	134	157
Other Independent Agencies:												
Export-Import Bank Direct Loans	....	–177	157	117	–640	–305	111	–257	–227	–120	7	54
Federal Communications Commission	980	–1,501	–804	92	346	380	732	–24	11	....	–100	–23
LOAN GUARANTEES												
Agriculture:												
Agriculture Credit Insurance Fund	....	–31	205	40	–36	–33	–22	–162	20	–36	–48	–3
Agriculture Resource Conservation Demonstration	....	....	2	....	1	–1	*	*	....	....	....	....
Commodity Credit Corporation Export Guarantees	....	....	–1,410	....	–13	–230	–205	–366	–232	–225	–39	8
Rural Electrification and Telecommunications Loans	....	....	....	....	....	....	....	....	*	*	*	*
Rural Housing Insurance Fund	109	....	152	–56	32	50	66	44	....	–19	–24	82
Rural Business and Industry Program	....	....	....	....	....	....	....	....	....	–9	–11	41
Rural Community Facilities Program	....	....	....	....	....	....	....	....	....	–1	13	8
Rural Water and Waste Disposal Program	....	....	....	....	....	....	....	....	....	....	....	2
Rural Community Advancement Program [2]	41	....	63	17	91	15	29	–64	–16	....	....	....
Renewable Energy	....	....	....	....	....	....	....	....	....	*	*	2
Commerce:												
Fisheries Finance	....	....	–3	–1	3	*	1	*	1	*	*	*
Emergency Steel Guaranteed Loans	....	....	....	....	50	*	3	–75	–13	1	–53	....
Emergency Oil and Gas Guaranteed Loans	....	....	*	*	*	*	*	–1	*	*	....	....
Defense:												
Military Housing Improvement Fund	....	....	....	....	....	–3	–1	–3	–5	–1	–2	–3
Defense Export Loan Guarantee	....	....	....	....	....	....	–5	....	....	....	....	....
Arms Initiative Guaranteed Loan Program	....	....	....	....	....	....	....	....	....	20	....	2
Education:												
Federal Family Education Loan Program: [3]												
Volume reestimate	–13	–60	–42	....	277	....	....	....	....	....	....	....
Other technical reestimate	–140	667	–3,484	....	–2,483	–3,278	1,348	6,837	–3,399	–189	–13,463	–7,008
Health and Human Services:												
Heath Center Loan Guarantees	....	3	....	*	*	....	1	*	*	–1	–2	*
Health Education Assistance Loans	....	....	....	....	–5	–37	–33	–18	–20	*	–15	–5
Housing and Urban Development:												
Indian Housing Loan Guarantee	....	....	–6	*	–1	*	–3	–1	*	–5	–7	–7
Title VI Indian Guarantees	....	....	....	....	–1	1	4	*	–4	–3	–2	–2
Community Development Loan Guarantees	....	....	....	....	....	19	–10	–2	4	1	–1	–8
FHA-Mutual Mortgage Insurance	3,789	....	2,413	–1,308	1,100	5,947	1,979	2,842	636	3,923	9,262	8,435
FHA-General and Special Risk	79	....	–217	–403	77	352	507	238	–1,254	–362	6,086	571
Interior:												
Bureau of Indian Affairs Guaranteed Loans	....	....	–14	–1	–2	–2	*	15	5	–30	–3	11

Table 22–3. REESTIMATES OF CREDIT SUBSIDIES ON LOANS DISBURSED BETWEEN 1992–2009—Continued

(Budget authority and outlays, in millions of dollars)

Agency and Program	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Transportation:												
Maritime Guaranteed Loans (Title XI)	–71	30	–15	187	27	–16	4	–76	–11	–51	23	8
Minority Business Resource Center	....	....	....	1	....	*	*	....	*	*	....	–*
Treasury:												
Air Transportation Stabilization Program	....	....	....	....	113	–199	292	–109	–95	....	....	....
Troubled Asset Relief Program [4]	....	....	....	....	....	....	....	....	....	....	....	–517
Veterans Affairs:												
Veterans Housing Benefit Fund Program	492	229	–770	–163	–184	–1,515	–462	–842	–525	182	–70	494
International Assistance Programs:												
U.S. Agency for International Development:												
Development Credit Authority	....	....	....	–1	....	1	–3	–2	2	11	5	–8
Micro and Small Enterprise Development	....	....	....	....	....	2	–2	....	–3	*	....	....
Urban and Environmental Credit	....	....	....	–4	–15	48	–2	–5	–11	–22	7	–1
Assistance to the New Independent States of the Former Soviet Union	....	....	....	–34	....	....	....	....	....	....	....	....
Loan Guarantees to Israel	....	....	....	....	....	–76	–111	188	34	–16	–46	283
Loan Guarantees to Egypt	....	....	....	....	....	....	....	7	14	–12	12	–11
Overseas Private Investment Corporation:												
OPIC Guaranteed Loans	....	....	....	5	77	60	–212	–21	–149	–268	–26	–23
Small Business Administration:												
Business Loans	–545	–235	–528	–226	304	1,750	1,034	–390	–268	–140	931	3,745
Other Independent Agencies:												
Export-Import Bank Guarantees	....	–191	–1,520	–417	–2,042	–1,133	–655	–1,164	–579	–174	23	571
Total	**4,518**	**–3,357**	**–6,427**	**–1,854**	**–142**	**3,468**	**6,008**	**9,003**	**–3,441**	**2,044**	**2,576**	**–105,269**

* Less than $500,000.

[1] Excludes interest on reestimates. Additional information on credit reform subsidy reestimates is contained in the Federal Credit Supplement.

[2] Includes Rural Water and Waste Disposal, Rural Community Facilities, and Rural Business and Industry programs for 1999–2007.

[3] Volume reestimates in mandatory programs represent a change in volume of loans disbursed in the prior years.

[4] As authorized by the Emergency Economic Stabilization Act (EESA), table includes reestimates associated with equity purchases under the Troubled Asset Relief Program (TARP). Subsidy costs for TARP equity purchasese, direct loans, and asset guarantees are estimated using the discount rate required under FCRA adjusted for market risks, as directed in legislation.

Table 22–4. DIRECT LOAN SUBSIDY RATES, BUDGET AUTHORITY, AND LOAN LEVELS, 2009–2011

(In millions of dollars)

Agency and Program	2009 Actual			2010 Enacted			2011 Proposed		
	Subsidy rate [1]	Subsidy budget authority	Loan levels	Subsidy rate [1]	Subsidy budget authority	Loan levels	Subsidy rate [1]	Subsidy budget authority	Loan levels
Agriculture:									
Agricultural Credit Insurance Fund Program Account	9.59	184	1,916	3.97	76	1,905	5.98	95	1,578
Farm Storage Facility Loans Program Account	6.25	13	200	–0.98	–2	153	–1.97	–3	153
Rural Electrification and Telecommunications Loans Program Account	–2.13	–155	7,288	–1.25	–89	7,790	–4.38	–210	4,790
Distance Learning, Telemedicine, and Broadband Program	2.85	1	22	7.24	515	7,114	5.58	22	400
Rural Water and Waste Disposal Program Account	14.62	229	1,564	7.54	394	5,221	8.58	89	1,036
Rural Community Facilities Program Account	5.72	29	501	1.31	73	5,588	1.33	4	295
Farm Labor Program Account	42.14	15	35	36.14	10	27	38.38	10	27
Multifamily Housing Revitalization Program Account	61.78	16	26	41.67	28	67	....	....	....
Rural Housing Insurance Fund Program Account	8.58	134	1,554	4.25	148	3,495	8.40	114	1,350
Rural Microenterprise Investment Program Account	....	....	....	21.13	6	29	29.12	9	30
Rural Development Loan Fund Program Account	41.85	14	34	25.24	9	34	38.58	14	36
Rural Economic Development Loans Program Account	20.89	8	37	13.05	5	38	17.91	6	33
Commerce:									
Fisheries Finance Program Account	–7.19	–5	67	–9.24	–7	75	–11.27	–8	71
Defense—Military:									
Defense Family Housing Improvement Fund	30.93	36	117	30.04	42	139	20.30	114	560
Education:									
College Housing and Academic Facilities Loans Program Account	16.31	10	61	11.35	20	178	7.24	20	279
TEACH Grant Program Account	–3.63	–3	89	13.63	11	80	13.64	13	93
Federal Perkins Loan Program Account	....	....	....	....	....	....	–3.40	–101	2,985
Federal Family Education Loan Program Account [2]	–8.93	–11,805	132,235	–5.19	–1,610	31,019	....	....	....
Federal Direct Student Loan Program Account	–14.96	–5,829	38,948	–7.75	–7,581	97,875	–6.88	–10,404	151,331
Energy:									
Title 17 Innovative Technology Loan Guarantee Program	7.57	40	535	4.24	1,049	24,717	4.89	2,347	48,011
Advanced Technology Vehicles Manufacturing Loan Program Account	38.29	3,280	8,567	19.64	3,227	16,433	....	....	....
Homeland Security:									
Disaster Assistance Direct Loan Program Account	93.95	57	61	–0.36	....	25	–1.22	....	25
Housing and Urban Development:									
FHA-Mutual Mortgage Insurance Program Account	....	....	....	....	....	50	....	....	50
Green Retrofit Program for Multifamily Housing, Recovery Act	....	....	....	82.30	118	143	....	....	....
State:									
Repatriation Loans Program Account	59.77	1	1	58.05	1	1	58.57	1	1
Transportation:									
National Infrastructure Innovation and Finance Fund Program Account	....	....	....	....	....	....	20.00	417	2,085
Federal-Aid Highways	8.69	86	990	12.03	100	831	10.87	100	920
Railroad Rehabilitation and Improvement Program	0.00	....	104	0.00	....	600	0.00	....	600
Treasury:									
GSE Mortgage-Backed Securities Purchase Program Account	–2.36	–4,498	190,574	–3.35	–1,790	53,397	....	....	....
Troubled Asset Relief Program Account [3]	20.73	19,277	92,999	2.36	1,312	55,560	....	....	....
Troubled Asset Relief Program Equity Purchase Program [3]	42.66	140,421	329,175	20.92	3,128	14,952	....	....	....
Community Development Financial Institutions Fund Program Account	....	....	....	....	....	....	40.53	4	10
Veterans Affairs:									
Housing Program Account	–2.33	–2	79	–4.94	–47	965	–2.23	–24	1,102
Native American Veteran Housing Loan Program Account	–8.36	–2	21	–29.00	–5	18	–9.84	–1	12
International Assistance Programs:									
Overseas Private Investment Corporation Program Account	–2.37	–32	1,352	2.57	26	1,000	3.87	25	650
United States Quota IMF Direct Loan Program Account [3]	....	....	....	1.80	142	7,879	....	....	....
Loans to the IMF Direct Loan Program Account [3]	....	....	....	0.30	300	100,000	....	....	....
Small Business Administration:									
Disaster Loans Program Account	14.92	103	688	10.77	118	1,100	13.22	145	1,100
Business Loans Program Account	11.66	4	37	0.65	4	550	0.36	3	691

Table 22–4. DIRECT LOAN SUBSIDY RATES, BUDGET AUTHORITY, AND LOAN LEVELS, 2009–2011—Continued

(In millions of dollars)

Agency and Program	2009 Actual			2010 Enacted			2011 Proposed		
	Subsidy rate [1]	Subsidy budget authority	Loan levels	Subsidy rate [1]	Subsidy budget authority	Loan levels	Subsidy rate [1]	Subsidy budget authority	Loan levels
Export-Import Bank of the United States:									
Export-Import Bank Loans Program Account	–2.62	–79	3,034	33.13	17	50	33.35	8	25
Total	**N/A**	**141,548**	**812,911**	**N/A**	**–252**	**439,098**	**N/A**	**–7,191**	**220,329**

[1] Additional information on credit subsidy rates is contained in the Federal Credit Supplement.

[2] Includes Temporary Student Loan Purchase programs authorized by the Ensuring Continued Access to Student Loans Act. Consolidated loans are not eligible for purchase.

[3] As authorized by the Emergency Economic Stabilization Act (EESA), table includes equity purchases under the Troubled Asset Relief Program (TARP). Table also includes contributions to the International Monetary Fund (IMF) provided in the Supplemental Appropriations Act of 2009. Subsidy costs for TARP and these IMF transactions are calculated using the discount rates required by the Federal Credit Reform Act adjusted for market risks, as directed in these acts.

N/A = Not applicable.

Table 22–5. LOAN GUARANTEE SUBSIDY RATES, BUDGET AUTHORITY, AND LOAN LEVELS, 2009–2011
(In millions of dollars)

Agency and Program	2009 Actual			2010 Enacted			2011 Proposed		
	Subsidy rate [1]	Subsidy budget authority	Loan levels	Subsidy rate [1]	Subsidy budget authority	Loan levels	Subsidy rate [1]	Subsidy budget authority	Loan levels
Agriculture:									
Agricultural Credit Insurance Fund Program Account	2.09	56	2,658	2.00	65	3,245	1.89	61	3,219
Commodity Credit Corporation Export Loans Program Account	0.60	32	5,357	–0.99	–54	5,500	–0.51	–28	5,500
Rural Water and Waste Disposal Program Account	–0.82	....	2	–0.82	–1	75	–0.85	–1	75
Rural Community Facilities Program Account	3.08	9	280	3.21	12	354	3.95	8	206
Rural Housing Insurance Fund Program Account	1.30	214	16,348	1.45	210	14,542	8.34	5	12,129
Rural Business Program Account	4.47	56	1,244	6.87	184	2,684	4.28	40	942
Renewable Energy Program Account	9.69	6	58	13.64	49	357	46.36	39	84
Biorefinery Assistance Program Account	33.34	35	105	35.47	285	803	34.70	17	50
Education:									
Federal Family Education Loan Program Account	–2.98	–2,404	80,593	–0.22	–92	42,060	....	....	....
Energy:									
Title 17 Innovative Technology Loan Guarantee Program	....	....	....	3.62	225	6,217	6.16	525	8,522
Health and Human Services:									
Health Resources and Services	....	....	....	4.53	1	17	4.35	1	17
Housing and Urban Development:									
Indian Housing Loan Guarantee Fund Program Account	2.52	13	501	0.68	7	919	0.83	8	994
Native Hawaiian Housing Loan Guarantee Fund Program Account	2.52	....	14	2.52	1	42	0.83	....	42
Native American Housing Block Grant	12.34	1	8	11.18	2	18	10.20	2	20
Community Development Loan Guarantees Program Account	2.26	5	236	2.40	6	250	....	....	500
FHA-Mutual Mortgage Insurance Program Account	–0.16	–565	360,648	–0.61	–2,014	330,754	–2.18	–5,523	252,868
FHA-General and Special Risk Program Account	–2.14	–172	7,968	–2.92	–438	15,000	–1.96	–391	20,000
Home Ownership Preservation Equity Fund Program Account	23.27	1	4	16.91	2,363	13,972	10.90	1,523	13,972
Interior:									
Indian Guaranteed Loan Program Account	7.73	7	85	7.17	15	217	7.87	6	84
Transportation:									
Minority Business Resource Center Program	1.86	....	5	1.86	....	18	1.79	....	18
Federal-Aid Highways	....	....	....	10.00	20	200	10.00	20	200
Railroad Rehabilitation and Improvement Program	....	....	....	0.00	....	100	0.00	....	100
Maritime Guaranteed Loan (Title XI) Program Account	5.63	18	310	7.39	78	1,055	....	....	....
Treasury:									
Troubled Asset Relief Program Account [2]	–0.25	–752	301,000	....	....	....	....	....	....
Veterans Affairs:									
Housing Program Account	–0.66	–448	67,849	–0.13	–76	59,232	–0.27	–147	54,524
International Assistance Programs:									
Loan Guarantees to Israel Program Account	....	....	....	0.00	....	1,200	0.00	....	1,200
Development Credit Authority Program Account	2.77	9	317	4.86	25	517	4.12	25	605
Overseas Private Investment Corporation Program Account	–5.35	–97	1,816	–0.04	–1	1,500	0.52	8	1,650
Small Business Administration:									
Disaster Loans Program Account	....	....	....	2.25	2	75	....	....	....
Business Loans Program Account	1.84	298	13,831	1.15	494	31,247	0.21	165	66,239
Export-Import Bank of the United States:									
Export-Import Bank Loans Program Account	–0.97	–174	17,988	–1.27	–205	16,092	–1.16	–226	19,333
Total	**N/A**	**–3,852**	**879,225**	**N/A**	**1,164**	**548,262**	**N/A**	**–3,863**	**463,093**
ADDENDUM: SECONDARY GUARANTEED LOAN COMMITMENT LIMITATIONS									
GNMA:									
Guarantees of Mortgage-backed Securities Loan Guarantee Program Account	–0.21	–888	418,938	–0.24	–914	380,942	–0.24	–679	283,042
SBA:									
Secondary Market Guarantee Program	0.00	....	2,381	0.00	....	12,000	0.00	....	12,000
Total, secondary guaranteed loan commitments	**N/A**	**–888**	**421,319**	**N/A**	**–914**	**392,942**	**N/A**	**–679**	**295,042**

[1] Additional information on credit subsidy rates is contained in the Federal Credit Supplement.
[2] The subsidy costs for Troubled Asset Relief Program asset guarantees are calculated using the discount rate under the Federal Credit Reform Act adjusted for market risks, as directed in the Emergency Economic Stabilization Act.
N/A = Not applicable.

Table 22–6. SUMMARY OF FEDERAL DIRECT LOANS AND LOAN GUARANTEES

(In billions of dollars)

	Actual								Estimate	
	2002	2003	2004	2005	2006	2007	2008	2009 [1]	2010 [1]	2011
Direct loans:										
Obligations	43.7	45.4	42.0	56.3	57.8	42.5	75.6	812.9	439.1	220.3
Disbursements	39.6	39.7	38.7	50.6	46.6	41.7	41.1	669.4	270.9	197.1
New subsidy budget authority [2]	*	0.7	0.4	2.1	4.7	1.4	3.7	140.1	2.9	–7.2
Reestimated subsidy budget authority [3]	0.5	2.9	2.6	3.8	3.1	3.4	–0.8	–0.1	–123.1	....
Total subsidy budget authority	**0.5**	**3.5**	**3.0**	**6.0**	**7.8**	**4.8**	**–1.3**	**140.0**	**–120.2**	**–7.2**
Loan guarantees:										
Commitments [4]	303.7	345.9	300.6	248.5	280.7	270.2	367.7	879.2	548.3	463.1
Lender disbursements [4]	271.4	331.3	279.9	221.6	256.0	251.2	354.6	841.5	520.3	396.0
New subsidy budget authority [2]	2.9	3.8	7.3	10.1	17.2	5.7	–1.4	–7.8	1.7	–4.5
Reestimated subsidy budget authority [3]	–2.4	–3.5	2.0	3.5	7.0	–6.8	3.6	0.5	7.6	....
Total subsidy budget authority	**0.5**	**0.3**	**9.3**	**13.6**	**24.2**	**–1.1**	**2.2**	**–7.2**	**9.3**	**–4.5**

* Less than $50 million.

[1] Table includes Troubled Asset Relief Program equity purchases under the authority of the Emergency Economic Stabilization Act and certain International Monetary Fund contributions under the authority of the Supplemental Appropriations Act of 2009.

[2] Credit subsidy costs for the Troubled Asset Relief Program and contributions to the International Monetary Fund provided in the Supplemental Appropriations Act of 2009 are calculated using discount rates as required under the Federal Credit Reform Act adjusted for market risks, consistent with legislative direction.

[3] Includes interest on reestimate.

[4] To avoid double-counting, totals exclude GNMA secondary guarantees of loans that are guaranteed by FHA, VA, and RHS, and SBA's guarantee of 7(a) loans sold in the secondary market.

Table 22–7. DIRECT LOAN WRITE-OFFS AND GUARANTEED LOAN TERMINATIONS FOR DEFAULTS

Agency and Program	In millions of dollars			As a percentage of outstanding loans [1]		
	2009 actual	2010 estimate	2011 estimate	2009 actual	2010 estimate	2011 estimate
DIRECT LOAN WRITE-OFFS						
Agriculture:						
Agricultural Credit Insurance Fund	47	68	66	0.59	0.76	0.70
Rural Community Facility	2	....	....	0.06	....	....
Rural Business and Industry Program	4	3	2	11.43	10.34	8.70
Rural Development Loan Fund	2	1	1	0.14	0.07	0.08
Rural Housing Insurance Fund	37	76	81	0.14	0.27	0.28
Debt Restructuring	70	128	0	19.55	45.39	0.00
Defense—Military:						
Family Housing Improvement Fund	....	1	2	....	0.14	0.22
Education:						
Student Financial Assistance	9	8	10	2.89	2.61	3.31
Housing and Urban Development:						
Revolving Fund (Liquidating Programs)	....	1	1	....	16.67	25.00
Guarantees of Mortgage-Backed Securities	....	10	17	....	83.33	65.38
Treasury:						
Troubled Asset Relief Program Direct Loans	....	1,887	30,163	....	1.81	28.46
Troubled Assets Relief Program Equity Purchases	....	....	75	....	....	0.04
Veterans Affairs:						
Miscellaneous Veterans Housing Loans	....	4	1	....	5.80	1.43
Veterans Housing Benefit Program	25	61	59	3.18	3.63	3.39
International Assistance Programs:						
Economic Assistance Loans	....	223	51	....	5.63	1.48
Foreign Military Financing	94	....	....	6.20	....	....
Overseas Private Investment Corporation	5	15	15	0.48	1.12	0.83
Small Business Administration:						
Disaster Loans	299	157	157	3.18	1.71	1.75
Business Loans	4	4	7	2.34	0.74	0.84
Other Independent Agencies:						
Debt Reduction (Export-Import Bank)	6	582	....	2.05	67.28	....
Export-Import Bank	9	10	10	0.16	0.19	0.22
Spectrum Auction Program	....	149	28	....	73.40	51.85
Tennessee Valley Authority Fund	4	....	1	7.02	....	1.56
Total, direct loan write-offs	**617**	**3,388**	**30,747**	**0.14**	**0.76**	**8.85**
GUARANTEED LOAN TERMINATIONS FOR DEFAULT						
Agriculture:						
Agricultural Credit Insurance Fund	37	39	42	0.29	0.29	0.30
Commodity Credit Corporation Export Loans	26	55	128	0.29	0.45	0.82
Rural Community Facility	23	24	24	2.75	2.21	1.80
Rural Business and Industry Program	99	76	124	2.05	1.20	1.64
Rural Housing Insurance Fund	206	219	276	0.58	0.46	0.49
Rural Water and Waste Disposal Fund	1	....	....	1.37	....	....
Renewable Energy Guaranteed Loans	....	....	1	....	....	0.54
Biorefinery Assistance Guaranteed Loans	....	....	1	....	....	0.19
Defense—Military:						
Family Housing Improvement Fund	....	7	7	....	1.53	1.57
Education:						
Federal Family Education Loans	12,823	10,117	9,568	2.67	1.98	2.05
Health Education Assistance Loans [2]	....	....	14	....	....	1.83
Energy:						
Title 17 Innovative Technology	....	5	21	....	0.16	0.17
Health and Human Services:						
Health Education Assistance Loans [2]	14	14	....	1.43	1.64	....
Health Center Loan Guarantees	1	1	1	1.45	1.22	1.14

Table 22–7. DIRECT LOAN WRITE-OFFS AND GUARANTEED LOAN TERMINATIONS FOR DEFAULTS—Continued

Agency and Program	In millions of dollars			As a percentage of outstanding loans [1]		
	2009 actual	2010 estimate	2011 estimate	2009 actual	2010 estimate	2011 estimate
Housing and Urban Development:						
Indian Housing Loan Guarantee	5	7	7	0.41	0.33	0.23
Native Hawaiian Housing Loan Guarantees	1	1	1	1.20	0.83	0.86
FHA-Mutual Mortgage Insurance	8,517	15,666	19,655	1.07	1.55	1.77
FHA-General and Special Risk Insurance	1,595	1,974	1,935	1.16	1.44	1.45
Home Ownership Preservation Equity Fund	....	30	543	....	0.21	1.94
Interior:						
Indian Guaranteed Loans	8	8	8	1.82	1.50	1.37
Transportation:						
Maritime Guaranteed Loan (Title XI)	50	150	73	1.86	5.37	2.55
Veterans Affairs:						
Veterans Housing Benefit Program	1,750	1,574	1,801	0.58	0.62	0.60
International Assistance Programs:						
Urban and Environmental Credit Program	5	5	5	1.26	1.45	1.54
Development Credit Authority	1	2	2	0.33	0.56	0.44
Overseas Private Investment Corporation	150	50	60	2.55	0.80	0.86
Housing and Other Credit Guaranty Program	17	22	24	2.01	2.95	3.58
Small Business Administration:						
Business Loans	4,485	5,163	3,636	5.14	5.29	3.34
Other Independent Agencies:						
Export-Import Bank	193	202	202	0.35	0.36	0.34
Total, guaranteed loan terminations for default	**30,007**	**35,411**	**38,159**	**1.56**	**1.63**	**1.64**
Total, direct loan write-offs and guaranteed loan terminations	**30,624**	**38,799**	**68,906**	**1.30**	**1.48**	**2.57**
ADDENDUM: WRITE-OFFS OF DEFAULTED GUARANTEED LOANS THAT RESULT IN LOANS RECEIVABLE						
Agriculture:						
Agricultural Credit Insurance Fund	24	12	10	29.63	15.58	11.49
Education:						
Federal Family Education Loans	1,814	1,843	1,828	5.01	4.83	4.81
Health Education Assistance Loans [2]	....	....	1	....	....	0.17
Health and Human Services:						
Health Education Assistance Loans [2]	19	1	....	2.96	0.17	....
Housing and Urban Development:						
FHA-Mutual Mortgage Insurance	3	1	1	0.51	0.07	0.05
FHA-General and Special Risk Insurance	332	228	257	6.91	4.17	4.20
Veterans Affairs:						
Veterans Housing Benefit Program	11	7	5	22.00	20.59	20.83
International Assistance Programs:						
Overseas Private Investment Corporation	81	55	50	36.65	39.29	41.67
Housing and Other Credit Guaranty Program	....	22	....	....	7.83	....
Small Business Administration:						
Business loans	1,484	277	277	18.28	3.63	3.57
Total, write-offs of loans receivable	**3,768**	**2,446**	**2,429**	**7.39**	**4.55**	**4.37**

[1] Loans outstanding at start of year plus new disbursements.
[2] The Budget reflects the proposal to transfer the HEAL Loan Guarantee program from the Department of Health and Human Services to the Department of Education.

Table 22–8. APPROPRIATIONS ACTS LIMITATIONS ON CREDIT LOAN LEVELS [1]

(In millions of dollars)

Agency and Program	2009 Actual	2010 Actual	2011 Estimate
DIRECT LOAN OBLIGATIONS			
Agriculture:			
Agricultural Credit Insurance Fund Direct Loan Financing Account	1,859	1,931	1,522
Rural Economic Development Direct Loan Financing Account	37	38	33
Commerce:			
Fisheries Finance Direct Loan Financing Account	67	75	71
Education:			
Historically Black College and University Capital Financing Direct Loan Financing Account	61	178	279
Energy:			
Title 17 Innovative Technology Direct Loan Financing Account	47,000	....	18,000
Advanced Technology Vehicles Manufacturing Direct Loan Financing Account	25,000	....	....
Homeland Security:			
Disaster Assistance Direct Loan Financing Account	25	25	25
Housing and Urban Development:			
FHA-General and Special Risk Direct Loan Financing Account	50	20	20
FHA-Mutual Mortgage Insurance Direct Loan Financing Account	50	50	50
Treasury:			
Community Development Financial Institutions Fund Direct Loan Financing Account	16	....	25
Veterans Affairs:			
Vocational Rehabilitation Direct Loan Financing Account	3	2	3
International Assistance Programs:			
United States IMF Quota, Direct Loan Financing Account	7,879	....	....
Loans to IMF Direct Loan Financing Account	100,000	....	....
Total, limitations on direct loan obligations	**182,047**	**2,319**	**20,028**
LOAN GUARANTEE COMMITMENTS			
Agriculture:			
Agricultural Credit Insurance Fund Guaranteed Loan Financing Account	2,552	3,245	3,219
Rural Housing Insurance Fund Guaranteed Loan Financing Account	....	....	12,000
Energy:			
Title 17 Innovative Technology Guaranteed Loan Financing Account	....	....	18,000
Housing and Urban Development:			
Indian Housing Loan Guarantee Fund Financing Account	420	919	994
Title VI Indian Federal Guarantees Financing Account	17	18	20
Native Hawaiian Housing Loan Guarantee Fund Financing Account	42	42	42
Community Development Loan Guarantees Financing Account	265	275	500
FHA-General and Special Risk Guaranteed Loan Financing Account	45,000	15,000	20,000
FHA-Mutual Mortgage Insurance Guaranteed Loan Financing Account	400,000	400,000	400,000
Interior:			
Indian Guaranteed Loan Financing Account	85	217	84
Transportation:			
Minority Business Resource Center Guaranteed Loan Financing Account	18	18	18
International Assistance Programs:			
Development Credit Authority Guaranteed Loan Financing Account	2,700	700	700
Small Business Administration:			
Business Guaranteed Loan Financing Account [2]	17,500	31,247	66,239
Total, limitations on loan guarantee commitments	**468,599**	**451,681**	**521,816**
ADDENDUM: SECONDARY GUARANTEED LOAN COMMITMENT LIMITATIONS			
Housing and Urban Development:			
Guarantees of Mortgage-Backed Securities Financing Account	400,000	500,000	500,000
Small Business Administration:			
Secondary Market Guarantee	12,000	12,000	12,000
Total, limitations on secondary guaranteed loan commitments	**412,000**	**512,000**	**512,000**

[1] Data represent loan level limitations enacted or proposed to be enacted in appropriations acts. For information on actual and estimated loan levels supportable by new subsidy budget authority requested, see Tables 22–4 and 22–5.

[2] Amounts include the full face value of guarantees of revolving credit facilities starting in 2011.

Table 22–9. FACE VALUE OF GOVERNMENT-SPONSORED LENDING [1]

(In billions of dollars)

	Outstanding	
	2008	2009
Government Sponsored Enterprises:		
Fannie Mae [2]	2,955	3,083
Freddie Mac [3]	2,135	2,172
Federal Home Loan Banks	1,012	929
Farm Credit System	156	161
Total	**6,258**	**6,345**

[1] New originations including issuance of securities and investment portfolio purchases, net of purchases of federally-guaranteed loans.

[2] Data for Fannie Mae is net of purchases of federally-guaranteed loans and Freddie Mac issuances, as reported by the Federal Housing Finance Agency (FHFA).

[3] Data for Freddie Mac is net of purchases of federally-guaranteed loans and Fannie Mae issuances, as reported by the FHFA.

Table 22–10. LENDING AND BORROWING BY GOVERNMENT-SPONSORED ENTERPRISES (GSEs) [1]

(In millions of dollars)

Enterprise	2009
LENDING	
Federal National Mortgage Association:	
Portfolio programs:	
Net change	25,761
Outstandings	792,927
Mortgage-backed securities:	
Net change	138,221
Outstandings	2,416,391
Federal Home Loan Mortgage Corporation:	
Portfolio programs:	
Net change	47,295
Outstandings	784,171
Mortgage-backed securities:	
Net change	(931)
Outstandings	1,458,531
Farm Credit System:	
Agricultural credit bank:	
Net change	(695)
Outstandings	42,415
Farm credit banks:	
Net change	4,171
Outstandings	107,553
Federal Agricultural Mortgage Corporation:	
Net change	962
Outstandings	10,772
Federal Home Loan Banks:	
Net change	(347,554)
Outstandings	752,057
Less federally-guaranteed loans purchased by:	
Federal National Mortgage Association:	
Net change	10,073
Outstandings	66,878
Federal Home Loan Mortgage Corporation:	
Net change	855
Outstandings	7,207
Federal Home Loan Banks:	
Net change	(708)
Outstandings	7,623
Other:	
Net change	N/A
Outstandings	N/A
Less purchase of mortgage securities issued by other GSEs: [2]	
Net Change	40,790
Outstandings	225,886
BORROWING	
Federal National Mortgage Association:	
Portfolio programs:	
Net change	(28,320)
Outstandings	802,990
Mortgage-backed securities:	
Net change	138,221
Outstandings	2,416,391

Table 22–10. LENDING AND BORROWING BY GOVERNMENT-SPONSORED ENTERPRISES (GSEs)—Continued

(In millions of dollars)

Enterprise	2009
Federal Home Loan Mortgage Corporation:	
Portfolio programs:	
Net change	19,831
Outstandings	803,781
Mortgage-backed securities:	
Net change	(931)
Outstandings	1,458,531
Farm Credit System:	
Agricultural Credit Bank:	
Net change	1,303
Outstandings	54,715
Farm Credit Banks:	
Net change	3,957
Outstandings	126,610
Federal Agricultural Mortgage Corporation:	
Net change	811
Outstandings	5,118
Federal Home Loan Banks: [3]	
Net change	(343,154)
Outstandings	980,263
DEDUCTIONS [4]	
Less borrowing from other GSEs:	
Net change	N/A
Outstandings	N/A
Less purchase of Federal debt securities:	
Net change	N/A
Outstandings	N/A
Less borrowing to purchase federally-guaranteed loans and securities:	
Net change	10,220
Outstandings	81,708
Less borrowing to purchase mortgage securities issued by other GSEs: [2]	
Net change	40,790
Outstandings	225,886

N/A = Not available.

[1] Data have not been reviewed by the Administration. The data for all years include programs of mortgage-backed securities. In cases where a GSE owns securities issued by the same GSE, including mortgage-backed securities, the borrowing and lending data for that GSE are adjusted to remove double-counting. Data for Fannie Mae, Freddie Mac, and the Federal Home Loan Banks as reported by the Federal Housing Finance Agency (FHFA).

[2] Includes Fannie Mae securities purchased by Freddie Mac and the Federal Home Loan Banks, and Freddie Mac securities purchased by Fannie Mae and the Federal Home Loan Banks.

[3] The net change in borrowings is derived from the difference in borrowings between 2009 and the Federal Home Loan Banks' audited financial statements of 2008.

[4] Where totals and subtotals have not been calculated, a portion of the total is unavailable.

23. HOMELAND SECURITY FUNDING ANALYSIS

Section 889 of the Homeland Security Act of 2002 requires that a homeland security funding analysis be incorporated in the President's Budget. This analysis addresses that legislative requirement, and covers the homeland security funding and activities of all Federal agencies, not only those carried out by Department of Homeland Security (DHS), as well as State, local, and private sector expenditures. Since not all activities carried out by DHS constitute traditional homeland security funding (e.g. response to natural disasters and Coast Guard search and rescue activities), DHS estimates in this section do not encompass the entire DHS budget.

The President's highest priority is to keep the American people safe. Homeland security budgetary priorities will

Table 23–1. HOMELAND SECURITY FUNDING BY AGENCY
(budget authority in millions of dollars)

Agency	2009 Enacted	2009 Supplemental/ Emergency	2010 Enacted	2010 Supplemental/ Emergency	2011 Request
Department of Agriculture	513.0	....	599.4	....	595.9
Department of Commerce	258.8	12.9	254.4	....	285.7
Department of Defense	19,413.5	69.4	19,040.6	....	19,103.0
Department of Education	31.8	....	28.5	....	31.0
Department of Energy	1,938.8	....	2,018.0	....	2,023.2
Department of Health and Human Services	4,627.1	50.0	4,803.9	....	4,528.0
Department of Homeland Security	36,036.5	2,951.0	35,840.0	241.5	37,066.2
Department of Housing and Urban Development	4.8	....	4.9	....	5.1
Department of the Interior	49.9	4.4	51.5	....	55.8
Department of Justice	3,650.4	64.7	4,106.9	....	4,285.2
Department of Labor	48.5	....	52.9	....	53.1
Department of State	1,809.2	....	1,767.1	....	2,258.8
Department of Transportation	220.9	....	229.6	....	259.6
Department of the Treasury	133.3	....	124.2	....	126.9
Department of Veterans Affairs	309.9	....	426.8	....	428.2
Corps of Engineers	40.0	....	37.0	....	37.0
Environmental Protection Agency	157.0	....	155.1	....	120.4
Executive Office of the President	19.1	....	12.0	....	8.4
General Services Administration	125.4	369.0	214.0	....	149.0
National Aeronautics and Space Administration	214.3	....	218.0	....	213.8
National Science Foundation	377.2	29.4	390.0	....	405.4
Office of Personnel Management	1.9	....	2.2	....	1.9
Social Security Administration	181.5	....	209.3	....	224.7
District of Columbia	39.0	....	15.0	....	15.0
Federal Communications Commission	2.2	....	1.7	....	1.5
Intelligence Community Management Account	32.8	....	15.5	....	15.9
National Archives and Records Administration	19.6	....	20.0	....	20.9
Nuclear Regulatory Commission	72.8	....	65.4	....	64.3
Securities and Exchange Commission	15.0	....	17.0	....	17.0
Smithsonian Institution	92.3	....	98.5	....	101.7
United States Holocaust Memorial Museum	9.0	....	10.0	....	10.0
Total, Homeland Security Budget Authority	**70,445.3**	**3,550.8**	**70,829.2**	**241.5**	**72,512.4**
Less Department of Defense	–19,413.5	–69.4	–19,040.6	....	–19,103.0
Non-Defense Homeland Security BA, excluding BioShield Transfer	**51,031.8**	**3,481.4**	**51,788.6**	**241.5**	**53,409.4**
Less Fee-Funded Homeland Security Programs	–5,003.9	....	–5,502.9	....	–5,765.5
Less Mandatory Homeland Security Programs	–2,507.3	–7.9	–2,589.6	....	–2,645.8
Net Non-Defense Discretionary Homeland Security BA, excluding BioShield	**43,520.6**	**3,473.5**	**43,696.1**	**241.5**	**44,998.1**
Minus Transfer from BioShield	....	....	–609.0	....	....
Net Non-Defense Discretionary Homeland Security BA, including BioShield Transfer	**43,520.6**	**3,473.5**	**43,087.1**	**241.5**	**44,998.1**

continue to be informed by careful, Governmental-wide strategy development and review.

Data Collection Methodology and Adjustments

The Federal spending estimates in this analysis utilize funding and programmatic information collected on the Executive Branch's homeland security efforts. Throughout the budget formulation process, the Office of Management and Budget (OMB) collects three-year funding estimates and associated programmatic information from all Federal agencies with homeland security responsibilities. These estimates do not include the efforts of the Legislative or Judicial branches. Information in this chapter is augmented by a detailed appendix of account-level funding estimates, which is available on the *Analytical Perspectives* CD-ROM.

To compile this data, agencies report information using standardized definitions for homeland security.[1] The data provided by the agencies are developed at the "activity level," which incorporates a set of like programs or projects, at a level of detail sufficient to consolidate the information to determine total Governmental spending on homeland security.

To the extent possible, this analysis maintains programmatic and funding consistency with previous estimates. Some discrepancies from data reported in earlier years arise due to agencies' improved ability to extract homeland security-related activities from host programs and refine their characterizations. As in the Budget, where appropriate, the data is also updated to reflect agency activities, congressional action, and technical re-estimates. In addition, the Administration may refine definitions or mission area estimates over time based on additional analysis or changes in the way specific activities are characterized, aggregated, or disaggregated.

Federal Expenditures

Total funding for homeland security has grown significantly since the attacks of September 11, 2001. For 2011, the President's Budget includes $72.5 billion of gross budget authority for homeland security activities, a $1.7 billion (2 percent) increase above the 2010 enacted level. Excluding mandatory spending, fees, and the Department of Defense's (DOD) homeland security budget, the 2011 Budget proposes a net, non-Defense, discretionary budget authority level of $45.0 billion, which is an increase of $ 1.3 billion (3 percent) above the 2010 level (see Table 23–1).

A total of 31 agency budgets include Federal homeland security funding in 2010. Six agencies—the Departments of Homeland Security, Defense, Health and Human Services (HHS), Justice (DOJ), State (DOS) and Energy (DOE)—account for approximately $69.3 billion (96 percent) of total Government-wide gross discretionary homeland security funding in 2011.

As required by the Homeland Security Act, this analysis presents homeland security risk and spending in three broad categories: Prevent and Disrupt Terrorist Attacks; Protect the American People, Our Critical Infrastructure, and Key Resources; and Respond To and Recover From Incidents.

Prevent and Disrupt Terrorist Attacks

Activities of both intelligence-and-warning and domestic counterterrorism aim to disrupt the ability of terrorists to operate within our borders and prevent the emergence of violent radicalization. Intelligence-and-warning funding covers activities designed to detect terrorist activity before it manifests itself in an attack so that proper preemptive, preventive, and protective action can be taken. Specifically, it is made up of efforts to identify, collect,

[1] Federal homeland security activities are currently defined by OMB in Circular A–11 as, "activities that focus on combating and protecting against terrorism, and that occur within the United States and its territories (this includes Critical Infrastructure Protection (CIP) and Continuity of Operations (COOP) data), or outside of the United States and its territories if they support domestically-based systems or activities (e.g., visa processing or pre-screening high-risk cargo at overseas ports). Such activities include efforts to detect, deter, protect against, and, if needed, respond to terrorist attacks."]

Table 23–2. PREVENT AND DISRUPT TERRORIST ATTACKS
(budget authority in millions of dollars)

Agency	2009 Enacted	2009 Supplemental/ Emergency	2010 Enacted	2010 Supplemental/ Emergency	2011 Request
Department of Agriculture	188.0	....	233.0	....	230.2
Department of Commerce	3.8	1.9	5.9	....	4.1
Department of Energy	51.2	....	49.2	....	64.0
Department of Homeland Security	25,242.3	2,015.4	26,765.0	241.5	27,623.0
Department of the Interior	0.7	....	0.4	....	0.3
Department of Justice	2,965.2	61.8	3,312.8	....	3,411.7
Department of Labor	0.4	....	0.4	....	0.4
Department of State	1,780.6	....	1,730.6	....	2,221.6
Department of Transportation	40.3	....	41.7	....	44.0
Department of the Treasury	75.8	....	70.8	....	72.7
General Services Administration	75.0	300.0	151.0	....	86.0
Total, Prevent and Disrupt Terrorist Attacks	30,423.0	2,379.1	32,360.9	241.5	33,758.0

analyze, and distribute source intelligence information or the resultant warnings from intelligence analysis. It also includes information sharing activities among Federal, State, and local governments, relevant private sector entities, and the public at large; but it does not include most foreign intelligence collection—although the resulting intelligence may inform homeland security activities. In 2011, funding for intelligence-and-warning is distributed between DHS (50 percent), primarily in the Office of Intelligence and Analysis; and DOJ (47 percent), primarily in the Federal Bureau of Investigation (FBI). The 2011 funding for intelligence and warning activities is 3 percent above the 2010 level.

Activities to deny terrorists and terrorist-related weapons and materials entry into our country and across all international borders include measures to protect border and transportation systems, such as screening airport passengers, detecting dangerous materials at ports overseas and at U.S. ports-of-entry, and patrolling our coasts and the land between ports-of-entry. Securing our borders and transportation systems is a complex task. Security enhancements in one area may make another avenue more attractive to terrorists. Therefore, our border and transportation security strategy aims to make the U.S. borders "smarter"—targeting layered resources toward the highest risks and sharing information so that frontline personnel can stay ahead of potential adversaries—while facilitating the flow of legitimate visitors and commerce. The majority of funding for border and transportation security ($24.6 billion, or 91 percent, in 2011) is in DHS, largely for the U.S. Customs and Border Protection (CBP), the Transportation Security Administration (TSA), and the U.S Coast Guard. Other DHS bureaus and other Federal Departments, such as the Departments of State and Justice, also play a significant role. The President's 2011 request would increase funding for border and transportation security activities by 4 percent over the 2010 level.

Funding for domestic counterterrorism contains Federal and Federally-supported efforts to identify, thwart, and prosecute terrorists in the United States. It also includes pursuit not only of the individuals directly involved in terrorist activity, but also their sources of support: the people and organizations that knowingly fund the terrorists and those that provide them with logistical assistance. In today's world, preventing and interdicting terrorist activity within the United States is a priority for law enforcement at all levels of government. The largest contributors to the domestic counterterrorism goal are law enforcement organizations, with DOJ (largely for the FBI) and DHS (largely for ICE) accounting for 53 and 45 percent of funding for 2011, respectively.

Protect the American People, Our Critical Infrastructure, and Key Resources

Critical infrastructure includes the assets, systems, and networks, whether physical or virtual, so vital to the United States that their incapacitation or destruction would have a debilitating effect on security, national economic security, public health or safety, or any combination thereof. Key resources are publicly or privately controlled resources essential to the minimal operations of the economy and government whose disruption or destruction could have significant consequences across multiple dimensions, including national monuments and icons.

Efforts to protect the American people include defending against catastrophic threats through research, development, and deployment of technologies, systems, and medical measures to detect and counter the threat of chemical, biological, radiological, and nuclear (CBRN) weapons. Funding encompasses activities to protect against, detect, deter, or mitigate the possible terrorist use of CBRN weapons through detection systems and procedures, improving decontamination techniques, and the development of medical countermeasures, such as vaccines, drugs and diagnostics to protect the public from

Table 23–3. PROTECT THE AMERICAN PEOPLE, OUR CRITICAL INFRASTRUCTURE, AND KEY RESOURCES
(budget authority in millions of dollars)

Agency	2009 Enacted	2009 Supplemental/ Emergency	2010 Enacted	2010 Supplemental/ Emergency	2011 Request
Department of Agriculture	269.7	....	310.2	....	309.4
Department of Commerce	203.0	11.0	195.0	....	222.4
Department of Defense	19,148.2	69.4	18,733.0	....	18,719.9
Department of Energy	1,721.5	....	1,808.6	....	1,791.9
Department of Health and Human Services	2,510.5	50.0	4,997.3	....	2,376.8
Department of Homeland Security	7,379.8	595.6	2,615.4	....	6,039.7
Department of Justice	675.6	2.9	781.3	....	794.7
Department of Veterans Affairs	228.2	....	270.9	....	281.9
National Aeronautics and Space Administration	214.3	....	218.0	....	213.8
National Science Foundation	377.2	29.4	390.0	....	405.4
Social Security Administration	181.0	....	208.8	....	224.2
Other Agencies	687.6	73.4	698.4	....	707.2
Total, Protect the American People, Our Critical Infrastructure, and Key Resources	33,596.6	831.7	31,226.8	....	32,087.2

the threat of a CBRN attack or other public health emergency. The agencies with the most significant resources to help develop and field technologies to counter CBRN threats are: DOD ($2.3 billion, or 38 percent, of the 2011 total); HHS, largely for research at the National Institutes of Health (NIH) and for advanced development of medical countermeasures ($2.1 billion, or 34 percent, of the 2011 total); and DHS ($1.1 billion, or 19 percent, of the 2011 total).

Protecting the Nation's critical infrastructure and key resources (CI/KR) is a complex challenge for two reasons: (1) the diversity of infrastructure and (2) the high level of private ownership (85 percent) of the Nation's critical infrastructure and key assets. Efforts to protect CI/KR include unifying disparate efforts to protect critical infrastructure across the Federal Government, and with State, local, and private stakeholders; accurately assessing CI/KR and prioritizing protective action based on risk; and reducing threats and vulnerabilities in cyberspace. DOD continues to report the largest share of funding in this category for 2011 ($16.5 billion, or 63 percent), which includes programs focusing on physical security and improving the military's ability to prevent or mitigate the consequences of attacks against departmental personnel and facilities. DHS has overall responsibility for prioritizing and executing infrastructure protection activities at the national level and accounts for $4.9 billion (19 percent) of 2011 funding. Another 25 agencies also report funding to protect their own assets and work with States, localities, and the private sector to reduce vulnerabilities in their areas of expertise.

The President's 2011 request increases funding for activities to protect the Nation's people, critical infrastructure and key resources by $860.4 million.

Respond To and Recover From Incidents

The ability to respond to and recover from incidents requires efforts to bolster capabilities nationwide to prevent and protect against terrorist attacks, and also minimize the damage from attacks through effective response and recovery. This includes programs that help to plan, equip, train, and practice the response capabilities of many different response units (including first responders, such as police officers, firefighters, emergency medical providers, public works personnel, and emergency management officials) that are instrumental in the preparedness to mobilize without warning for an emergency. Building this capability encompasses a broad range of agency incident management activities, as well as grants and other assistance to States and localities for first responder preparedness capabilities. Response to natural disasters and other major incidents, including catastrophic natural events such as Hurricane Katrina and chemical or oil spills, do not directly fall within the definition of a homeland security activity

Table 23–4. RESPOND TO AND RECOVER FROM INCIDENTS
(budget authority in millions of dollars)

Agency	2009 Enacted	2009 Supplemental/ Emergency	2010 Enacted	2010 Supplemental/ Emergency	2011 Request
Department of Agriculture	55.2	....	56.3	....	56.4
Department of Commerce	52.0	....	53.5	....	59.2
Department of Defense	265.3	....	307.6	....	383.2
Department of Education	0.4	....	1.3	....	1.1
Department of Energy	166.2	....	160.2	....	167.3
Department of Health and Human Services	2,116.5	....	2,230.6	....	2,151.1
Department of Homeland Security	3,210.0	340.0	3,195.2	....	3,187.2
Department of Housing and Urban Development	4.8	....	4.9	....	5.1
Department of the Interior	3.8	....	4.1	....	4.4
Department of Justice	9.7	....	8.8	....	6.0
Department of Labor	14.8	....	17.6	....	17.9
Department of State	17.0	....	24.3	....	19.3
Department of Transportation	18.8	....	19.0	....	30.4
Department of the Treasury	40.1	....	36.1	....	36.2
Department of Veterans Affairs	81.7	....	155.8	....	146.3
Environmental Protection Agency	70.2	....	70.6	....	57.6
Executive Office of the President	8.4	....	6.0	....	4.2
General Services Administration	3.0	....	3.0	....	3.0
Office of Personnel Management	0.7	....	0.8	....	0.7
Social Security Administration	0.5	....	0.5	....	0.5
District of Columbia	39.0	....	15.0	....	15.0
Federal Communications Commission	2.2	....	1.7	....	1.5
Intelligence Community Management Account	32.8	....	15.5	....	15.9
National Archives and Records Administration	2.1	....	1.7	....	1.9
Securities and Exchange Commission	3.0	....	4.0	....	4.0
Total, Respond To and Recover From Incidents	**6,218.2**	**340.0**	**6,394.1**	**.........**	**6,375.2**

for funding purposes, as defined by section 889 of the Homeland Security Act of 2002. However, preparing for terrorism-related threats includes many activities that also support preparedness for catastrophic natural and man-made disasters. Additionally, lessons learned from the response to Hurricane Katrina have been used to revise and strengthen catastrophic response planning. The agencies with the most significant participation in this effort are: DHS ($3.2 billion, or 50 percent, of the 2011 total); and HHS ($2.2 billion, or 34 percent, of the 2011 total). Twenty-three other agencies include emergency preparedness and response funding. The President's 2011 request would decrease funding by $ 18.9 million (0.3 percent) below the 2010 level, largely due to reductions in state and local grant programs that were not awarded based on a risk methodology and were subject to earmarking for non-risk based projects.

Continue to Strengthen the Homeland Security Foundation

Preventing and disrupting terrorist attacks; protecting the American people, critical infrastructure, and key resources; and responding to and recovering from incidents that do occur are enduring homeland security responsibilities. For the long-term fulfillment of these responsibilities it is necessary to continue to strengthen the principles, systems, structures, and institutions that cut across the homeland security enterprise and support our activities to secure the Nation. Long-term success across several cross-cutting areas is essential to protect the United States. While these areas are not quantifiable in terms of budget figures, they are important elements in the management and budgeting processes. As the Administration sets priorities and determines funding for new and existing homeland security programs, consideration must be given to areas such as the assessment and management of risk, which underlie the full spectrum of homeland security activities. This would include decisions about when, where, and how to invest resources in capabilities or assets that eliminate, control, or mitigate risks. Likewise, research and development initiatives promote the application of science and technology to homeland security activities, and can drive improvements in processes and efficiencies to reduce the vulnerability of the nation.

Non-Federal Expenditures [2]

State and local governments and private-sector firms also have devoted resources of their own to the task of defending against terrorist threats. Some of the additional spending has been of a one-time nature, such as investment in new security equipment and infrastructure; some additional spending has been ongoing, such as hiring more personnel, and increasing overtime for existing security personnel. In many cases, own-source spending has supplemented the resources provided by the Federal Government.

Many governments and businesses, though not all, place a high priority on, and provide additional resources, for security. A 2004 survey conducted by the National Association of Counties found, that as a result of the homeland security process of intergovernmental planning and funding, three out of four counties believed they were better prepared to respond to terrorist threats. Moreover, almost 40 percent of the surveyed counties had appropriated their own funds to assist with homeland security. Own-source resources supplemented funds provided by states and the Federal Government. However, the same survey revealed that 54 percent of counties had not used any of their own funds.[3] The survey's findings were based on the responses from 471 counties (15 percent) nationwide, out of 3,140 counties or equivalents.[4]

A recent study conducted by the Heritage Foundation, one of the few organizations to compile homeland security spending estimates from states and localities, provides data on State and local spending in support of homeland security activities.[5] The report surveyed 43 jurisdictions that are eligible for DHS' Urban Areas Security Initiative (UASI) grant funds due to the risk of a terrorist attack.[6] These jurisdictions are home to approximately 145 million people or 47 percent of the total United States population. According to the report, the 2007 homeland security budgets for the jurisdictions examined (which include 26 states and the District of Columbia, 50 primary cities, and 35 primary counties) totaled $37 billion, while the same entities received slightly more than $2 billion in Federal homeland security grants.[7] The report further states that from 2000–2007, these states and localities spent $220 billion on homeland security activities, which includes increases of three to six percent a year for law enforcement and fire services budgets, and received over $10 billion in Federal grants. California, the most populous State, is also the largest recipient of Federal homeland security funds, having received almost $1.5 billion from

[2] OMB does not collect detailed homeland security expenditure data from State, local, or private entities directly.

[3] Source: National Association of Counties, "Homeland Security Funding—2003 State Homeland Security Grants Programs I and II."

[4] The National Association of Counties conducted a survey through its various state associations (48), responses were received from 471 counties in 26 states.

[5] Source: Matt A. Mayer, "An Analysis of Federal, State, and Local Homeland Security Budgets," A Report of the Heritage Center for Data Analysis, CDA09-01, March 9, 2009, at http://www.heritage.org/Research/HomelandSecurity/upload/ CDA_09_01.pdf. Figures cited in this report have not been independently verified by the Office of Management and Budget.

[6] The Heritage Foundation report's methodology in selecting the states, cities, and counties to include in the report is as follows: the state had to possess a designated UASI jurisdiction and the city and county had to belong to a designated UASI jurisdiction that had received at least $15 million from 2003 to 2007 from the DHS.

[7] The Heritage Foundation report's budget data for homeland security included primary law enforcement agencies, fire departments, homeland security offices, and emergency management agencies. In some cases, state and local emergency management agency budget data was embedded in the fire department budget data and was not separately noted in its own category.

2000 - 2007, while spending over $45 billion in State and local funding. Over the same time period, the top ten most populous states (including California) spent $148 billion on state and local homeland security related activities.

There is also a diversity of responses in the businesses community. A 2003 survey of 199 corporate security directors conducted by the Conference Board showed that just over half of the companies reported that they had permanently increased security spending post-September 11, 2001.[8] About 15 percent of the companies surveyed had increased their security spending by 20 percent or more.[9] Large increases in spending were especially evident in critical industries, such as transportation, energy, financial services, media and telecommunications, information technology, and healthcare. However, about one-third of the surveyed companies reported that they had not increased their security spending after September 11th.[10] Given the difficulty of obtaining survey results that are representative of the universe of States, localities, and businesses, it is likely that there will be a wide range of estimates of non-Federal security spending for critical infrastructure protection.

[8] Source: Thomas E. Cavanagh and Meredith Whiting, "2003 Corporate Security Management: Organization and Spending Since 9/11," The Conference Board. R-1333-03-RR. July 2003. This report references sample size of 199 corporate security directors, of which 96 were in "critical industries", while the remaining 103 were in "non-critical industries." In the report, the Conference Board states that it followed the DHS usage of critical industries, "defined as the following: transportation; energy and utilities; financial services; media and telecommunications; information technology; and healthcare."

[9] The Conference Board survey cites the sample size for this statistic was 192 corporate security directors.

Additional Tables

The tables in the Federal expenditures section of this chapter present data based on the President's policy for the 2011 Budget. The tables below present additional policy and baseline data, as directed by the Homeland Security Act of 2002.

An appendix of account-level funding estimates is available on the *Analytical Perspectives* CD ROM.

[10] The Conference Board survey cites the sample size for this statistic was 199 corporate security directors.

Table 23–5 DISCRETIONARY FEE-FUNDED HOMELAND SECURITY ACTIVITIES BY AGENCY

(Budget authority in millions of dollars)

Agency	2009 Enacted	2009 Supplemental/ Emergency	2010 Enacted	2010 Supplemental/ Emergency	2011 Request
Department of Energy	15.7	....	15.9	....	15.2
Department of Homeland Security	3,002.0	....	3,400.0	....	3,315.0
Department of State	1,670.0	....	1,653.0	....	2,051.0
General Services Administration	117.0	....	206.0	....	141.0
Social Security Administration	182.0	....	209.3	....	224.7
Federal Communications Commission	2.2	....	1.7	....	1.5
Securities and Exchange Commission	15.0	....	17.0	....	17.0
Total, Discretionary Homeland Security Fee-Funded Activities	**5,003.9**	**.........**	**5,502.9**	**.........**	**5,765.5**

Table 23–6. MANDATORY HOMELAND SECURITY FUNDING BY AGENCY

(Budget authority in millions of dollars)

Agency	2009 Enacted	2009 Supplemental/ Emergency	2010 Enacted	2010 Supplemental/ Emergency	2011 Request
Department of Agriculture	147.0	....	185.8	....	189.5
Department of Commerce	16.7	7.9	18.2	....	18.0
Department of Energy	13.0	....	13.0	....	12.0
Department of Health and Human Services	14.4	....	24.4	....	18.9
Department of Homeland Security	2,308.1	....	2,340.2	....	2,399.2
Department of Labor	8.1	....	8.1	....	8.1
Total, Homeland Security Mandatory Programs	**2,507.3**	**7.9**	**2,589.6**	**.........**	**2,645.8**

Table 23–7. BASELINE ESTIMATES—TOTAL HOMELAND SECURITY FUNDING BY AGENCY

(Budget authority in millions of dollars)

Agency	2010 Enacted	Baseline				
		2011	2012	2013	2014	2015
Department of Agriculture	599	610	625	642	657	671
Department of Commerce	255	257	263	267	273	280
Department of Defense	19,045	19,254	19,485	19,814	20,155	20,496
Department of Education	29	29	30	30	31	31
Department of Energy	2,017	2,041	2,075	2,113	2,150	2,189
Department of Health and Human Services	4,802	7,315	7,443	7,588	7,730	7,877
Department of Homeland Security	35,886	36,626	37,807	38,887	40,006	41,161
Department of Housing and Urban Development	5	5	5	5	5	5
Department of the Interior	52	53	54	57	58	60
Department of Justice	4,108	4,220	4,352	4,489	4,632	4,781
Department of Labor	51	51	52	53	54	54
Department of State	1,767	1,868	1,898	1,930	1,963	1,997
Department of Transportation	229	236	246	256	267	277
Department of the Treasury	124	127	130	136	139	142
Department of Veterans Affairs	428	416	426	435	448	458
Corps of Engineers	37	37	38	39	39	40
Environmental Protection Agency	156	159	161	166	169	173
Executive Office of the President	12	12	12	13	13	13
General Services Administration	214	216	220	223	226	231
National Aeronautics and Space Administration	218	220	223	228	231	235
National Science Foundation	390	394	400	408	414	421
Office of Personnel Management	2	2	2	2	2	2
Social Security Administration	209	225	234	236	238	244
District of Columbia	15	15	15	16	16	16
Federal Communications Commission	2	2	2	2	2	2
Intelligence Community Management Account	16	16	16	17	17	17
National Archives and Records Administration	20	20	21	21	21	22
Nuclear Regulatory Commission	65	67	69	71	73	77
Securities and Exchange Commission	17	17	17	18	18	18
Smithsonian Institution	99	103	108	112	117	122
United States Holocaust Memorial Museum	10	10	10	10	11	11
Total, Homeland Security Budget Authority	70,879	74,623	76,439	78,284	80,175	82,123
Less Department of Defense	–19,045	–19,254	–19,485	–19,814	–20,155	–20,496
Non-Defense Homeland Security BA, excluding BioShield Transfer	51,834	55,369	56,954	58,470	60,020	61,627
Less Fee-Funded Homeland Security Programs	–5,528	–5,562	–5,625	–5,722	–5,820	–5,922
Less Mandatory Homeland Security Programs	–2,590	–2,646	–2,931	–3,024	–3,124	–3,223
Net Non-Defense, Discretionary Homeland Security BA, excluding BioShield Transfer	43,716	47,161	48,398	49,724	51,076	52,482
Minus Transfer from BioShield	–609	....	....	....	....	....
Net Non-Defense, Discretionary Homeland Security BA, including BioShield Transfer	43,107	47,161	48,398	49,724	51,076	52,482
Obligations Limitations						
Department of Transportation Obligations Limitation	105	106	107	109	111	114

Table 23–8. HOMELAND SECURITY FUNDING BY BUDGET FUNCTION
(Budget authority in millions of dollars)

Budget Function	2009 Actual	2010 Enacted	2011 Request
National Defense	24,460	23,890	23,970
International Affairs	1,870	1,767	2,259
General Science Space and Technology	1,500	1,547	1,572
Energy	137	122	124
Natural Resources and the Environment	333	306	274
Agriculture	517	567	574
Commerce and Housing Credit	179	196	226
Transportation	10,315	11,200	11,670
Community and Regional Development	4,201	3,948	4,028
Education, Training, Employment and Social Services	171	174	179
Health	6,395	4,204	4,497
Medicare	25	27	63
Income Security	14	14	14
Social Security	182	209	225
Veterans Benefits and Services	310	428	428
Administration of Justice	19,320	20,119	20,722
General Government	1,370	1,552	1,483
Total, Homeland Security Budget Authority	**71,299**	**70,270**	**72,308**
Less National Defense, DOD	–19,484	–19,045	–19,103
Non-Defense Homeland Security BA	**51,815**	**51,225**	**53,205**
Less Fee-Funded Homeland Security Programs	–4,981	–5,468	–5,733
Less Mandatory Homeland Security Programs	–2,534	–2,590	–2,646
Net Non-Defense, Discretionary Homeland Security BA	**44,300**	**43,167**	**44,826**

Table 23–9. BASELINE ESTIMATES—HOMELAND SECURITY FUNDING BY BUDGET FUNCTION
(Budget authority in millions of dollars)

Budget Function	2010 Enacted	Baseline				
		2011	2012	2013	2014	2015
National Defense	23,890	24,190	24,533	24,979	25,443	25,911
International Affairs	1,767	1,868	1,898	1,930	1,963	1,997
General Science Space and Technology	1,547	1,564	1,589	1,620	1,644	1,674
Energy	122	123	126	129	132	136
Natural Resources and the Environment	306	310	316	326	330	339
Agriculture	567	578	591	608	622	636
Commerce and Housing Credit	196	198	201	205	210	214
Transportation	11,200	11,342	11,601	11,931	12,272	12,621
Community and Regional Development	3,948	3,993	4,058	4,129	4,201	4,272
Education, Training, Employment and Social Services	174	178	184	189	197	202
Health	4,204	7,325	7,454	7,597	7,739	7,884
Medicare	27	28	29	31	32	34
Income Security	14	14	15	15	15	15
Social Security	209	225	234	236	238	244
Veterans Benefits and Services	428	416	426	435	448	458
Administration of Justice	20,119	20,718	21,602	22,315	23,057	23,827
General Government	1,552	1,553	1,582	1,609	1,632	1,659
Total, Homeland Security Budget Authority	**70,270**	**74,623**	**76,439**	**78,284**	80,175	82,123
Less National Defense, DOD	–19,045	–19,254	–19,485	–19,814	–20,155	–20,496
Non-Defense, Discretionary Homeland Security BA	**51,225**	**55,369**	**56,954**	**58,470**	60,020	61,627
Less Fee-Funded Homeland Security Programs	–5,528	–5,562	–5,625	–5,722	–5,820	–5,922
Less Mandatory Homeland Security Programs	–2,590	–2,646	–2,931	–3,024	–3,124	–3,223
Net Non-Defense, Discretionary Homeland Security BA	**43,107**	**47,161**	**48,398**	**49,724**	51,076	52,482
Obligations Limitations						
Department of Transportation Obligations Limitation	105	106	107	109	111	114

24. FEDERAL DRUG CONTROL FUNDING

Table 24–1. FEDERAL DRUG CONTROL FUNDING, 2009–2011 [1]
(Budget authority, in millions of dollars)

Department/Agency	Enacted		
	2009	2010	2011 Request
Department of Defense [2]	1,405.1	1,598.8	1,588.5
Department of Education	429.8	175.8	283.1
Department of Health and Human Services:			
Centers for Medicare and Medicaid Services [3]	215.0	430.0	400.0
Indian Health Service	91.5	96.0	103.1
National Institute on Drug Abuse [4]	1,293.6	1,059.4	1,094.1
Substance Abuse and Mental Health Services Administration [5]	2,494.1	2,557.4	2,688.2
Total HHS	4,094.2	4,142.8	4,285.4
Department of Homeland Security:			
Counternarcotics Enforcement	3.7	3.6	3.9
Customs and Border Protection	2,101.0	2,108.6	2,086.1
Immigration and Customs Enforcement	437.1	477.7	499.8
U.S. Coast Guard	1,096.9	1,162.3	1,208.1
Total DHS	3,638.7	3,752.2	3,797.9
Department of the Interior:			
Bureau of Indian Affairs	6.3	10.0	10.0
Department of Justice:			
Bureau of Prisons	79.2	87.6	93.5
Drug Enforcement Administration	2,203.5	2,271.5	2,421.9
Interagency Crime and Drug Enforcement	515.0	528.6	579.3
Office of Justice Programs	397.5	288.4	307.6
National Drug Intelligence Center	44.0	44.0	44.6
Total DOJ	3,239.2	3,220.1	3,446.9
Office of National Drug Control Policy:			
Operations	27.2	29.6	26.2
Counterdrug Technology Assessment Center	3.0	5.0	0.0
High Intensity Drug Trafficking Area Program	234.0	239.0	210.0
Other Federal Drug Control Programs	174.7	154.4	165.3
Total ONDCP	438.9	428.0	401.5
Department of State/International Affairs: [6]			
Bureau of International Narcotics and Law Enforcement Affairs	1,150.4	870.7	892.0
Economic Support and Development Assistance	418.6	365.1	365.1
Total Department of State/International Affairs	1,569.0	1,235.8	1,257.1
Department of the Treasury:			
Internal Revenue Service	60.6	59.2	60.3
Department of Veterans Affairs:			
Veterans Health Administration	392.8	405.0	418.0
Other Priorities [7]	3.7	3.7	3.7
Total Federal Drug Budget	15,278.3	15,031.4	15,552.4

[1] Detail may not add due to rounding.

[2] DOD amounts include supplemental funding. The 2009 enacted includes the 2009 supplemental war appropriations. The 2010 and 2011 amounts are the current request levels and include war funding.

[3] Baseline outlays estimated by HHS actuaries based on projected State Medicaid program participation. The 2011 estimate of Medicaid spending decreases due to the end of the temporary increase in the Medicaid Federal Medical Assistance Percentage (FMAP) that was provided by the American Recovery and Reinvestment Act (ARRA) through December 31, 2010, and does not take into account the proposed extension of the ARRA increase of FMAP.

[4] NIDA 2009 amount includes funding provided by the American Recovery and Reinvestment Act.

[5] Includes budget authority and funding through evaluation set-aside authorized by Section 241 of the Public Health Service (PHS) Act. PHS Evaluation Fund levels are as follows: $110.5 million in 2009, $110.5 million in 2010, and $111.2 million in 2011. The 2011 amount includes $25 million for the Health Resources and Services Administration (HRSA); HRSA is not designated as a Federal Drug Control Program agency.

[6] State/International Affairs amounts include supplemental funding. The 2010 enacted includes the pending 2010 war supplemental request.

[7] Includes (1) the Small Business Administration's Drug-Free Workplace grants, and (2) the Department of Transportation National Highway Traffic Safety Administration's Drug Impaired Driving Program.

25. CALIFORNIA-FEDERAL BAY-DELTA PROGRAM BUDGET CROSSCUT (CALFED)

The California-Federal Bay-Delta program (also known as CALFED) is a cooperative effort among the Federal Government, the State of California, local governments, and water users, to proactively address the water management and aquatic ecosystem needs of California's Central Valley. This valley, one of the most productive agricultural regions of the world, is drained by the Sacramento River in the north and the San Joaquin River in the south. The two rivers meet southwest of Sacramento, forming the Sacramento-San Joaquin Delta, and drain west into San Francisco Bay.

The extensive development of the area's water resources has boosted agricultural production, but has also adversely affected the region's ecosystems. CALFED participants recognized the need to provide a safe, clean, reliable source of water for multiple uses, while at the same time restoring or maintaining the ecosystems of the area and protecting against floods. This recognition resulted in the 1994 Bay-Delta Accord, which laid the foundation for the CALFED program. CALFED's adaptive management approach to water resources development and management seeks to balance achievement among the program's four objectives: Water Supply Reliability, Levee System Integrity, Water Quality, and Ecosystem Restoration. The program integrates science and monitoring into program management to track progress toward achieving those goals. The partners signed a Record of Decision in 2000, spelling out the different program components and goals.

In 2004, the Calfed Bay-Delta Authorization Act (P.L. 108-361) was signed into law. This Act authorizes activities for the CALFED program through 2010, provides new programmatic authority for participating agencies, authorizes funding to be appropriated for the Federal share of CALFED activities, and specifies criteria for program cost-shares and achieving balanced implementation of CALFED program components. Federal agencies contributing to CALFED goals include: the Department of the Interior's Bureau of Reclamation, U.S. Fish and Wildlife Service, and U.S. Geological Survey; the Department of Agriculture's Natural Resources Conservation Service; the U.S. Army Corps of Engineers; the Department of Commerce's National Oceanic and Atmospheric Administration (NOAA); and the Environmental Protection Agency.

The Department of the Interior and the White House Council on Environmental Quality, are leading an interagency Federal working group that is developing strategies to establish a sustainable Bay Delta ecosystem that provides for a high quality, reliable, and sustainable long-term water supply for California, and restores the environmental integrity and sustainability of the system. The FY 2011 Budget includes a crosscut of estimated Federal funding by each of the CALFED agencies, fulfilling the reporting requirements of P.L. 108-361. Detailed tables can be found in the CD-ROM included with the *Analytical Perspectives*, as well as an explanation of budget crosscut methodology.

Table 25–1. CALFED-RELATED FEDERAL FUNDING BUDGET CROSSCUT

(In millions of dollars)

Agency	Enacted													2011 Pres. Budget
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009 [1]	2010	
Bureau of Reclamation	153.37	114.67	138.51	79.75	103.32	74.21	75.74	81.10	99.83	101.34	66.05	156.80	94.66	140.21
Corps of Engineers	100.67	103.34	93.79	54.19	58.22	57.83	72.64	52.31	91.29	87.44	51.20	140.74	72.52	58.07
Natural Resources Conservation Service	0.00	14.54	12.85	16.95	39.08	38.4	48.75	36.39	34.64	26.86	40.90	44.40	39.70	50.00
NOAA Fisheries	0.30	0.38	0.45	0.55	0.58	0.78	0.78	0.78	0.78	0.50	0.53	0.53	0.53	1.60
Geological Survey	3.16	3.16	4.32	5.37	5.09	4.91	4.89	5.42	5.18	4.08	3.73	3.73	3.50	3.50
Fish and Wildlife Service	0.94	1.14	3.65	18.23	5.61	11.19	13.68	8.91	10.74	7.53	22.03	24.19	6.52	6.52
Environmental Protection Agency [2]	3.20	3.05	57.26	53.38	54.26	20.69	62.78	97.65	36.56	36.13	68.34	161.47	7.64	5.60
Totals	**261.64**	**240.28**	**310.83**	**228.42**	**266.16**	**208.01**	**279.26**	**282.56**	**279.02**	**263.88**	**252.78**	**531.86**	**225.07**	**265.50**

[1] The FY 2009 total includes American Recovery and Reinvestment Act projects and activities.

[2] Additional EPA funds would be provided through the State Revolving Funds (SRFs), which EPA is unable to forecast.

TECHNICAL BUDGET ANALYSES

26. CURRENT SERVICES ESTIMATES

Current services, or "baseline," estimates are designed to provide a benchmark against which policy proposals can be measured. A baseline is not a prediction of the final outcome of the annual budget process, nor is it a proposed budget. It can be a useful tool in budgeting, however. It can be used to warn of future problems, either for Government fiscal policy as a whole or for individual tax and spending programs, and it can also be used as a benchmark against which to measure the magnitude of the policy changes in the President's Budget or other budget proposals.

Since the early 1970s, when the first requirements for the calculation of a "current services" baseline were enacted, a variety of concepts and measures have been employed. Shortly after enactment of the Budget Enforcement Act of 1990 (BEA), which provided detailed rules for calculating a baseline, there was a consensus to define the current services estimates according to those rules. However, that baseline has flaws, which compromise its ability to serve as an appropriate benchmark. This section provides detailed estimates of a baseline that corrects these flaws. It also discusses alternative formulations for the baseline.

Ideally, a current services baseline would provide a projection of estimated receipts, outlays, deficits or surpluses, and budget authority needed to reflect this year's enacted policies and programs for each year in the future. Because such a concept would be nearly impossible to apply across all segments of the government, the baseline has instead become largely a mechanical construct whose levels may be considered a representation of current services when viewed in aggregate.

The Administration believes adjustments to the BEA baseline are needed to better represent the deficit outlook under current policy. For example, an appropriate benchmark should include the future costs of extending temporary tax cuts and spending programs that have been extended routinely in the past. Omitting these costs would make the deficit outlook appear more favorable than is actually likely, masking future problems and providing an inappropriate benchmark for measuring budget proposals.

Table 26–1. CATEGORY TOTALS FOR THE BASELINE PROJECTION OF CURRENT POLICY
(in billions of dollars)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Receipts	2,105	2,213	2,583	2,829	3,033	3,269	3,417	3,648	3,838	4,026	4,215	4,400
Outlays:												
Discretionary:												
Defense	657	705	704	710	721	736	754	768	787	807	827	848
Non-defense	562	692	672	629	622	630	642	657	673	689	706	724
Subtotal, discretionary	1,219	1,397	1,376	1,340	1,343	1,367	1,396	1,425	1,460	1,496	1,534	1,573
Mandatory:												
Social Security	678	703	730	762	801	846	894	947	1,004	1,067	1,133	1,204
Medicare	425	451	492	502	557	625	654	727	760	795	886	957
Medicaid and CHIP	258	284	282	286	305	323	343	368	396	426	458	494
Other mandatory	751	619	597	530	527	522	521	538	538	536	582	600
Subtotal, mandatory	2,112	2,057	2,100	2,079	2,191	2,316	2,413	2,579	2,698	2,823	3,060	3,256
Disaster costs [1]	....	1	3	4	4	5	5	5	5	5	5	5
Net interest	187	188	250	340	434	516	586	652	716	779	844	912
Total, outlays	3,518	3,643	3,728	3,762	3,973	4,203	4,400	4,661	4,879	5,103	5,443	5,746
Unified deficit(+)/surplus(–)	1,413	1,430	1,145	934	940	934	983	1,013	1,042	1,077	1,227	1,346
On-budget	1,550	1,508	1,241	1,054	1,074	1,080	1,139	1,183	1,209	1,243	1,385	1,486
Off-budget	–137	–78	–96	–120	–135	–147	–156	–170	–168	–166	–157	–140
Memorandum:												
BEA baseline deficit	1,413	1,404	912	613	561	495	492	469	445	421	507	557
Adjustments to reflect current tax policies	....	18	199	269	304	340	371	398	425	453	483	513
Adjustments to reflect current spending policies and potential disaster costs	....	8	32	40	45	47	49	52	54	56	62	67
Related debt service	....	*	2	11	31	51	71	94	118	146	175	209
Baseline projection of current policy deficit	1,413	1,430	1,145	934	940	934	983	1,013	1,042	1,077	1,227	1,346

* 500 million or less

[1] These amounts represent a placeholder for major disasters requiring Federal assistance for relief and reconstruction. Such assistance might be provided in the form of discretionary or mandatory outlays or tax relief. These amounts are included as outlays for convenience.

Table 26–1 shows estimates of receipts, outlays, and surpluses under the Administration's baseline projection of current policy for 2009 through 2020. The estimates are based on the economic assumptions described later in this chapter. They are shown on a unified budget basis, i.e., the off-budget receipts and outlays of the Social Security trust funds and the Postal Service Fund are added to the on-budget receipts and outlays to calculate the unified budget totals. The table also shows the Administration's estimates by major component. Estimates based on the BEA baseline rules are shown as a memorandum in the table. Table 26–2 shows the changes proposed in the President's Budget relative to the baseline projection of current policy.

Conceptual Basis for Estimates

Receipts and outlays are divided into two categories that are important for calculating the baseline: those controlled by authorizing legislation (direct spending and receipts) and those controlled through the annual appropriations process (discretionary spending). Different estimating rules apply to each category. There are numerous alternative rules that could be used to develop current services estimates for both categories. The next section discusses some alternatives that might be considered.

Direct spending and receipts.—Direct spending includes the major entitlement programs, such as Social Security, Medicare, Medicaid, Federal employee retirement, unemployment compensation, Food Stamps and other means-tested entitlements. It also includes such programs as deposit insurance and farm price and income supports, where the Government is legally obligated to make payments under certain conditions. Receipts and direct spending are alike in that they involve ongoing activities that generally operate under permanent or long-standing authority (they do not require annual authorization), and the underlying statutes generally specify the tax rates or benefit levels that must be collected or paid, and who must pay or who is eligible to receive benefits.

The baseline projection of current policy generally—but not always—assumes that receipts and direct spending programs continue in the future as specified by current law. The budgetary effects of anticipated regulatory and administrative actions that are permissible under current law are also reflected in the estimates. Exceptions to this general rule are described below:

- Consistent with the BEA, expiring provisions affecting excise taxes dedicated to a trust fund are assumed to be extended at current rates. During the projection period of 2010 through 2020, the only taxes affected by this exception are taxes deposited in the Airport and Airway Trust Fund, which expire on March 31, 2010; taxes deposited in the Highway Trust Fund, the Leaking Underground Storage Tank Trust Fund, and the Sport Fish Restoration and Boating Safety Trust Fund, which expire on September 30, 2011; tobacco assessments deposited in the Tobacco Trust Fund, which expire on September 30, 2014; and taxes deposited in the Oil Spill Liability Trust Fund, which expire on December 31, 2017.
- The BEA required temporary direct spending programs that were enacted before the Balanced Budget Act of 1997 to be extended if their current year outlays exceed $50 million. However, the Administration believes the $50 million threshold would better apply to the level of outlays in the last full fiscal year before the program expires, not the current year. For example, the Supplemental Nutrition Assistance Program is scheduled to expire at the end of FY 2012. The baseline estimates provided here assume continuation of this program through the projection period. For existing programs enacted since the Balanced Budget Act of 1997, programs that are explicitly temporary in nature expire in the baseline even if their outlays in the last full fiscal year before expiration exceed the $50 million threshold. For example, the Department of Interior's Coastal Impact Assistance Program is assumed to expire as scheduled in 2010 even though outlays are estimated to be $172 million in the year before expiration. For programs that may be created in future legislation, the Administration would extend all temporary programs with outlays exceeding $50 million in the last full fiscal year before expiration except those Congress designates as temporary by statute.
- Most of the tax reductions enacted in 2001 and 2003 are scheduled to expire on December 31, 2010. The Administration's baseline projection of current policy continues most of these tax cuts past their expiration date except that estate and generation-skipping transfer taxes are assumed to be extended at their 2009 parameters (maximum rate of 45 percent and exemption amount of $3.5 million). The baseline projections also reflect annual indexation of the alternative minimum tax (AMT) exemption amounts in effect for taxable year 2009, the income thresholds for the 28 percent AMT rate, and the income thresholds for the phaseout of the AMT exemption amounts. The baseline projection of current policy also extends AMT relief for nonrefundable personal credits. Unlike the extension of excise taxes dedicated to a trust fund mentioned above, the BEA baseline definitions, developed before the enactment of the 2001 and 2003 tax cuts, do not provide for extension of these provisions.
- Medicare physician payments are constrained under current law by a "sustainable growth rate" formula, but Congress has frequently overridden the reductions required by the formula. The Administration believes that the current Medicare physician payment system, while having served to limit spending to a degree, needs to be reformed to give physicians incentives to improve quality and efficiency. The Administration would support comprehensive, but fiscally responsible, reforms to this payment formula. The baseline projection of current policy reflects the costs of expected Medicare physician payments,

assuming a zero percent update for physician payments rather than the large cuts scheduled under current law.

Discretionary spending.—Discretionary programs differ in one important aspect from direct spending programs: Congress provides spending authority for almost all discretionary programs one year at a time. The spending authority is normally provided in the form of annual appropriations. Absent appropriations of additional funds in the future, discretionary programs would cease to operate after existing balances were spent. If the baseline were intended to reflect current law, then a baseline would reflect only the expenditure of remaining balances from appropriations laws already enacted. Instead, the BEA baseline provides a mechanical definition for discretionary programs that is admittedly somewhat arbitrary. Under the BEA, the baseline estimates for discretionary programs in the current year are equal to enacted appropriations. For the budget year and beyond, the spending authority enacted in the current year is adjusted for inflation, using specified inflation rates. The definition used in the Administration's baseline projection of current policy attempts to keep discretionary spending level in real terms. The Administration's baseline projection is based on the following assumptions, which differ from the BEA baseline:

- The inflation rates used are the same as those required by the BEA except for an adjustment to remove the overcompensation for federal pay inherent in the BEA definition. Unlike the BEA requirements, the baseline projection of current policy reflects the fact that federal pay raises are effective in January, as required under current law. At the time the BEA was enacted, it failed to account for the nearly contemporaneous enactment of the Federal Employees Compensation Act of 1991 that shifted the effective date of federal employee pay raises from October to January.
- The baseline projection of current policy reflects the costs of continuing the annually appropriated portion of the Pell grant program for all eligible students at the maximum award amount of $4,860 specified in existing appropriations. While the Pell program has traditionally been funded largely through discretionary appropriations, the program has effectively operated as an entitlement, in which funding is provided to meet the specified award level for all eligible students. In addition, the baseline projection of current policy reflects the Administration's request that Pell Grants be converted from a discretionary program to a mandatory program starting in 2010 and the benefits be increased for inflation plus one percentage point per year starting in 2011. Accordingly, the baseline projection of current policy reclassifies the program from discretionary to mandatory starting in 2009, for comparability. Reclassifying Pell spending in the baseline provides an appropriate benchmark for assessing the budget impact of the Administration's proposal to expand benefits, which constitute an increase relative to that baseline.
- The baseline projection of current policy removes the extension and inflation of items designated as "emergency" requirements that are clearly one-time in nature. There is no obvious reason that nonrecurring emergency costs should be continued in the baseline as required by the BEA. On the other hand, including no adjustment for future one-time expenditures could understate the baseline costs, and therefore the Administration's baseline projection includes a disaster cost allowance as explained below. For the 2011 Budget, the baseline projection of current policy makes no adjustments to remove

Table 26–2. IMPACT OF BUDGET POLICY
(in billions of dollars)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Totals 2011-2015	Totals 2011-2020
Baseline projection of current policy deficit	1,430	1,145	934	940	934	983	1,013	1,042	1,077	1,227	1,346	4,936	10,640
Proposals:													
Revenue proposals [1]	50	20	–67	–146	–176	–205	–225	–241	–256	–272	–290	–574	–1,857
Discretionary policy:													
Defense	9	40	–34	–66	–72	–75	–77	–78	–79	–81	–83	–207	–604
Non-defense	2	–1	–4	–10	–12	–12	–11	–11	–12	–11	–6	–38	–89
Subtotal, discretionary	11	39	–38	–76	–84	–86	–88	–89	–91	–92	–88	–245	–693
Mandatory proposals	64	62	–4	8	38	75	103	101	101	104	108	178	695
Net interest	–*	–1	–2	*	2	3	4	4	5	5	6	2	26
Debt service	*	2	5	1	–8	–18	–28	–39	–51	–64	–79	–17	–278
Resulting deficits in 2011 Budget	1,556	1,267	828	727	706	752	778	778	785	908	1,003	4,295	8,784

* $500 million or less.
[1] Includes outlay impact of revenue proposals.

one-time emergency funding, because no such funding had been enacted at the time the Budget was prepared.

Disaster funding.—An allowance for the possible future costs of major natural or man-made disasters during the remainder of 2010 and in subsequent years is assumed in the baseline projection of current policy in order to make budget totals more realistic. Baselines would be more meaningful if they did not project forward whatever disaster costs happen to have occurred in the current year. Rather, baselines should replace the projection of actual current-year costs—which might be unusually low or unusually high—with plausible estimates of future costs. This allowance is displayed as possible future outlays for convenience, but in practice the disaster relief could take the form of either increases in outlays or reductions in receipts.

As discussed, baselines can be used as a benchmark against which policy proposals are measured. However, this purpose is achieved only if the policies and the baseline are each constructed under the same set of economic and technical assumptions. For this reason, the Administration uses the same assumptions – for example, the same inflation assumptions – in preparing its current service estimates and its Budget. Specifically, in this Budget, discretionary funding levels are based both on policy consideration and on the Administration's inflation forecast. Thus, while the Budget shows discretionary funding in nominal terms, it conceives of discretionary growth rates in inflation-adjusted terms. Although the Administration is confident that its inflation assumptions are reasonable, if its policies were measured against a baseline that employed different inflation assumptions, the Administration's outyear discretionary funding levels would have to be adjusted upwards or downwards accordingly, to maintain comparability. (This statement does not apply to funding growth between 2010 and the 2011 budget year, since the appropriations process for 2011 must begin immediately and before inflation assumptions will be revisited. It also does not apply to the outyear BA for overseas contingency operations, which is a placeholder and does not represent a policy determination.)

Alternative Formulations of Baseline

Throughout much of U.S. history, congressional budget proposals were often compared with either the President's request or the previous year's budget. In the early 1970s, policymakers developed the concept of a baseline to provide a more neutral benchmark for comparisons. While the Congressional Budget Act of 1974 included a requirement that OMB and the Congressional Budget Office (CBO) provide estimates of a current services baseline, the definition of the baseline was very general and specific guidance was not provided.

Subsequent budget laws have specified in increasing detail the requirements for constructing baselines. Current services estimates for direct spending programs and receipts are generally estimated based on laws currently in place and most major programs are assumed to continue even past sunset dates set in law. In the case of receipts, the BEA requires only the extension of trust fund excise taxes, but otherwise bases the estimates on current law. For discretionary programs, these acts instituted a precise definition of the baseline with numerous rules for its construction.

It is clear, however, that a number of baseline definitions could be developed that differ from those presented in this chapter:

- *Extend provisions affecting parts of mandatory programs.* Currently, mandatory programs that have outlays of over $50 million in the last full fiscal year before expiration are generally assumed to continue, unless the programs are explicitly temporary. While the baseline projection of current policy continues expected Medicare physician payments, other provisions of law that affect parts of mandatory programs are assumed to expire as scheduled.
- *Do not extend any authorizing laws that expire.* If all mandatory programs were assumed to expire as scheduled, deficits for 2011 through 2020 would be

Table 26–3. ALTERNATIVE BASELINE ASSUMPTIONS
(in billions of dollars)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Totals 2010-2014	Totals 2010-2019
Baseline project of current policy deficit	1,413	1,430	1,145	934	940	934	983	1,013	1,042	1,077	1,227	1,346	4,936	10,640
Alternative assumptions ("+" represents deficit increase):														
Do not extend any authorizing laws:														
Mandatory spending		–22	–63	–105	–195	–199	–199	–202	–204	–207	–213	–220	–761	–1,806
Trust fund excise taxes		6	12	44	46	47	49	50	51	52	52	53	198	456
Certain provisions of the 2001 and 2003 Tax Acts		–5	–136	–244	–287	–332	–370	–404	–439	–476	–514	–554	–1,369	–3,755
AMT relief		–13	–65	–35	–43	–53	–64	–76	–90	–105	–123	–142	–260	–796
Straightline appropriations	....	....	–14	–40	–71	–105	–142	–182	–226	–272	–323	–376	–373	–1,752
Account for population growth	....	....	7	18	30	44	58	73	89	106	124	146	158	697
Do not extend any appropriations	....	....	–744	–1,159	–1,361	–1,502	–1,620	–1,732	–1,846	–1,967	–2,094	–2,229	–6,386	–16,255

$1,806 billion lower than in the baseline projection of current policy. (See the section below on major program assumptions for details on mandatory program extensions assumed in the estimates.) If excise taxes dedicated to trust funds were assumed to expire as scheduled under current law, the deficit would be $456 billion higher over the period 2011 through 2020. If certain provisions of the 2001 and 2003 Tax Acts were assumed to expire, the deficit would be $3,755 billion lower over the 10-year period. If the AMT relief were assumed to expire, the deficit would be $796 billion lower over the 10-year period.

- *Straightline appropriations.* If all discretionary budgetary resources in the current year that are inflated in the baseline projection of current policy were instead frozen throughout the projection period, total outlays would be $14 billion lower in 2011 and $1,752 billion lower over the period 2011 through 2020, which includes savings from debt service. This calculation does not include any extension of the Recovery Act and other emergency resources, which are not extended in the baseline projection of current policy.
- *Account for population growth*. While the baseline projection of current policy assumes that discretionary budgetary resources will grow with inflation, an alternative would be to assume growth with both inflation and population, so that real resources per person (or the real cost per person of funding these programs) remains constant over time. Such an alternative would increase total outlays by $7 billion in 2011 and $697 billion over the period 2011-2020 relative to the BEA baseline.
- *Do not extend any appropriations.* The current treatment of expiring provisions of mandatory programs is inconsistent with the treatment of discretionary spending. All discretionary spending continues whether there is authorization for the program or not and whether funds have already been provided or not. In nearly all cases, funds for discretionary programs have not been provided in advance for years beyond the current year. If rules consistent with the treatment of other expiring provisions were applied to discretionary spending, no new budgetary resources would be provided. Thus, under a strict "current law" approach, the only discretionary outlays that would be included in the baseline would be the lagged spending from the current year budgetary resource. If this rule were followed, outlays in 2011 would be reduced by $744 billion relative to the baseline projection of current policy. However, clearly this would provide an unrealistic estimate of future spending and the Government's future fiscal position.

Table 26–3 provides estimates for a variety of changes in baseline definitions that could be considered.

Economic Assumptions

The estimates for the baseline projection of current policy are prepared using the same economic assump-

Table 26–4. SUMMARY OF ECONOMIC ASSUMPTIONS
(Fiscal years; dollar amounts in billions)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Gross Domestic Product (GDP):											
Levels, dollar amounts in billions:											
Current dollars	14,624	15,299	16,203	17,182	18,193	19,190	20,163	21,136	22,087	23,065	24,067
Real, chained (2005) dollars	13,220	13,679	14,265	14,873	15,483	16,059	16,587	17,076	17,530	17,980	18,429
Percent change, year over year:											
Current dollars	2.7	4.6	5.9	6.0	5.9	5.5	5.1	4.8	4.5	4.4	4.3
Real, chained (2005) dollars	1.8	3.5	4.3	4.3	4.1	3.7	3.3	3.0	2.7	2.6	2.5
Inflation measures (percent change, year over year):											
GDP chained price index	0.9	1.1	1.6	1.7	1.7	1.7	1.7	1.8	1.8	1.8	1.8
Consumer price index (all urban)	2.0	1.4	1.9	2.0	2.0	2.0	2.0	2.1	2.1	2.1	2.1
Unemployment rate, civilian (percent)	10.1	9.5	8.5	7.5	6.7	6.0	5.6	5.3	5.2	5.2	5.2
Interest rates (percent):											
91-day Treasury bills	0.2	1.3	2.6	3.9	4.1	4.1	4.1	4.1	4.1	4.1	4.1
10-year Treasury notes	3.7	4.3	4.9	5.2	5.3	5.3	5.3	5.3	5.3	5.3	5.3
MEMORANDUM:											
Related program assumptions:											
Automatic benefit increases (percent):											
Social security and veterans pensions	0.0	0.0	1.1	2.0	2.0	2.0	2.0	2.1	2.1	2.1	2.1
Federal employee retirement	0.0	0.0	1.1	2.0	2.0	2.0	2.0	2.1	2.1	2.1	2.1
Food stamps	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.4	2.1
Insured unemployment rate	4.7	4.3	4.0	3.6	3.2	2.8	2.6	2.4	2.4	2.3	2.3

tions as the President's Budget. These assumptions are based on enactment of the President's Budget proposals. The economy and the budget interact. Changes in economic conditions significantly alter the estimates of tax receipts, unemployment benefits, entitlement payments that are automatically adjusted for changes in cost-of-living (COLAs), income support programs for low-income individuals, and interest on the Federal debt. In turn, Government tax and spending policies influence prices, economic growth, consumption, savings, and investment. Because of these interactions, it would be reasonable, from an economic perspective, to assume different economic paths for the baseline projection and the President's Budget. However, this would diminish the value of the baseline estimates as a benchmark for measuring proposed policy changes, because it would then be difficult to separate the effects of proposed policy changes from the effects of different economic assumptions. By using the same economic assumptions for the baseline and the President's Budget, this potential source of confusion is eliminated. The economic assumptions underlying both the Budget and the baseline projection of current policy are summarized in Table 26–4. The economic outlook underlying these assumptions is discussed in greater detail in Chapter 2 of this volume.

Major Programmatic Assumptions

A number of programmatic assumptions must be made in order to calculate the baseline estimates. These include assumptions about annual cost-of-living adjustments in the indexed programs and the number of beneficiaries who will receive payments from the major benefit programs. Assumptions about various automatic cost-of-living-adjustments are shown in Table 26–4, and assumptions on baseline caseload projections for the major benefit programs are shown in Table 26–5. These assumptions affect baseline estimates of direct spending for each of these programs, and they also affect estimates of the discretionary baseline for a limited number of programs. For Pell Grants, Medicare, Railroad Retirement, and unemployment insurance, the discretionary baseline is increased (or decreased) for changes in the number of beneficiaries in addition to the adjustments for inflation described earlier.

It is also necessary to make assumptions about the continuation of expiring programs and provisions. As explained above, in the estimates of the baseline projection of current policy provided here, expiring excise taxes dedicated to a trust fund are extended at current rates. Certain tax reductions enacted in 2001 and 2003 and AMT relief are assumed to be permanent for purposes of calculating revenue estimates. In general, mandatory programs with spending of at least $50 million in the last full fiscal year before expiration are also assumed to continue. The baseline projection of current policy also assumes additional expected costs for Medicare physician payments. However, other specific provisions of law that affect mandatory programs (but are not necessary for program operation) are allowed to expire as scheduled. For example, under the Energy Policy Act of 2005, the Coastal Assistance Program will expire at the end of 2010. The baseline does not assume further extension of this authorization beyond that point. Table 26–6 provides a listing of mandatory programs and taxes assumed to continue in the baseline after their expiration. All discretionary programs with enacted non-emergency appropriations in the current year and the 2010 costs for overseas contingency operations in Iraq and Afghanistan and other recurring international activities are assumed to continue.

Many other important assumptions must be made in order to calculate the baseline estimates. These include assumptions about the timing and substance of regulations that will be issued over the projection period, the use of administrative discretion provided under current law, and other assumptions about the way programs operate. Table 26–6 lists many of these assumptions and their effects on the baseline estimates. It is not intended to be an exhaustive listing; the variety and complexity of Government programs are too great to provide a complete list. Instead, some of the more important assumptions are shown.

Current Services Receipts, Outlays, and Budget Authority

Receipts.—Table 26-7 shows the baseline projection of current policy receipts by major source. Total receipts are projected to increase by $370 billion from 2010 to 2011, by $834 billion from 2011 to 2015, and by $984 billion from 2015 to 2020. These increases are largely due to assumed increases in incomes resulting from both real economic growth and inflation.

Individual income taxes are estimated to increase by $175 billion from 2010 to 2011, by $499 billion from 2011 to 2015, and by $561 billion from 2015 to 2020 under baseline assumptions. This average annual rate of growth of 7.6 percent between 2011 and 2020 is primarily the effect of increased collections resulting from rising aggregate personal incomes.

Corporation income taxes are estimated to increase by $117 billion from 2010 to 2011, by $90 billion from 2011 to 2015, and by $95 billion from 2015 to 2020 under baseline assumptions. This average annual rate of growth of 5.6 percent between 2011 and 2020 is primarily attributable to growth in corporate profits.

Social insurance and retirement receipts are estimated to increase by $59 billion from 2010 to 2011, by an additional $255 billion between 2011 and 2015, and by an additional $288 billion between 2015 and 2020. These baseline estimates reflect increases in total wages and salaries paid and scheduled increases in the Social Security taxable earnings base from $106,800 in 2010 to $126,600 in 2015 and to $156,900 in 2020, as shown in Table 26-8.

Other baseline receipts (excise taxes, estate and gift taxes, customs duties and miscellaneous receipts) are projected to increase by $20 billion between 2010 and 2011, and to rise to $259 billion in 2020.

Outlays.—Outlays in the baseline projection of current policy are estimated to increase from $3,643 billion in 2010 to $3,728 billion in 2011, a 2.3 percent increase. Between 2010 and 2015, the baseline outlays are projected to increase at an average annual rate of 3.8 percent and between 2010 and 2020, the baseline outlays are projected to increase at an average annual rate of 4.7 percent. Table 26–9 shows the growth from 2010 to 2011 and average annual growth over the five-year and ten-year periods for certain discretionary and major mandatory programs. Note that these baseline growth rates do not reflect the enactment of comprehensive health reform legislation.

While most discretionary budget authority is assumed to grow with inflation, outlays for discretionary programs decrease by 1.5 percent from $1,397 billion in 2010 to $1,376 billion in 2011, largely due to the spend-out of Recovery Act funds. Excluding the outlay impact of the Recovery Act, outlays increase each year after 2011, largely reflecting increases in resources to keep pace with inflation, reaching $1,573 billion in 2020. Entitlement and other mandatory programs are estimated to increase from $2,057 billion in 2010 to $2,100 billion in 2011, largely due to a $41 billion increase in Medicare outlays and a downward reestimate of TARP costs in 2010. Mandatory outlays generally increase after 2011, reaching $3,256 billion in 2020, due in large part to increased Social Security and Medicare outlays. Social Security outlays grow from $703 billion in 2010 to $1,204 billion in 2020, an average annual rate of 5.5 percent. In contrast, Social Security beneficiaries grow at a lower average annual rate of 2.6 percent. Medicare and Medicaid/Children's Health Insurance Program (CHIP) outlays are projected to grow at annual average rates of 7.8 and 5.7 percent over the ten-year period, respectively, outpacing inflation; over the same period, the average annual rate of growth for Medicare and Medicaid/CHIP beneficiaries is 3.0 percent and 0.4 percent, respectively. Other areas of high growth include veterans programs (4.5 percent) and other health care programs (5.4 percent), while outlays for unemployment compensation decline by 8.5 percent. Net interest payments are projected to increase by 32.9 percent from $188 billion in 2010 to $250 billion in 2011 due to increased interest rates, and are projected to increase to $912 billion in 2020, an average annual rate of 17.1 percent, due to increases in the amount of debt outstanding and to the average interest rate on the debt.

Tables 26–10 and 26–11 show the baseline projection of current policy outlays by function and by agency, respectively. A more detailed presentation of outlays (by function, category, subfunction, and program) is available as Table 26–14 on the Internet and on the CD-ROM enclosed with the printed version of this *Analytical Perspectives* volume.

Budget authority.—Tables 26–12 and 26–13 show estimates of budget authority in the baseline projection of current policy by function and by agency, respectively. A more detailed presentation of budget authority with program level estimates is also part of Table 26–14 on the Internet and on the CD-ROM enclosed with the printed version of this *Analytical Perspectives* volume.

Table 26–6. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE
(In millions of dollars)

	Estimate										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
REGULATIONS											
Finalized											
Old Age and Survivors Insurance (OASI), Disability Insurance (DI) and Supplemental Security Income (SSI):											
Reduction of Title II Benefits Under Family Maximum in Cases of Dual Entitlement (OASDI)											
Trial Work Period (OASDI).	1	....	....	....	....	....	....	....	....	....	....
Title XVI Cross Program Recovery (SSI)	–20	–20	–20	–20	–20	–20	–20	–20	–20	–20	–20
Student Earned Income Exclusion (SSI).	5	5	5	5	5	5	5	5	5	5	5
Continuing Disability Review Failure to Cooperate Process(OASDI)	–12	–13	–14	–15	–16	–17	–17	–17	–17	–17	–17
Exemption of Work Activity as a Basis for a Continuing Disability Review (OASDI and SSI):											
OASDI	54	70	87	105	124	142	142	142	142	142	142
SSI	2	2	2	3	3	3	3	3	3	3	3
Amendments to the Quick Disability Determination Process (OASDI and SSI):											
OASDI	1	–4	–5	–8	–9	–12	–16	–1	–1	–1	–1
SSI	....	–1	–1	–1	–2	–2	–2	....	....	....	....
Revised Medical Criteria for Evaluating Digestive Disorders (OASDI and SSI):											
OASDI	–27	–35	–42	–50	–58	–67	–75	–83	–83	–83	–83
SSI	–5	–8	–8	–11	–12	–14	–17	–17	–17	–17	–17
60 Month Government Pension Offset Exemption (OASDI)	–5	–7	–8	–10	–10	–10	–10	–10	–10	–10	–10
Revised Medical Criteria for Evaluating Immune System Disorders (OASDI and SSI):											
OASDI	3	5	6	7	9	10	11	12	12	12	12
SSI	1	1	1	2	2	2	2	2	2	2	2
Ticket to Work (OASDI and SSI):											
OASDI	29	92	134	174	189	195	173	158	134	134	134
SSI	4	–11	–3	–8	–11	–8	–20	–13	–4	–4	–4
Revised Medical Criteria for Evaluating Malignant Neoplastic Diseases (OASDI and SSI):											
OASDI	–2	–2	–3	–4	–5	–6	–7	–8	–9	–9	–9
SSI	....	....	–1	–1	–1	–1	–1	–1	–1	–1	–1
Not Finalized											
Adoption and Foster Care Analysis and Reporting System (AFCARS)	....	12	10	9	5	3	2	2	1	1	0
Medicare Program Integrity	0	–40	–100	–130	–150	–170	–190	–200	–220	–230	–240
EXPIRING AUTHORIZATIONS											
Programs Extended in the Baseline Projection of Current Policy											
Spending:											
Agriculture:											
Animal and Plant Health Inspection Service (APHIS):											
Plant Pest and Disease Mangament and Disaster Prevention (2008 Farm Bill, Section 10201)		....	....	18	50	50	50	50	50	50	50
Specialty Crop Research Initiative	....	....	....	2	20	38	50	50	50	50	50
DM/Assistant Secretary for Civil Rights:											
Outreach and Technical Assistance for Socially Disadvantaged Farmers and Ranchers	....	....	....	20	20	20	20	20	20	20	20

Table 26–6. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—Continued

(In millions of dollars)

	Estimate										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Forest Service (FS):											
Federal Land and Facility Enhancement Fund	....	25	26	27	28	29	30	31	32	33	34
Administration of Rights-of-Way and Other Land Uses Fund	....	....	....	4	4	4	4	5	5	5	5
Federal Lands Recreation Enhancement Fund	....	....	....	....	75	77	80	83	86	89	92
Sect. 420 Sale of botanical products pilot program	....	....	....	....	....	3	3	3	3	3	3
Natural Resources Conservation Service (NRCS):											
Environmental Quality Incentives Program	....	....	....	617	1,037	1,294	1,438	1,555	1,671	1,773	1,774
Ag. Water Enhancement Program	....	....	....	27	46	54	57	60	60	60	60
Wildlife Habitat Incentives Program	....	....	....	22	38	50	59	64	74	83	85
Farm and Ranch Land Protection Program	....	....	....	11	65	124	157	183	200	200	200
Conservation Stewardship Program	....	....	....	25	240	487	721	953	1,184	1,223	1,226
Chesapeake Bay Watershed Initiative	....	....	....	22	32	39	42	45	48	50	50
Farm Service Agency (FSA) Programs:											
Agricultural Commodity Marketing Loans	....	....	....	526	32	46	42	52	47	47	43
Sugar Program Loans	....	....	....	....	....	....	....	....	....	....	....
Dairy Product Price Support Program	....	....	....	79	71	63	55	47	47	47	47
Agricultural Commodity Counter-Cyclical Program	....	....	....	....	....	418	363	327	293	261	235
Average Crop Revenue Election (ACRE) Program	....	....	....	....	....	115	104	102	109	115	151
Direct Crop Payments	....	....	....	....	5,024	5,021	5,018	5,015	5,013	5,011	5,008
Conservation Reserve Program	....	....	....	2,091	2,213	2,293	2,431	2,475	2,485	2,435	2,435
Milk Income Loss Contract Program	....	....	....	50	50	50	50	50	50	50	50
Market Access Program --FAS	....	....	....	200	200	200	200	200	200	200	200
Child Nutrition Programs:											
State Administrative Expenses	187	203	225	242	252	259	263	266	270	278	288
Summer Food Service Program	374	394	413	434	456	478	503	529	556	585	615
Supplemental Nutrition Assistance Program (SNAP) (formerly Food Stamps)	....	....	....	77,224	74,795	72,278	70,143	68,010	65,404	63,237	62,385
Health and Human Services:											
CMS:											
Children's Health Insurance Program	9,103	10,485	11,805	13,085	9,730	6,115	5,700	5,700	5,700	5,700	5,700
Additional cost of 0% physicians update	6,638	22,146	27,402	31,655	33,617	35,039	37,750	39,810	42,707	48,145	53,164
Administration for Children and Families:											
Child Care Entitlements to States	....	2,373	2,855	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917
Promoting safe and stable families	....	....	104	276	321	338	342	345	345	345	345
TANF	....	13,090	16,488	16,719	16,591	16,461	16,431	16,434	16,401	16,569	16,724
Contingency Fund	....	1,577	278	....	....	....	....	....	....	....	....
Homeland Security:											
National Flood Insurance Fund	–160	–27	268	449	453	410	374	337	299	264	226
Interior:											
Sport Fish Restoration	....	313	503	501	497	496	494	509	525	542	560
Labor:											
Trade Adjustment Assistance for Workers	....	....	169	854	1,091	1,066	1,045	1,052	1,071	1,101	1,139
Veterans Affairs:											
Veterans Compensation Cost of Living Adjustment	....	....	382	1,234	2,268	3,380	4,578	5,902	7,326	9,025	10,537
Revenues:											
Airport and Airway Trust Fund Taxes	5,729	12,090	12,745	13,496	14,292	15,085	15,836	16,558	17,242	17,929	18,636
Highway Trust Fund Taxes	....	....	30,543	31,392	31,902	32,255	32,464	32,469	32,264	32,218	32,354
Leaking Underground Storage Tank (LUST) Trust Fund Taxes	....	....	185	189	191	191	191	193	189	189	188
Oil Spill Liability Trust Fund Taxes	....	....	....	....	....	....	....	390	508	505	508
Sport Fish Restoration and Boating Safety Trust Fund Taxes	....	....	494	506	518	531	545	557	571	586	600
Tobacco Assessment	....	....	....	....	....	960	960	960	960	960	960

Table 26–6. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—Continued

(In millions of dollars)

	Estimate										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Programs and Provisions Not Extended in the Baseline Projection of Current Policy											
Spending:											
Agriculture:											
Animal and Plant Health Inspection Service:											
National Clean Plant Network (2008 Farm Bill, Section 10202)	....	....	....	2	5	5	5	5	5	5	5
Child Nutrition:											
NSLP Commodity Support (Bonus - Section 6(e)(1)(B) of NSLA).	....	–100	–100	–100	–100	–100	–100	–100	–100	–100	–100
Farm Service Agency (FSA) Programs:											
Agricultural Disaster Relief Fund	....	....	....	....	800	800	800	800	800	800	800
Tobacco buyout payments	....	....	....	....	....	960	960	960	960	960	960
Biomass Crop Assistance Program (BCAP)	....	....	....	178	357	357	357	357	357	357	357
Voluntary Public Access	....	....	....	17	17	17	17	17	17	17	17
National Institute of Food and Agriculture (Formerly CSREES											
Cooperative State Research, Education, and Extension Service):											
Biomass research and development	....	....	....	5	21	31	37	40	40	40	40
Healthy Urban Food Enterprise Development Center	....	....	....	1	1	1	1	1	1	1	1
Beginning Farmer and Rancher Program	....	....	....	2	10	19	19	19	19	19	19
Organic Research Initiative	....	....	....	1	8	15	20	20	20	20	20
Natural Resources Conservation Service (NRCS):											
Grasslands Reserve Program	....	....	....	58	59	60	60	60	60	60	60
Wetlands Reserve Program	....	....	....	47	90	119	132	145	158	171	178
Healthy Forests Reserve Program	....	....	....	5	8	9	9	9	10	10	10
Small Watershed Rehabilitation Program	....	....	40	70	95	100	100	100	100	100	100
Agricultural Marketing Service:											
Farmers Market Promotion Program (2008 Farm Bill, Sec. 10106)	....	....	....	10	10	10	10	10	10	10	10
Wool Research, Development, and Promotion Trust Fund Program (P.L. 110–343, Sec. 325).	....	....	....	....	....	....	140	140	140	140	140
Specialty Crop Block Grants Program (2008 Farm Bill, Sec. 10109)	....	....	....	55	55	55	55	55	55	55	55
Rural Business-Cooperative Service:											
Rural Energy for America Program	....	....	....	2	26	42	54	67	70	70	70
Bioenergy Program for Advanced Biofuels	....	....	....	26	105	105	105	105	105	105	105
Value Added Agricultural Market Development Program	3	10	13	14	15	15	15	15	15	15	15
Repowering Assistance Program	9	35	35	35	35	35	35	35	35	35	35
Biorefinery Assistance Program	....	12	135	245	245	245	245	245	245	245	245
Rural Microentrepreneur Assistance Program				2	3	4	4	4	4	4	4
Trade Assistance Programs:											
Foreign Market Development (Cooperator) Program	....	....	....	35	35	35	35	35	35	35	35
Technical Assistance Specialty Crops	....	....	....	9	9	9	9	9	9	9	9
Emerging Markets	....	....	....	10	10	10	10	10	10	10	10
Trade Adjustment Assistance for Farmers	....	....	18	23	23	23	23	23	23	23	23
Forest Service (FS):											
Forest County Safety Net Payments (Departments of Agriculture and the Interior)	0	0	0	314	235	156	78	0	0	0	0
Health and Human Services:											
TANF Supplemental Grants	....	251	315	319	319	319	319	319	319	319	319
Medicaid:											
Transitional Medical Assistance	0	250	640	680	700	730	760	790	820	860	890
Medicare Low-Income Premium Assistance	0	670	900	910	995	1,100	1,230	1,370	1,515	1,670	1,845
Special Diabetes Programs for Indians and Type I Diabetes	0	0	156	263	291	296	299	300	300	300	300
CPI-U adjustments for HCFAC provided through the Tax Relief and Health Care Act of 2006 (P.L. 109–492,"TRHCA")	4	3	3	4	4	4	4	4	4	4	5
Medicaid Integrity Program created by the Deficit Reduction Act of 2005 (P.L. 109–171, "DRA")	....	25	25	25	25	25	25	25	25	25	25

Table 26–6. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—Continued

(In millions of dollars)

	Estimate										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Never Event (Section 203 of The Tax Relief and Health Care Act of 2006) (P.L. 109–492,"TRHCA")	....	....	....	....	....	....	....	....	....	....	....
Interior:											
Coastal Impact Assistance	....	250	250	250	250	250	250	250	250	250	250
Oil and Gas Permit Processing Improvement Fund	....	....	....	....	....	....	20	20	20	20	20
Payments in Lieu of Taxes	....	....	....	439	455	471	488	506	524	542	562
Veterans Affairs:											
Veterans Compensation:											
VBA OBRA and IT OBRA	....	....	....	....	....	....	....	....	....	....	....
Authority to Presume Service-Connection for Additional Diseases from Herbicide Agents	....	....	....	....	....	....	....	....	....	....	....
COLA Rounddown	....	....	....	....	–78	–79	–80	–81	–82	–83	–84
Veterans Housing:											
Enhanced Loan Asset Sales	....	....	–86	–99	–107	–116	–125	–134	–142	–150	–157
Co-op Loan Guaranties	....	....	....	....	1	1	1	1	1	1	1
Specially Adapted Housing Assistance for Temporary Residency with Family Members	....	....	....	....	....	....	....	....	....	....	....
Increase in Maximum Loan Guaranty Amount	....	....	1	1	2	2	2	3	3	2	3
Adjustable Rate Mortgages (ARM)/ Hybrid Adjustable Rate Mortages	....	....	....	....	3	....	3	....	4	....	....
Guaranteed Loan Funding Fees Extension	....	....	–320	–323	–420	–432	–439	–452	–458	–471	–478
Veterans Pension:											
Income Verification Match	....	....	20	–6	–13	–20	–27	....	....	....	....
Sunset Medicaid Provision	....	....	–559	–571	–584	–597	–611	....	....	....	....
National Directory for New Hires (NDNH) Data Matches	....	....	2	1	....	–1	–2	–3	–4	–5	–5
Environmental Protection Agency:											
Pesticide maintenance fee	....	....	....	–22	–22	–22	–22	–22	–22	–22	–22
Pesticide registration service fee	....	....	....	–4	–7	–10	–10	–10	–10	–10	–10
Social Security:											
SSI Extension for Elderly and Disabled Refugees Act (SSI)	....	....	18	18	18	18	18	18	18	18	18
Social Security Protection Act (Section 302) - SSI attorney fees	–2	–5	–5	–5	–5	–5	–5	–5	–5	–5	–5
Social Security Protection Act (Section 303) - Non-attorney fees	....	–1	–1	–1	–1	–1	–1	–1	–1	–1	–1
Fees for Federal Administration of SSI State Supplemental Benefit Payments (SSI):											
Treasury Share	–147	–165	–144	–162	–164	–165	–181	–168	–155	–171	–173
SSA Share	–165	–185	–185	–185	–185	–185	–185	–185	–185	–185	–185
Performance of Non-Disability SSI Redeterminations (SSI)	324	–1,038	–247	101	118	130	113	138	169	160	182
OTHER IMPORTANT PROGRAM ASSUMPTIONS											
Agriculture:											
Risk Management Agency, Federal Crop Insurance Fund											
Changes from the renegotiation of the Standard Reinsurance Agreement (SRA)		–743	–798	–775	–788	–799	–805	–814	–814	–818	–825
Health and Human Services:											
Children's Health Insurance Program (Title XXI):											
State allotments	8,800	10,000	11,400	12,800	9,700	6,100	5,700	5,700	5,700	5,700	5,700
Contingency fund	200	200	200	200	....	....	....	....	....	....	....
Performance bonus	73	240	160	40	....	....	....	....	....	....	....
Child health quality activities	30	45	45	45	30	15	....	....	....	....	....
Medicaid:											
Financial management recoveries	–387	–418	–448	–480	–516	–556	–600	–648	–700	–756	–817
Vaccines for Children, Total program costs	3,652	3,651	3,777	3,885	3,999	3,996	4,128	4,265	4,406	4,550	4,704
Institutional long-term care [1]	42,668	40,652	39,942	42,034	44,337	46,878	49,661	52,705	56,032	59,695	63,696
Home and community based institutional alternatives [1]	35,815	35,803	36,860	40,816	45,306	50,408	56,167	62,655	69,961	78,255	87,580

Table 26–6. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—Continued

(In millions of dollars)

	Estimate										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Pharmaceuticals (FFS, net of rebates) [1]	12,739	12,673	12,592	13,330	14,122	14,962	15,874	16,855	17,903	19,008	20,180
Managed care (Including Medicaid MCOs, PHPs, and PCCM) [1]	61,232	61,151	62,638	68,349	74,494	81,089	88,093	95,494	103,283	111,514	120,104
Medicare:											
Contracting Reform	–550	–580	–620	–660	–730	–780	–840	–910	–990	–1,080	–1,180
Hospice budget neutrality adjustment	–50	–130	–230	–340	–460	–610	–760	–820	–880	–950	–1,020
DME Competitive Bidding [2]	–20	–80	–120	–270	–530	–680	–780	–990	–1,300	–1,660	–2,070
Old Age and Survivors Insurance (OASI), Disability Insurance (DI) and Supplemental Security Income (SSI):											
Performance of CRDS in 2010 and Subsequent Years (OASDI and SSI):											
OASDI	–23	–97	–138	–157	–176	–195	–214	–233	–252	–271	–290
SSI	–57	–231	–346	–536	–699	–842	–1,043	–1,086	–1,098	–1,279	–1,367
Collection of Overpayments (OASI, DI, and SSI):											
OASI	–1,255	–1,344	–1,419	–1,496	–1,581	–1,674	–1,674	–1,674	–1,674	–1,674	–1,674
DI	–879	–926	–971	–1,015	–1,057	–1,098	–1,098	–1,098	–1,098	–1,098	–1,098
SSI	–1,115	–1,195	–1,280	–1,357	–1,430	–1,501	–1,501	–1,501	–1,501	–1,501	–1,501
Debts Written off as Uncollectible:											
OASI	222	238	251	265	280	296	296	296	296	296	296
DI	549	578	607	634	660	686	686	686	686	686	686
SSI (Federal)	424	454	487	516	544	571	571	571	571	571	571
Payments to States for Vocational Rehab (excludes ticket payments - OASDI and SSI):											
OASDI	84	89	96	105	113	122	129	135	141	147	154
SSI	51	53	56	60	64	68	72	76	80	82	85
Research and Demonstration Projects (OASDI and SSI):											
OASDI	26	25	11	....	....	....	....	....	....	....	....
SSI	34	52	43	43	43	43	43	43	43	43	43
State Supplementation Benefit Payments (SSI):											
Payments from States	–3,799	–4,142	–3,819	–4,256	–4,391	–4,548	–4,955	–4,768	–4,616	–5,179	–5,321
Benefit Payments	3,765	4,175	3,780	4,245	4,380	4,510	4,970	4,785	4,575	5,065	5,220
Fees for Federal Administration of SSI State Supplemental Benefit Payments:											
Treasury Share	–147	–165	–144	–162	–164	–165	–181	–168	–155	–171	–173
SSA Share	–165	–185	–185	–185	–185	–185	–185	–185	–185	–185	–185
Performance of Non-Disability SSI Redeterminations (SSI)	324	–1,038	–247	101	118	130	113	138	169	160	182
State Grants and Demonstrations: [3]											
Ticket to Work Health Grant Programs:											
Infrastructure Grant Program	80	100	31	....	....	....	....	....	....	....	....
Demonstration to maintain independence and employment	56	....	....	....	....	....	....	....	....	....	....
High-Risk Pools:											
Initial Seed Grants	....	....	....	....	....	....	....	....	....	....	....
Operation of Pools	....	....	....	....	....	....	....	....	....	....	....
Emergency Health Services for Undocumented Aliens	111	70	50	55	30						
Pilot Program for National and State Background Checks	0	....	....	....	....	....	....	....	....	....	....
Katrina Relief	36	....	....	....	....	....	....	....	....	....	....
Site Development Grants—Rural PACE	....	....	....	....	....	....	....	....	....	....	....
Funding for PACE Outliers	2	4	4	....	....	....	....	....	....	....	....
Drug Surveys and Reports	....	....	....	....	....	....	....	....	....	....	....
Partnerships for Long-Term Care	3	3	3	3	....	....	....	....	....	....	....
Alternate Non-Emergency Care	23	11	....	....	....	....	....	....	....	....	....
Psychiatric Residential Treatment Demonstration	30	29	89	39	....	....	....	....	....	....	....
Money Follows the Person (MFP) Demonstration	425	681	308	105	....	....	....	....	....	....	....
MFP Evaluation and Support	2	2	1	0*	....	....	....	....	....	....	....
Medicaid Transformation Grants	51	26	....	....	....	....	....	....	....	....	....

Table 26–6. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—Continued

(In millions of dollars)

	Estimate										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Medicaid Integrity Program	133	75	75	75	75	75	75	75	75	75	75
State Pharmacy Assistance	....	....	....	....	....	....	....	....	....	....	....
Katrina/Rita Hurricane Support	....	....	....	....	....	....	....	....	....	....	....
Grants to Improve Outreach and Enrollment	25	32	20	20	1						
Application of Prospective Payment system	2	3	....	....	....	....	....	....	....	....	....
Approved and Implemented Demonstrations and Pilot Programs:[4]											
Medicare, HI:											
Rural Hospice:											
Baseline Estimate	4	....	....	....	....	....	....	....	....	....	....
Demonstration estimate	4	....	....	....	....	....	....	....	....	....	....
Premier:											
Baseline estimate	....	....	....	....	....	....	....	....	....	....	....
Demonstration estimate	12	12	....	....	....	....	....	....	....	....	....
Rural Community Hospital:[5]											
Baseline estimate	38	....	....	....	....	....	....	....	....	....	....
Demonstration estimate	51	....	....	....	....	....	....	....	....	....	....
Utah Graduate Medical Education:											
Baseline estimate	7	....	....	....	....	....	....	....	....	....	....
Demonstration estimate	7	....	....	....	....	....	....	....	....	....	....
Medicare, SMI:											
Medicare Health Support Program:											
Baseline estimate	....	....	....	....	....	....	....	....	....	....	....
Program Estimate	0	....	....	....	....	....	....	....	....	....	....
Coordinated Care Disease Management Demonstration:											
Baseline estimate	11	....	....	....	....	....	....	....	....	....	....
Demonstration estimate	11	....	....	....	....	....	....	....	....	....	....
Low-Vision Rehabilitation:											
Baseline estimate	8	....	....	....	....	....	....	....	....	....	....
Demonstration estimate	10	....	....	....	....	....	....	....	....	....	....
Cancer Prevention and Treatment for Ethnic and Racial Minorities:											
Baseline estimate	9	0	....	....	....	....	....	....	....	....	....
Demonstration estimate	9	0	....	....	....	....	....	....	....	....	....
Demonstration to Revise the Part D Low-Income Benchmark:											
Baseline estimate	....	....	....	....	....	....	....	....	....	....	....
Demonstration estimate	90	20	....	....	....	....	....	....	....	....	....
Frontier Extended Stay Clinic Demonstration:											
Baseline estimate	1	2	2	....	....	....	....	....	....	....	....
Demonstration estimate	1	1	1	....	....	....	....	....	....	....	....
Medicare: HI and SMI:											
Acute Care Episode Bundling Demonstration:											
Baseline estimate	162	168	99	....	....	....	....	....	....	....	....
Demonstration estimate	155	161	94	....	....	....	....	....	....	....	....
Electronic Health Records Demonstration:											
Baseline estimate	856	1,286	1,263	1,306	896	....	....	....	....	....	....
Demonstration estimate	856	1,286	1,263	1,306	896	4	....	....	....	....	....
Physician Hospital Collaboration Demonstration:											
Baseline estimate	2,515	2,611	1,358	....	....	....	....	....	....	....	....
Demonstration estimate	2,515	2,611	1,358	....	....	....	....	....	....	....	....
Senior Risk Reduction Demonstration:											
Baseline estimate	3	3	1	....	....	....	....	....	....	....	....
Demonstration estimate	3	3	1	....	....	....	....	....	....	....	....
ESRD Disease Management Demonstration:											
Baseline estimate	150	45	....	....	....	....	....	....	....	....	....
Demonstration estimate	150	45	....	....	....	....	....	....	....	....	....
Home Health Third-Party Liability Demonstration:											
Baseline estimate	512	....	....	....	....	....	....	....	....	....	....
Demonstration estimate	488	....	....	....	....	....	....	....	....	....	....

Table 26–6. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—Continued

(In millions of dollars)

	Estimate										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Medicare+Choice Phase II Demonstration:											
Baseline estimate	....	....	....	....	....	....	....	....	....	....	....
Demonstration estimate	59	....	....	....	....	....	....	....	....	....	....
S/HMO I Demonstration:											
Baseline estimate	1,437	1,609	....	....	....	....	....	....	....	....	....
Demonstration estimate	1,459	1,614	....	....	....	....	....	....	....	....	....
S/HMO II Demonstration:											
Baseline estimate	634	745	....	....	....	....	....	....	....	....	....
Demonstration estimate	641	747	....	....	....	....	....	....	....	....	....
Minnesota-Dual Eligibles:											
Baseline estimate	740	870	....	....	....	....	....	....	....	....	....
Demonstration estimate	769	876	....	....	....	....	....	....	....	....	....
Wisconsin Health Partnership Dual Eligible Demonstration:											
Baseline estimate	83	102	....	....	....	....	....	....	....	....	....
Demonstration estimate	87	103	....	....	....	....	....	....	....	....	....
Massachusetts SCO Dual Eligible Demonstration:											
Baseline estimate	273	368	....	....	....	....	....	....	....	....	....
Demonstration estimate	284	370	....	....	....	....	....	....	....	....	....
Physician Group Practice Demonstration:											
Baseline estimate	1,032	....	....	....	....	....	....	....	....	....	....
Demonstration estimate	993	98	....	....	....	....	....	....	....	....	....
Home Health Pay for Performance:											
Baseline estimate	390	....	....	....	....	....	....	....	....	....	....
Demonstration estimate	390	16	....	....	....	....	....	....	....	....	....
PACE for Profit:											
Baseline estimate	15	3	....	....	....	....	....	....	....	....	....
Demonstration estimate	15	3	....	....	....	....	....	....	....	....	....
DRA 5007 Medicare Hospital Gainsharing Demonstration:											
Baseline estimate	304	....	....	....	....	....	....	....	....	....	....
Demonstration estimate	304	....	....	....	....	....	....	....	....	....	....
Medicare Care Management Performance:											
Baseline estimate	3,011	24	....	....	....	....	....	....	....	....	....
Demonstration estimate	2,960	....	....	....	....	....	....	....	....	....	....
Care Management for High-Cost Beneficiaries:											
Baseline estimate	463	477	201	....	....	....	....	....	....	....	....
Demonstration estimate	463	477	201	....	....	....	....	....	....	....	....
Medicare Health Care Quality Demonstration Programs:											
Baseline estimate	1,966	2,739	4,612	4,913	3,917	....	....	....	....	....	....
Demonstration estimate	1,933	2,671	4,488	4,753	3,810	153	....	....	....	....	....
Nursing Home Value Based Purchasing Demonstration:											
Baseline estimate	509	535	416	....	....	....	....	....	....	....	....
Demonstration estimate	490	505	395	15	13	....	....	....	....	....	....
Medicaid:[6]											
Alabama Family Planning:											
Baseline estimate	173	189	....	....	....	....	....	....	....	....	....
Arizona AHCCCS:											
Baseline estimate	5,932	6,571	....	....	....	....	....	....	....	....	....
Arkansas ARKids B:[7]											
Baseline estimate											
Arkansas Family Planning:											
Baseline estimate	264	277	96	....	....	....	....	....	....	....	....
Arkansas TEFRA:											
Baseline estimate	34	9	....	....	....	....	....	....	....	....	....
California Family Planning:[8]											
Baseline estimate	TBD										
California MediCal Hospital/Uninsured Care:											
Baseline estimate	702	....	....	....	....	....	....	....	....	....	....

Table 26–6. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—Continued

(In millions of dollars)

	Estimate										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Delaware Diamond State Health Plan: [9]											
Baseline estimate	76	....	....	....	....	....	....	....	....	....	....
District of Columbia Childless Adults:											
Baseline estimate	6	6	....	....	....	....	....	....	....	....	....
District of Columbia HIV:											
Baseline estimate	6	....	....	....	....	....	....	....	....	....	....
Florida Family Planning: [7]											
Baseline estimate	TBD										
Florida MEDS-AD Program:											
Baseline estimate	1,298	461	....	....	....	....	....	....	....	....	....
Florida Medicaid Reform:											
Baseline estimate	7,683	4,137	....	....	....	....	....	....	....	....	....
Hawaii Health QUEST:											
Baseline estimate	788	870	961	777	....	....	....	....	....	....	....
Healthy Indiana Plan:											
Baseline estimate	1,299	1,404	1,541	....	....	....	....	....	....	....	....
Idaho Adult Access Card:											
Baseline estimate	60	83	87	92	97	....	....	....	....	....	....
Illinois Family Planning:											
Baseline estimate	608	662	345	....	....	....	....	....	....	....	....
IowaCare:											
Baseline estimate	134	....	....	....	....	....	....	....	....	....	....
Iowa Family Planning:											
Baseline estimate	214	74	....	....	....	....	....	....	....	....	....
Kentucky Health Care Partnership Program:											
Baseline estimate	635	691	58	....	....	....	....	....	....	....	....
Louisiana Family Planning:											
Baseline estimate	569	....	....	....	....	....	....	....	....	....	....
Maine HIV:											
Baseline estimate	39	....	....	....	....	....	....	....	....	....	....
MaineCare Childless Adults:											
Baseline estimate	57	....	....	....	....	....	....	....	....	....	....
Maryland Health Choice:											
Baseline estimate	2,149	1,694	....	....	....	....	....	....	....	....	....
Massachusetts MassHealth:											
Baseline estimate	3,596	2,855	....	....	....	....	....	....	....	....	....
Michigan Adult Benefits:											
Baseline estimate	103	143	150	158	167	....	....	....	....	....	....
Michigan Family Planning:											
Baseline estimate	547	285	....	....	....	....	....	....	....	....	....
Minnesota Prepaid Med. Assist. Project Plus:											
Baseline estimate	205	173	....	....	....	....	....	....	....	....	....
Minnesota Family Planning:											
Baseline estimate	339	88	....	....	....	....	....	....	....	....	....
Mississippi Family Planning:											
Baseline estimate	358	398	....	....	....	....	....	....	....	....	....
Mississippi - Healthier Mississippi: [7]											
Baseline estimate	TBD										
Montana Basic Medicaid for Able-Bodied Adults: [7]											
Baseline estimate	TBD										
Missouri Family Planning:											
Baseline estimate	331	....	....	....	....	....	....	....	....	....	....
New Mexico Family Planning: [10]											
Baseline estimate	124	32	....	....	....	....	....	....	....	....	....
New Mexico State Coverage Insurance:											
Baseline estimate	132	185	194	204	215	....	....	....	....	....	....
New York Partnership Plan: [11]											
Baseline estimate	TBD										

Table 26–6. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—Continued

(In millions of dollars)

	Estimate										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
New York Federal-State Health Reform Partnership:											
Baseline estimate	12,357	13,153	....	....	....	....	....	....	....	....	....
North Carolina Family Planning:											
Baseline estimate	515	....	....	....	....	....	....	....	....	....	....
Oklahoma Family Planning: [12]											
Baseline estimate	TBD										
Oregon Family Planning: [13]											
Baseline estimate	16	....	....	....	....	....	....	....	....	....	....
Oregon Health Plan 2:											
Baseline estimate	1,960	....	....	....	....	....	....	....	....	....	....
Pennsylvania Family Planning:											
Baseline estimate	333	360	301	....	....	....	....	....	....	....	....
Rhode Island Rite Care:											
Baseline estimate	222	238	....	....	....	....	....	....	....	....	....
South Carolina Family Planning:											
Baseline estimate	431	108	....	....	....	....	....	....	....	....	....
TennCare II:											
Baseline estimate	5,390	6,300	6,655	5,202	....	....	....	....	....	....	....
Texas Family Planning:											
Baseline estimate	1,819	2,026	....	....	....	....	....	....	....	....	....
Utah Primary Care Network:											
Baseline estimate	90	....	....	....	....	....	....	....	....	....	....
Vermont Long Term Care Plan:											
Baseline estimate	176	....	....	....	....	....	....	....	....	....	....
Vermont Global Commitment to Health:											
Baseline estimate	639	160	....	....	....	....	....	....	....	....	....
Virginia Family Planning:											
Baseline estimate	244	....	....	....	....	....	....	....	....	....	....
Washington Take Charge/Family Planning: [7]											
Baseline estimate	TBD										
Wisconsin BadgerCare:											
Baseline estimate	39	....	....	....	....	....	....	....	....	....	....
Wisconsin BadgerCare Plus:											
Baseline estimate	96	100	104	108	28	....	....	....	....	....	....
Wisconsin Family Planning:											
Baseline estimate	450	113	....	....	....	....	....	....	....	....	....
Wyoming Family Planning:											
Baseline estimate	35	37	39	....	....	....	....	....	....	....	....
Wisconsin Pharmacy Plus											
Demonstration estimate	40	41	46	12	....	....	....	....	....	....	....
Children's Health Insurance Program (CHIP)/Medicaid Demonstrations: [14]											
Arizona:											
Demonstration estimate	26	28	....	....	....	....	....	....	....	....	....
Arkansas:											
Demonstration estimate (CHIP funds)	24	31	....	....	....	....	....	....	....	....	....
Baseline estimate (Medicaid funds)	2,049	2,318	....	....	....	....	....	....	....	....	....
Colorado: [11]											
Demonstration estimate	TBD										
Idaho: [11]											
Demonstration estimate (CHIP funds)	TBD										
Nevada:											
Demonstration estimate (CHIP funds)	21	17	....	....	....	....	....	....	....	....	....
New Jersey FamilyCare: [15]											
Demonstration Estimate	166	....	....	....	....	....	....	....	....	....	....
New Mexico:											
Demonstration estimate (CHIP funds)	165	110	....	....	....	....	....	....	....	....	....
Oklahoma Sooner Care Demo:											
Baseline estimate	124	129	139	....	....	....	....	....	....	....	....

Table 26–6. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—Continued

(In millions of dollars)

	Estimate										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Oregon Health Plan 2:											
Demonstration estimate	TBD										
Virginia: [11]											
Demonstration estimate (CHIP funds)	TBD										

[1] Reflects the temporary FMAP adjustments included in the American Recovery and Reinvestment Act, P.L. 111–5.

[2] Projected without premium offset.

[3] State Grants and Demonstrations estimates do not reflect temporary FMAP adjustments included in the American Recovery and Reinvestment Act, P.L. 111–5.

[4] Baseline estimates reflect costs absent the demonstration; demonstration estimate reflects costs of the demonstration. The differences represent the net impact of the demonstration. Any demonstrations are implicitly assumed in the current services baseline. The demonstrations listed are only those that were approved and implemented by release of the FY 2011 President's Budget.

[5] Costs of this demonstration are offset annually by a reduction to inpatient hospital prospective payment rates.

[6] Medicaid demonstration estimates do not reflect temporary FMAP adjustments included in the American Recovery and Reinvestment Act, P.L. 111–5.

[7] Demonstration on temporary extension through January 31, 2010.

[8] The Federal Government does not have current estimates for California; the State has been operating under a temporary extension for five years.

[9] Demonstration on temporary extension through June 30, 2010.

[10] Demonstration on temporary extension through March 31, 2010.

[11] Demonstration renewal is currently under review.

[12] An extension request is under review. Current demonstration expired March 31, 2010.

[13] Demonstration on temporary extension through January 29, 2010.

[14] The Children's Health Insurance Program Reauthorization Act (CHIPRA) (P.L. 111–3) authorized coverage for childless adults through December 31, 2009 and parents through September 31, 2011. States may extend coverage for parents of low-income children through September 31, 2013 subject to terms and conditions outlined in Section 2111(b) of the Social Security Act.

[15] New Jersey FY 2010 estimates are based on the FY 2009 estimate due to automatic extension under CHIPRA.

Table 26–7. RECEIPTS BY SOURCE IN THE BASELINE PROJECTION OF CURRENT POLICY

(In billions of dollars)

	2009 Actual	Estimate										
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Individual income taxes	915.3	951.4	1,126.2	1,271.5	1,386.7	1,507.0	1,625.2	1,738.6	1,853.0	1,965.9	2,078.4	2,186.1
Corporation income taxes	138.2	175.8	292.5	333.2	361.3	414.9	382.6	422.3	436.6	448.6	461.0	477.8
Social insurance and retirement receipts	890.9	875.7	934.6	1,002.6	1,065.8	1,129.5	1,189.8	1,260.0	1,312.9	1,369.4	1,425.6	1,477.6
(On-budget)	(236.9)	(240.6)	(260.9)	(282.1)	(301.5)	(319.9)	(335.3)	(352.1)	(363.5)	(375.3)	(388.0)	(401.1)
(Off-budget)	(654.0)	(635.1)	(673.6)	(720.5)	(764.3)	(809.6)	(854.5)	(907.9)	(949.4)	(994.1)	(1,037.6)	(1,076.5)
Excise taxes	62.5	74.0	80.0	82.8	84.2	85.6	86.9	88.1	89.0	89.4	89.9	90.7
Estate and gift taxes	23.5	17.0	24.2	20.9	21.8	23.5	25.4	27.3	29.4	31.5	33.9	36.3
Customs duties	22.5	23.8	28.6	32.8	35.5	37.8	40.2	42.7	45.0	47.5	50.3	53.1
Miscellaneous receipts	52.1	94.8	96.9	84.8	77.3	70.7	66.5	68.9	71.7	74.0	76.4	78.6
Total receipts	**2,105.0**	**2,212.6**	**2,583.0**	**2,828.5**	**3,032.7**	**3,269.1**	**3,416.6**	**3,648.0**	**3,837.6**	**4,026.4**	**4,215.5**	**4,400.2**
(On-budget)	(1,451.0)	(1,577.5)	(1,909.3)	(2,108.0)	(2,268.3)	(2,459.5)	(2,562.1)	(2,740.0)	(2,888.2)	(3,032.3)	(3,177.9)	(3,323.7)
(Off-budget)	(654.0)	(635.1)	(673.6)	(720.5)	(764.3)	(809.6)	(854.5)	(907.9)	(949.4)	(994.1)	(1,037.6)	(1,076.5)

Table 26–8. EFFECTS ON RECEIPTS OF CHANGES IN THE SOCIAL SECURITY TAXABLE EARNINGS BASE

(In billions of dollars)

	2012	2013	2014	2015	2016	2017	2018	2019	2020
Social security (OASDI) taxable earnings base increases:									
$106,800 to $111,300 on Jan. 1, 2012 1/	2.2	5.8	6.6	7.4	8.2	9.2	10.1	11.0	11.9
$111,300 to $115,200 on Jan. 1, 2013	....	2.0	5.3	5.9	6.6	7.3	8.0	8.8	9.6
$115,200 to $120,900 on Jan. 1, 2014	....	....	3.0	7.9	8.9	9.7	10.6	11.8	12.8
$120,900 to $126,600 on Jan. 1, 2015	....	....	....	3.0	8.0	8.8	9.7	10.5	11.5
$126,600 to $133,200 on Jan. 1, 2016	....	....	....	....	3.5	9.1	10.0	11.1	11.9
$133,200 to $139,200 on Jan. 1, 2017	....	....	....	....	....	3.1	8.2	9.0	9.9
$139,200 to $145,200 on Jan. 1, 2018	....	....	....	....	....	....	3.1	8.2	8.9
$145,200 to $150,900 on Jan. 1, 2019	....	....	....	....	....	....	....	3.0	7.7
$150,900 to $156,900 on Jan. 1, 2020	....	....	....	....	....	....	....	....	3.1

[1] The taxable earnings base remains at $106,800 for 2009, 2010 and 2011.

Table 26–9. CHANGE IN OUTLAY ESTIMATES BY CATEGORY IN THE BASELINE PROJECTION OF CURRENT POLICY

(Dollar amounts in billions)

	2010	2011	2015	2020	Change 2010 to 2011		Change 2010 to 2015		Change 2010 to 2020	
					Amount	Percent	Amount	Annual average rate	Amount	Annual average rate
Outlays:										
Discretionary:										
Defense	705	704	754	848	–1	–0.2%	48	1.3%	143	1.9%
Non-defense	692	672	642	724	–20	–2.9%	–49	–1.5%	33	0.5%
Subtotal, discretionary	1,397	1,376	1,396	1,573	–21	–1.5%	–1	–0.0%	175	1.2%
Mandatory:										
Farm programs	18	18	14	14	–*	–1.2%	–4	–5.0%	–4	–2.5%
Medicaid	275	271	337	488	–4	–1.4%	61	4.1%	213	5.9%
Other health care	32	33	33	54	1	4.3%	2	1.1%	22	5.4%
Medicare	451	492	654	957	41	9.0%	203	7.7%	506	7.8%
Federal employee retirement and disability	120	123	140	164	3	2.2%	20	3.1%	44	3.2%
Unemployment compensation	158	85	65	65	–73	–46.4%	–93	–16.3%	–94	–8.5%
Other income security programs	300	287	257	266	–13	–4.3%	–44	–3.1%	–35	–1.2%
Social Security	703	730	894	1,204	27	3.8%	191	4.9%	502	5.5%
Veterans programs	72	69	85	112	–3	–4.6%	13	3.3%	40	4.5%
Other mandatory programs	7	82	33	59	75	1111.1%	26	37.2%	52	24.1%
Undistributed offsetting receipts	–80	–90	–99	–128	–10	12.4%	–20	4.5%	–48	4.8%
Subtotal, mandatory	2,057	2,100	2,413	3,256	43	2.1%	356	3.2%	1,199	4.7%
Disaster costs [1]	1	3	5	5	2	200.0%	4	35.1%	4	17.5%
Net interest	188	250	586	912	62	32.9%	398	25.5%	725	17.1%
Total, outlays	3,643	3,728	4,400	5,746	85	2.3%	757	3.8%	2,103	4.7%

* $500 million or less.

[1] These amounts represent a placeholder for major disasters requiring Federal assistance for relief and reconstruction. Such assistance might be provided in the form of discretionary or mandatory outlays or tax relief. These amounts are included as outlays for convenience.

Table 26–10. OUTLAYS BY FUNCTION IN THE BASELINE PROJECTION OF CURRENT POLICY

(In billions of dollars)

Function	2009 Actual	Estimate										
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
National Defense:												
Department of Defense—Military	636.7	683.4	681.6	687.8	700.0	715.3	732.2	745.8	764.4	783.8	803.9	824.6
Other	24.3	27.1	27.7	27.5	25.9	26.3	26.8	27.3	27.9	28.5	29.1	29.7
Total, National Defense	661.0	710.5	709.3	715.2	725.8	741.6	758.9	773.1	792.3	812.3	833.0	854.3
International Affairs	37.5	50.0	47.8	51.0	50.7	50.9	52.3	54.9	57.9	59.3	60.8	62.6
General Science, Space, and Technology	29.4	33.0	32.0	31.8	32.3	32.8	33.1	33.8	34.8	35.5	36.3	37.0
Energy	4.7	19.0	25.1	14.2	7.2	5.4	3.5	3.3	3.1	3.4	3.5	3.8
Natural Resources and Environment	35.6	47.0	43.0	41.4	40.6	41.2	42.0	43.7	45.1	46.7	47.8	49.3
Agriculture	22.2	25.9	25.9	18.0	24.2	23.2	22.3	22.5	22.7	23.0	23.2	23.5
Commerce and Housing Credit	291.5	–25.3	30.2	7.9	–5.3	–9.8	–12.3	–13.7	–12.1	–13.8	5.1	5.0
On-Budget	(291.2)	(–31.7)	(26.0)	(7.9)	(–5.3)	(–9.8)	(–12.3)	(–13.7)	(–12.1)	(–13.8)	(5.1)	(5.0)
Off-Budget	(0.3)	(6.4)	(4.2)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	....	(–0.0)
Transportation	84.3	106.4	103.8	99.0	98.7	97.6	100.2	102.7	104.9	106.9	109.2	111.7
Community and Regional Development	27.6	29.1	28.7	22.7	19.4	19.0	18.6	18.4	18.6	18.9	19.1	19.4
Education, Training, Employment, and Social Services	79.7	142.9	131.2	114.4	114.7	114.8	119.7	121.8	123.9	126.3	128.9	131.3
Health	334.3	372.0	374.8	372.5	392.5	413.8	436.5	465.2	500.8	535.3	573.3	615.6
Medicare	430.1	457.2	497.8	507.9	564.1	631.7	661.9	734.4	768.6	803.6	894.8	966.9
Income Security	533.2	651.8	569.2	535.2	535.8	536.3	534.4	543.2	544.2	546.7	561.6	574.3
Social Security	683.0	709.0	735.5	767.7	807.9	852.5	901.0	953.6	1,011.7	1,074.1	1,141.1	1,212.5
On-Budget	(34.1)	(25.1)	(27.0)	(29.5)	(33.0)	(36.4)	(39.5)	(42.9)	(46.7)	(50.2)	(53.7)	(57.5)
Off-Budget	(648.9)	(683.9)	(708.5)	(738.2)	(774.8)	(816.1)	(861.5)	(910.7)	(965.0)	(1,023.9)	(1,087.3)	(1,155.0)
Veterans Benefits and Services	95.4	124.1	124.1	121.8	132.6	139.7	146.4	158.7	160.5	161.4	175.7	183.6
Administration of Justice	51.5	55.0	59.3	59.1	59.4	60.2	62.1	64.0	65.9	68.5	71.6	73.5
General Government	22.0	25.8	27.3	27.7	27.0	27.0	27.8	28.5	28.7	29.6	30.9	31.8
Net Interest	186.9	187.9	249.8	339.8	434.3	515.7	586.0	651.5	716.2	779.0	844.4	912.5
On-Budget	(304.9)	(306.3)	(368.8)	(462.1)	(562.5)	(651.4)	(730.3)	(804.8)	(879.2)	(953.6)	(1,029.2)	(1,107.5)
Off-Budget	(–118.0)	(–118.4)	(–119.1)	(–122.3)	(–128.3)	(–135.7)	(–144.3)	(–153.3)	(–163.0)	(–174.5)	(–184.8)	(–195.0)
Allowances	....	1.2	3.2	4.0	4.2	4.5	4.8	5.0	5.0	5.0	5.0	5.0
Undistributed Offsetting Receipts:												
Employer share, employee retirement (on-budget)	–56.4	–60.9	–62.9	–63.7	–66.1	–68.8	–71.4	–74.4	–83.2	–86.7	–90.4	–94.2
Employer share, employee retirement (off-budget)	–14.2	–14.9	–15.6	–15.9	–16.7	–17.5	–18.4	–19.5	–20.4	–21.3	–22.4	–23.5
Rents and royalties on the Outer Continental Shelf	–5.3	–3.5	–7.2	–8.1	–8.8	–9.1	–9.5	–9.8	–10.0	–10.3	–9.8	–9.6
Sale of major assets	....	....	....	–0.3	....	....	....	....	....	....	....	–0.3
Other undistributed offsetting receipts	–16.7	–0.3	–3.9	–0.8	–2.0	....	....	....	....	....	....	....
Total, Undistributed Offsetting Receipts	–92.6	–79.7	–89.6	–88.9	–93.6	–95.4	–99.3	–103.7	–113.6	–118.3	–122.6	–127.6
On-Budget	(–78.4)	(–64.8)	(–74.0)	(–73.0)	(–76.9)	(–77.9)	(–80.9)	(–84.2)	(–93.2)	(–97.0)	(–100.2)	(–104.2)
Off-Budget	(–14.2)	(–14.9)	(–15.6)	(–15.9)	(–16.7)	(–17.5)	(–18.4)	(–19.5)	(–20.4)	(–21.3)	(–22.4)	(–23.5)
Total	3,517.7	3,642.9	3,728.4	3,762.3	3,972.5	4,202.7	4,399.8	4,660.7	4,879.2	5,103.2	5,442.6	5,746.0
On-Budget	(3,000.7)	(3,086.0)	(3,150.3)	(3,162.3)	(3,342.7)	(3,539.8)	(3,701.1)	(3,922.9)	(4,097.6)	(4,275.0)	(4,562.5)	(4,809.5)
Off-Budget	(517.0)	(557.0)	(578.1)	(600.0)	(629.8)	(662.9)	(698.8)	(737.9)	(781.6)	(828.2)	(880.1)	(936.5)

Table 26–11. OUTLAYS BY AGENCY IN THE BASELINE PROJECTION OF CURRENT POLICY

(In billions of dollars)

Agency	2009 Actual	Estimate										
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Legislative Branch	4.7	5.4	5.4	5.4	5.6	5.8	6.0	6.2	6.4	6.6	6.8	7.0
Judicial Branch	6.6	7.2	7.3	7.6	7.8	8.0	8.3	8.5	8.8	9.1	9.4	9.7
Agriculture	114.4	142.0	146.1	138.9	143.2	140.5	138.1	137.4	137.1	136.5	136.0	137.2
Commerce	10.7	16.7	16.1	16.4	16.2	15.8	16.2	16.7	17.2	17.7	18.2	18.7
Defense—Military	636.8	683.4	681.6	687.8	700.0	715.3	732.2	745.8	764.4	783.8	803.9	824.6
Education	53.4	107.3	99.7	85.8	86.0	85.6	90.1	91.6	93.2	95.0	97.0	98.8
Energy	23.7	38.3	43.9	33.5	26.7	26.6	25.7	25.7	26.2	26.6	27.2	27.7
Health and Human Services	796.3	868.2	905.5	909.1	983.9	1,071.1	1,122.5	1,223.6	1,286.4	1,353.0	1,479.5	1,589.9
Homeland Security	51.7	51.6	52.3	46.3	46.1	47.9	49.2	50.5	52.0	53.9	56.4	57.7
Housing and Urban Development	61.0	62.5	56.0	51.5	49.1	50.0	50.2	50.9	51.7	52.6	53.6	54.5
Interior	11.8	13.9	13.9	13.3	13.0	13.2	13.1	13.4	13.7	14.1	14.3	14.5
Justice	27.7	30.3	34.0	33.2	33.0	33.3	34.2	35.3	36.4	37.6	38.7	40.0
Labor	138.2	178.3	99.0	91.1	86.4	82.3	79.0	77.3	77.4	78.3	80.4	82.7
State	21.4	25.4	26.3	28.2	29.0	29.3	29.4	30.0	30.6	31.3	31.9	32.6
Transportation	73.0	90.9	86.3	82.5	82.3	80.8	82.8	84.8	86.5	87.8	89.6	91.4
Treasury	701.8	496.9	588.6	651.2	752.3	843.7	924.2	1,003.2	1,082.8	1,165.2	1,249.1	1,334.7
Veterans Affairs	95.5	124.0	123.8	121.5	132.2	139.3	146.0	158.3	160.1	160.9	175.3	183.2
Corps of Engineers—Civil Works	6.8	10.5	7.2	6.6	5.5	5.5	5.7	5.8	6.0	6.2	6.4	6.5
Other Defense Civil Programs	57.3	54.3	55.5	56.1	57.7	59.2	60.7	62.2	63.9	65.6	67.5	69.5
Environmental Protection Agency	8.1	11.3	11.3	10.5	10.1	10.1	10.4	10.8	11.2	11.6	12.1	12.5
Executive Office of the President	0.7	0.7	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6
General Services Administration	0.3	1.8	2.2	1.9	1.3	0.9	0.9	0.8	0.4	0.4	0.5	0.5
International Assistance Programs	14.8	23.1	20.5	21.6	20.7	20.6	21.8	23.7	26.0	26.7	27.4	28.6
National Aeronautics and Space Administration	19.2	19.1	18.1	18.9	19.6	20.0	20.4	20.8	21.3	21.7	22.2	22.7
National Science Foundation	6.0	7.8	7.5	7.2	7.1	7.1	7.0	7.1	7.6	7.7	7.9	8.0
Office of Personnel Management	72.3	71.6	73.5	76.0	78.9	82.7	85.8	89.2	99.8	104.1	109.3	115.7
Small Business Administration	2.2	6.0	1.2	1.1	1.0	1.0	1.1	1.1	1.1	1.1	1.2	1.2
Social Security Administration	78.7	72.6	80.5	78.8	88.4	93.5	98.5	108.3	110.0	110.7	120.7	126.6
On-Budget	(78.7)	(72.6)	(80.5)	(78.8)	(88.4)	(93.5)	(98.5)	(108.3)	(110.0)	(110.7)	(120.7)	(126.6)
Off-Budget	....	....	....	....	....	....	....	....	....	....	....	....
Social Security Administration	648.9	683.9	708.5	738.2	774.8	816.1	861.5	910.7	965.0	1,023.9	1,087.3	1,155.0
On-Budget	....	....	....	....	....	....	....	....	....	....	....	....
Off-Budget	(648.9)	(683.9)	(708.5)	(738.2)	(774.8)	(816.1)	(861.5)	(910.7)	(965.0)	(1,023.9)	(1,087.3)	(1,155.0)
Other Independent Agencies	47.9	7.6	35.1	25.6	12.5	8.9	6.2	5.4	4.6	3.5	22.3	22.5
On-Budget	(47.6)	(1.2)	(30.9)	(25.6)	(12.4)	(8.9)	(6.2)	(5.4)	(4.6)	(3.5)	(22.3)	(22.5)
Off-Budget	(0.3)	(6.4)	(4.2)	*	*	*	*	*	*	*	....	–*
Allowances	-*	1.2	3.2	4.0	4.2	4.5	4.8	5.0	5.0	5.0	5.0	5.0
Undistributed Offsetting Receipts	–274.2	–271.1	–282.4	–288.0	–302.8	–316.2	–332.5	–349.9	–374.2	–395.7	–415.0	–433.8
On-Budget	(–142.0)	(–137.7)	(–147.7)	(–149.8)	(–157.8)	(–163.0)	(–169.8)	(–177.0)	(–190.8)	(–200.0)	(–207.8)	(–215.3)
Off-Budget	(–132.2)	(–133.3)	(–134.7)	(–138.2)	(–145.0)	(–153.2)	(–162.7)	(–172.8)	(–183.4)	(–195.8)	(–207.2)	(–218.5)
Total	3,517.7	3,642.9	3,728.4	3,762.3	3,972.5	4,202.7	4,399.8	4,660.7	4,879.2	5,103.2	5,442.6	5,746.0
On-Budget	(3,000.7)	(3,086.0)	(3,150.3)	(3,162.3)	(3,342.7)	(3,539.8)	(3,701.1)	(3,922.9)	(4,097.6)	(4,275.0)	(4,562.5)	(4,809.5)
Off-Budget	(517.0)	(557.0)	(578.1)	(600.0)	(629.8)	(662.9)	(698.8)	(737.9)	(781.6)	(828.2)	(880.1)	(936.5)

* $50 million or less.

Table 26–12. BUDGET AUTHORITY BY FUNCTION IN THE BASELINE PROJECTION OF CURRENT POLICY

(In billions of dollars)

Function	2009 Actual	Estimate										
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
National Defense:												
Department of Defense—Military	667.5	663.9	676.3	691.6	708.2	725.4	742.9	761.1	780.3	800.2	820.6	841.7
Other	30.2	25.2	25.5	25.8	26.3	26.8	27.3	27.8	28.4	29.0	29.7	30.3
Total, National Defense	697.8	689.1	701.8	717.4	734.5	752.1	770.2	788.9	808.8	829.2	850.3	872.1
International Affairs	63.4	62.9	57.9	56.2	57.7	54.3	51.7	54.6	57.9	59.5	61.1	63.0
General Science, Space, and Technology	35.0	31.0	31.5	32.0	32.7	33.3	33.9	34.6	35.3	36.0	36.8	37.5
Energy	42.8	8.8	10.0	9.2	6.7	5.7	4.7	4.7	4.3	5.1	5.2	5.5
Natural Resources and Environment	57.4	39.5	40.3	41.1	41.6	42.7	43.6	45.3	46.7	48.3	49.5	50.7
Agriculture	24.1	24.3	25.3	17.4	24.3	23.2	22.5	22.7	23.0	23.3	23.6	23.9
Commerce and Housing Credit	451.7	–111.8	–8.1	14.9	3.5	8.9	9.5	9.9	13.5	13.8	14.1	14.8
On-Budget	(445.1)	(–118.2)	(–12.3)	(14.9)	(3.5)	(8.9)	(9.5)	(9.9)	(13.5)	(13.8)	(14.1)	(14.8)
Off-Budget	(6.6)	(6.4)	(4.2)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	....	(–0.0)
Transportation	125.0	93.7	94.8	95.8	96.9	98.1	99.3	100.5	101.8	103.2	104.6	106.0
Community and Regional Development	23.8	16.3	16.3	16.6	16.8	17.2	17.5	17.9	18.3	18.7	19.1	19.5
Education, Training, Employment, and Social Services	167.6	84.5	118.6	115.2	112.7	119.8	122.0	124.1	126.5	128.8	131.6	134.2
Health	373.6	386.1	357.9	377.7	401.8	411.6	438.4	467.7	503.4	538.0	575.7	616.4
Medicare	437.0	462.1	498.0	508.4	564.2	631.9	662.1	734.2	768.7	803.7	894.6	967.0
Income Security	610.6	631.0	559.6	531.6	536.4	537.5	538.6	549.0	549.7	553.2	567.8	580.7
Social Security	689.8	711.0	737.5	770.7	811.3	856.3	905.2	958.2	1,016.7	1,079.4	1,146.8	1,218.7
On-Budget	(35.0)	(24.7)	(26.9)	(29.5)	(33.0)	(36.4)	(39.5)	(42.9)	(46.7)	(50.2)	(53.7)	(57.5)
Off-Budget	(654.8)	(686.3)	(710.6)	(741.1)	(778.3)	(819.9)	(865.6)	(915.2)	(970.0)	(1,029.2)	(1,093.1)	(1,161.1)
Veterans Benefits and Services	96.9	124.5	121.6	127.7	134.1	141.2	148.0	154.8	162.2	169.7	177.6	185.5
Administration of Justice	56.6	53.5	60.3	57.1	58.9	60.7	62.5	64.4	66.5	69.0	72.1	74.1
General Government	30.2	25.5	26.7	27.5	27.4	28.1	28.8	29.4	30.2	31.0	32.0	32.7
Net Interest	186.9	187.9	249.8	339.8	434.3	515.7	586.0	651.5	716.2	779.0	844.4	912.5
On-Budget	(304.9)	(306.3)	(368.8)	(462.1)	(562.5)	(651.4)	(730.3)	(804.8)	(879.2)	(953.6)	(1,029.2)	(1,107.5)
Off-Budget	(–118.0)	(–118.4)	(–119.1)	(–122.3)	(–128.3)	(–135.7)	(–144.3)	(–153.3)	(–163.0)	(–174.5)	(–184.8)	(–195.0)
Allowances	....	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Undistributed Offsetting Receipts:												
Employer share, employee retirement (on-budget)	–56.4	–60.9	–62.9	–63.7	–66.1	–68.8	–71.4	–74.4	–83.2	–86.7	–90.4	–94.2
Employer share, employee retirement (off-budget)	–14.2	–14.9	–15.6	–15.9	–16.7	–17.5	–18.4	–19.5	–20.4	–21.3	–22.4	–23.5
Rents and royalties on the Outer Continental Shelf	–5.3	–3.5	–7.2	–8.1	–8.8	–9.1	–9.5	–9.8	–10.0	–10.3	–9.8	–9.6
Sale of major assets	....	....	....	–0.3	....	....	....	....	....	....	....	–0.3
Other undistributed offsetting receipts	–16.7	–0.3	–3.9	–0.8	–2.0	....	....	....	....	....	....	....
Total, Undistributed Offsetting Receipts	–92.6	–79.7	–89.6	–88.9	–93.6	–95.4	–99.3	–103.7	–113.6	–118.3	–122.6	–127.6
On-Budget	(–78.4)	(–64.8)	(–74.0)	(–73.0)	(–76.9)	(–77.9)	(–80.9)	(–84.2)	(–93.2)	(–97.0)	(–100.2)	(–104.2)
Off-Budget	(–14.2)	(–14.9)	(–15.6)	(–15.9)	(–16.7)	(–17.5)	(–18.4)	(–19.5)	(–20.4)	(–21.3)	(–22.4)	(–23.5)
Total	4,077.5	3,445.2	3,615.2	3,772.6	4,007.1	4,247.9	4,450.1	4,713.9	4,940.9	5,175.8	5,489.3	5,792.1
On-Budget	(3,548.3)	(2,885.8)	(3,035.0)	(3,169.7)	(3,373.8)	(3,581.2)	(3,747.2)	(3,971.5)	(4,154.4)	(4,342.3)	(4,603.5)	(4,849.5)
Off-Budget	(529.2)	(559.4)	(580.2)	(603.0)	(633.3)	(666.6)	(702.9)	(742.4)	(786.5)	(833.5)	(885.8)	(942.6)
MEMORANDUM												
Discretionary budget authority:												
National defense	685.9	740.5	741.4	757.3	775.3	794.4	813.9	834.1	854.8	876.2	898.1	920.8
International	43.2	42.3	44.8	45.5	46.4	47.3	48.2	49.1	50.1	51.1	52.2	53.2
Domestic	450.6	726.1	442.6	452.5	463.6	475.0	486.4	498.2	510.3	522.8	535.8	549.1
Total	1,179.7	1,508.9	1,228.8	1,255.3	1,285.3	1,316.7	1,348.6	1,381.4	1,415.3	1,450.1	1,486.1	1,523.1

Table 26–13. BUDGET AUTHORITY BY AGENCY IN THE BASELINE PROJECTION OF CURRENT POLICY
(In billions of dollars)

Agency	2009 Actual	Estimate										
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Legislative Branch	5.0	5.2	5.3	5.5	5.7	6.0	6.1	6.3	6.5	6.8	7.0	7.3
Judicial Branch	6.8	7.2	7.4	7.7	7.9	8.2	8.4	8.7	9.0	9.3	9.6	9.9
Agriculture	127.8	135.5	149.8	143.3	148.2	146.3	144.1	143.4	143.1	143.0	142.7	143.4
Commerce	25.7	13.9	14.6	15.0	15.5	15.9	16.4	16.9	17.4	17.9	18.5	19.0
Defense—Military	667.6	663.9	676.3	691.6	708.2	725.4	742.9	761.1	780.3	800.2	820.6	841.7
Education	131.9	54.6	88.6	86.8	83.8	90.4	92.1	93.7	95.4	97.2	99.4	101.3
Energy	68.6	24.6	25.6	26.0	25.9	26.3	26.4	26.9	27.4	27.9	28.4	29.0
Health and Human Services	851.7	881.4	886.0	913.7	992.5	1,068.7	1,124.0	1,225.8	1,287.8	1,355.2	1,481.2	1,591.7
Homeland Security	46.0	40.0	44.1	45.5	46.8	48.1	49.5	50.9	52.4	54.4	57.0	58.4
Housing and Urban Development	61.8	49.3	47.2	47.7	48.8	49.7	50.6	51.6	52.7	53.8	55.0	56.3
Interior	14.8	12.8	12.6	12.8	12.6	12.8	12.8	13.3	13.6	14.1	14.5	14.8
Justice	32.7	29.7	35.7	31.6	32.5	33.5	34.5	35.6	36.7	37.9	39.1	40.3
Labor	152.8	175.6	99.4	91.7	86.5	81.6	77.7	75.5	75.3	75.8	77.5	79.8
State	27.2	27.3	27.5	28.1	28.6	29.2	29.8	30.5	31.1	31.8	32.5	33.2
Transportation	112.3	78.4	79.2	79.8	80.4	81.1	81.7	82.4	83.2	83.9	84.7	85.5
Treasury	897.0	394.4	556.0	642.8	746.4	839.4	923.2	1,003.3	1,084.2	1,166.9	1,250.5	1,335.9
Veterans Affairs	96.9	124.3	121.4	127.4	133.8	140.8	147.6	154.4	161.8	169.3	177.1	185.1
Corps of Engineers—Civil Works	16.6	5.4	5.5	5.6	5.6	5.7	5.9	6.0	6.2	6.4	6.6	6.7
Other Defense Civil Programs	57.5	54.5	55.7	56.4	57.9	59.4	60.9	62.5	64.1	65.8	67.7	69.7
Environmental Protection Agency	14.8	10.2	10.4	10.6	10.9	11.1	11.4	11.7	12.0	12.3	12.6	12.9
Executive Office of the President	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6
General Services Administration	6.3	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7
International Assistance Programs	34.7	33.6	28.9	26.6	27.4	23.4	20.2	22.4	25.0	25.9	26.8	27.9
National Aeronautics and Space Administration	18.8	18.7	19.0	19.4	19.8	20.2	20.6	21.0	21.5	22.0	22.4	22.9
National Science Foundation	9.6	7.0	7.0	7.2	7.3	7.4	7.5	7.7	7.8	8.0	8.1	8.3
Office of Personnel Management	74.4	72.9	75.5	78.6	82.3	86.0	89.7	93.4	104.0	108.6	113.4	118.2
Small Business Administration	2.6	5.6	1.0	1.0	1.0	1.0	1.1	1.1	1.1	1.2	1.2	1.2
Social Security Administration	78.4	71.9	80.4	78.9	88.5	93.5	98.6	108.3	110.0	110.8	120.8	126.7
On-Budget	(78.4)	(71.9)	(80.4)	(78.9)	(88.5)	(93.5)	(98.6)	(108.3)	(110.0)	(110.8)	(120.8)	(126.7)
Off-Budget	......	......	......	......	......	......	......	......	......	......	......	......
Social Security Administration	654.8	686.3	710.6	741.1	778.3	819.9	865.6	915.2	970.0	1,029.2	1,093.1	1,161.1
On-Budget	......	......	......	......	......	......	......	......	......	......	......	......
Off-Budget	(654.8)	(686.3)	(710.6)	(741.1)	(778.3)	(819.9)	(865.6)	(915.2)	(970.0)	(1,029.2)	(1,093.1)	(1,161.1)
Other Independent Agencies	56.4	26.1	20.8	32.3	20.9	26.8	27.0	28.1	29.3	30.0	30.3	31.1
On-Budget	(49.8)	(19.7)	(16.6)	(32.3)	(20.9)	(26.8)	(27.0)	(28.1)	(29.3)	(30.0)	(30.3)	(31.1)
Off-Budget	(6.6)	(6.4)	(4.2)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	......	(–0.0)
Allowances	-*	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Undistributed Offsetting Receipts	–274.2	–271.1	–282.4	–288.0	–302.8	–316.2	–332.5	–349.9	–374.2	–395.7	–415.0	–433.8
On-Budget	(–142.0)	(–137.7)	(–147.7)	(–149.8)	(–157.8)	(–163.0)	(–169.8)	(–177.0)	(–190.8)	(–200.0)	(–207.8)	(–215.3)
Off-Budget	(–132.2)	(–133.3)	(–134.7)	(–138.2)	(–145.0)	(–153.2)	(–162.7)	(–172.8)	(–183.4)	(–195.8)	(–207.2)	(–218.5)
Total	4,077.5	3,445.2	3,615.2	3,772.6	4,007.1	4,247.9	4,450.1	4,713.9	4,940.9	5,175.8	5,489.3	5,792.1
On-Budget	(3,548.3)	(2,885.8)	(3,035.0)	(3,169.7)	(3,373.8)	(3,581.2)	(3,747.2)	(3,971.5)	(4,154.4)	(4,342.3)	(4,603.5)	(4,849.5)
Off-Budget	(529.2)	(559.4)	(580.2)	(603.0)	(633.3)	(666.6)	(702.9)	(742.4)	(786.5)	(833.5)	(885.8)	(942.6)

* $50 million or less.

27. TRUST FUNDS AND FEDERAL FUNDS

When money is received by the Federal Government, it is credited to a budget account, and when money is spent by the Government, it reduces the balances of a budget account. Budget accounts are either appropriations accounts or receipt accounts and belong to either the Federal funds group or the trust funds group. This chapter presents summary information about the transactions of each of these two fund groups. It also presents information about the income and outgo of the major trust funds and of a number of Federal funds that are financed by dedicated collections in a manner similar to trust funds.

The Federal Funds Group

The Federal funds group accounts for a larger share of the budget than the trust funds group, and includes all transactions that are not required by law to pass through trust funds.

The Federal funds group includes the "general fund," which is the largest fund in the Government and used for the general purposes of Government rather than being restricted by law to a specific program. The general fund receives all collections not dedicated for some other fund; it includes virtually all income taxes and many excise taxes. The general fund is used for all programs not supported by trust, special, or revolving funds.

The Federal funds group also includes special funds and revolving funds, both of which receive dedicated collections for spending on specific purposes. Where the law requires that Federal fund collections be dedicated to a particular program, the collections and associated disbursements are recorded in special fund receipt and expenditure accounts. An example is the portion of the Outer Continental Shelf mineral leasing receipts deposited into the Land and Water Conservation Fund. Money in special fund receipt accounts must be appropriated before it can be obligated and spent. The majority of special fund collections are derived from the Government's power to impose taxes or fines, or otherwise compel payment, as in the case of the Nuclear Waste Disposal Fund. In addition, a significant amount of collections credited to special funds is derived from business-like activity, such as the receipts from Outer Continental Shelf mineral leasing.

Revolving funds are used to conduct continuing cycles of business-like activity. Revolving funds receive proceeds from the sale of products or services, and these proceeds finance ongoing activities that continue to provide products or services. Instead of being deposited in receipt accounts, the proceeds are recorded in revolving funds, which are expenditure accounts. The proceeds collected in this way are generally available for obligation and expenditure without further legislative action. Outlays for programs with revolving funds are reported net of these proceeds. Because the proceeds of these sales are recorded as offsetting outlays rather than being recorded as governmental receipts, the proceeds are known as "offsetting collections." There are two classes of revolving funds in the Federal funds group. Public enterprise funds, such as the Postal Service Fund, conduct business-like operations mainly with the public. Intragovernmental funds, such as the Federal Buildings Fund, conduct business-like operations mainly within and between Government agencies.

The Trust Funds Group

The trust funds group consists of funds that are designated by law as trust funds. Like special funds and revolving funds, trust funds receive dedicated collections for spending on specific purposes. Many of the larger trust funds are used to budget for social insurance programs, such as Social Security, Medicare, and unemployment compensation. Other major trust funds are used to budget for military and Federal civilian employees' retirement benefits, highway and transit construction, and airport and airway development. There are a few trust revolving funds that are credited with collections earmarked by law to carry out a cycle of business-type operations. There are also a few small trust funds that have been established to carry out the terms of a conditional gift or bequest.

There is no substantive difference between special funds in the Federal funds group and trust funds or, as noted below, between revolving funds in the Federal funds group and trust revolving funds. Whether a particular fund is designated in law as a trust fund is, in many cases, arbitrary. For example, the National Service Life Insurance Fund is a trust fund, but the Servicemen's Group Life Insurance Fund is a Federal fund, even though both receive dedicated collections from veterans and both provide life insurance payments to veterans' beneficiaries.[1]

The Federal Government uses the term "trust fund" very differently than does the private sector. The beneficiary of a private trust owns the trust's income and may own the trust's assets. A custodian or trustee manages the assets on behalf of the beneficiary according to the stipulations of the trust, which is set up by a trustor and which neither the trustee nor the beneficiary can change; only the trustor can change the terms of the trust agreement.

[1] Another example is the Violent Crime Reduction Trust Fund, established pursuant to the Violent Crime Control and Law Enforcement Act of 1994. Because the Fund is not required by law to be classified as a trust fund, it is classified as a Federal fund, notwithstanding the presence of the words "Trust Fund" in its official name. In addition, the Fund is substantively a means of accounting for general fund appropriations and does not contain any dedicated receipts.

In contrast, the Federal Government owns and manages the assets and the earnings of most Federal trust funds, and can unilaterally raise or lower future trust fund collections and payments or change the purpose for which the collections are used by changing existing law. Only a few small Federal trust funds are managed pursuant to a trust agreement whereby the Government acts as the trustee, and even then the Government generally owns the funds and has some ability to alter the amount deposited into or paid out of the funds.

By contrast, deposit funds, which are funds held by the Government as a custodian on behalf of individuals or a non-Federal entity, are similar to private-sector trust funds. The Government makes no decisions about the amount of money placed in deposit funds or about how the proceeds are spent. For this reason, these funds are not classified as Federal trust funds, but are instead considered to be non-budgetary and excluded from the Federal budget.[2]

The income of a Federal Government trust fund must be used for the purposes specified in law. The income of some trust funds, such as the Federal Employees Health Benefits fund, is spent almost as quickly as it is collected. In other cases, such as the Social Security and the Federal civilian employees' retirement trust funds, less income is currently spent each year than is collected. A surplus of income over outgo adds to the trust fund's balance, which is available to authorize future expenditures. The balances are generally required by law to be invested in Federal securities issued by the Department of the Treasury.[3] The National Railroad Retirement Investment Trust is a rare example of a Government trust fund authorized to invest balances in equity markets.

A trust fund normally consists of one or more receipt accounts (to record income) and an expenditure account (to record outgo). However, a few trust funds, such as the Veterans Special Life Insurance fund, are established by law as trust revolving funds. Such a fund is similar to a revolving fund in the Federal funds group in that it may consist of a single account to record both income and outgo. Trust revolving funds are used to conduct a cycle of business-type operations; offsetting collections are credited to the funds (which are also expenditure accounts) and the funds' outlays are displayed net of the offsetting collections.

Income and Outgo by Fund Group

Table 27–1 shows income, outgo, and the surplus or deficit by fund group and in the aggregate (netted to avoid double-counting) from which the total unified budget receipts, outlays, and surplus or deficit are derived.

[2] Deposit funds are discussed briefly in Chapter 12 of this volume, "Coverage of the Budget."

[3] The relationships between Treasury securities held by trust funds (and by other Government accounts), debt held by the public, and gross Federal debt are discussed in Chapter 6 of this volume, "Federal Borrowing and Debt."

Table 27–1. RECEIPTS, OUTLAYS AND SURPLUS OR DEFICIT BY FUND GROUP

(In billions of dollars)

	2009 Actual	Estimate					
		2010	2011	2012	2013	2014	2015
Receipts:							
Federal funds cash income:							
From the public	1,286.3	1,495.4	1,702.1	1,978.2.2	2,176.2	2,380.3	2,498.4
From trust funds	3.8	1.2	1.2	1.3	1.4	1.5	1.5
Total, Federal funds cash income	1,290.1	1,496.6	1,703.3	1,979.6	2,177.6	2,381.8	2,499.9
Trust funds cash income:							
From the public	1,042.0	1,035.4	1,108.5	1,189.8	1,265.6	1,338.4	1,409.4
From Federal funds:							
Interest	181.6	191.4	192.8	199.1	209.1	220.8	233.1
Other	408.0	484.2	458.9	465.2	506.6	544.5	580.6
Total, Trust funds cash income	1,631.5	1,711.0	1,760.2	1,854.0	1,981.3	2,103.6	2,223.1
Offsetting receipts	–816.7	–1,042.4	–896.4	–907.2	–970.8	–1,029.9	–1,089.3
Total, unified budget receipts	2,105.0	2,165.1	2,567.2	2,926.4	3,188.1	3,455.5	3,633.7
Outlays:							
Federal funds cash outgo	2,830.1	3,110.4	3,075.7	2,990.4	3,119.8	3,297.2	3,493.6
Trust funds cash outgo	1,504.2	1,652.7	1,654.5	1,671.6	1,766.5	1,894.0	1,981.2
Offsetting receipts	–816.7	–1,042.4	–896.4	–907.2	–970.8	–1,029.9	–1,089.3
Total, unified budget outlays	3,517.7	3,720.7	3,833.9	3,754.9	3,915.4	4,161.2	4,385.5
Surplus or deficit(–):							
Federal funds	–1,540.0	–1,613.9	–1,372.4	–1,010.9	–942.2	–915.4	–993.7
Trust funds	127.3	58.3	105.7	182.4	214.8	209.6	241.8
Total, unified surplus/deficit(–)	–1,412.7	–1,555.6	–1,266.7	–828.5	–727.3	–705.8	–751.9

Note: Receipts include governemental, interfund, and proprietary, and exclude intrafund receipts (which are offset against intrafund payments so that cash income and cash outgo are not overstated).

Income consists mostly of governmental receipts (derived from governmental activity--primarily income, payroll, and excise taxes). Income also consists of offsetting receipts, which include proprietary receipts (derived from business-like transactions with the public), interfund collections (derived from payments from a fund in one fund group to a fund in the other fund group), and gifts. Outgo consists of payments made to the public or to a fund in the other fund group.

Two types of transactions are treated specially in the table. First, income and outgo for each fund group net out all transactions that occur between funds within the same fund group. [4] These intrafund transactions constitute outgo and income for the individual funds that make and collect the payments, but they are offsetting within the fund group as a whole. The totals for each fund group measure only the group's transactions with the public and the other fund group. Second, income and outgo are calculated net of the collections that are credited to expenditure accounts.[5] These two types of offsetting collections are offset against outgo in Table 27–1 and are not shown separately.

Some funds in the Federal funds group and some trust funds are authorized to borrow from the general fund of the Treasury.[6] Borrowed funds are not recorded as receipts of the fund or included in the income of the fund. Rather, the borrowed funds finance outlays by the fund in excess of available receipts. Subsequently, any excess fund receipts are transferred from the fund to the general fund in repayment of the borrowing. The repayment is not

[4] For example, the railroad retirement trust funds pay the equivalent of Social Security benefits to railroad retirees in addition to the regular railroad pension. These benefits are financed by a payment from the Federal Old-Age and Survivors Insurance trust fund to the railroad retirement trust funds. The payment and collection are not included in Table 27–1 so that the total trust fund income and outgo shown in the table reflect disbursements to the public and to Federal funds.

[5] For example, postage stamp fees are deposited as offsetting collections in the Postal Service Fund. As a result, the Fund's outgo reported in Table 27–1 is disbursements net of collections.

[6] For example, the Bonneville Power Administration Fund, a revolving fund in the Department of Energy, is authorized to borrow from the general fund. The Black Lung Disability Trust Fund, a trust fund in the Department of Labor, is authorized to receive appropriations of repayable advances from the general fund; this constitutes a form of borrowing.

Table 27–2. INCOME, OUTGO, AND BALANCES OF TRUST FUNDS GROUP

(in billions of dollars)

	2009 Actual	Estimate					
		2010	2011	2012	2013	2014	2015
Total Trust Funds							
Balance, start of year	3,953.0	4,088.5	4,196.9	4,326.9	4,509.3	4,724.1	4,933.8
Income:							
Governmental receipts	941.9	929.3	991.6	1,063.7	1,131.0	1,194.7	1,258.6
Proprietary receipts	115.3	122.4	134.3	144.5	154.1	164.6	173.1
Receipts from Federal funds:							
Interest	183.4	193.2	194.8	201.4	212.1	223.6	236.1
Other	447.8	524.8	502.3	511.1	555.6	597.0	636.5
Subtotal, income	1,688.3	1,769.6	1,823.1	1,920.7	2,052.9	2,179.9	2,304.3
Outgo:							
To the public	1,557.2	1,710.2	1,716.1	1,737.0	1,836.7	1,968.8	2,060.9
Payments to Federal funds	3.8	1.2	1.2	1.3	1.4	1.5	1.5
Subtotal, outgo	1,561.0	1,711.3	1,717.3	1,738.3	1,838,0	1,970.2	2,062.5
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	–56.1	-134.9	–89.1	-19.0	2.7	-13.9	5.8
Interest	183.4	193.2	194.8	201.4	212.1	223.6	236.1
Subtotal, surplus or deficit(–)	127.3	58.3	105.7	182.4	214.8	209.6	241.8
Adjustments:							
Transfers/lapses (net)	*	–*	*	....	....	....	....
Other adjustments	7.9	49.8	25.1	....	....	....	....
Total, change in fund balance	135.2	108.1	130.3	182.4	214.8	209.6	241.8
Balance, end of year	4,088.5	4,196.6	4,326.9	4,509.3	4,724.1	4,933.8	5,175.6

* $50 million or less

recorded as an outlay of the fund or included in fund outgo. This treatment is consistent with the broad principle that borrowing and debt redemption are not budgetary transactions but rather a means of financing deficits or disposing of surpluses.[7]

Some income in both Federal funds and trust funds consists of offsetting receipts.[8] Offsetting receipts are not considered governmental receipts (such as taxes) but instead are subtracted from gross outlays. There are two reasons for this treatment:

- *Business-like or market-oriented activities with the public:* The collections from such activities are deducted from gross outlays, rather than added to receipts, in order to produce budget totals for receipts and outlays that represent governmental rather than market activity.
- *Intragovernmental transactions:* Collections by one Government account from another are deducted from gross outlays, rather than added to receipts, so that the budget totals measure the transactions of the Government with the public.

Because the income for Federal funds and for trust funds recorded in Table 27–1 includes offsetting receipts, those offsetting receipts must be deducted from the two fund groups' combined gross income in order to reconcile to total (net) unified budget receipts. Similarly, because the outgo for Federal funds and for trust funds in Table 27–1 consists of outlays gross of offsetting receipts, the amount of the offsetting receipts must be deducted from the sum of the Federal funds' and the trust funds' gross outgo in order to reconcile to total (net) unified budget outlays. Table 27–3 reconciles, for fiscal year 2009, the gross total of all trust fund and Federal fund receipts with the net total of the cash income of the Federal fund group and the trust fund group (as shown in Table 27–1), and with the receipt total of the unified budget.

Income, Outgo, and Balances of Trust Funds

Table 27–2 shows, for the trust funds group as a whole, the funds' balance at the start of each year, income and outgo during the year, and the end-of-year balance. Income and outgo are divided between transactions with the public and transactions with Federal funds. Receipts from Federal funds are divided between interest and other interfund receipts.

The definitions of income and outgo in this table differ from those in Table 27–1 in one important way. Trust fund collections that are offset against outgo (as offsetting collections) within expenditure accounts instead of being deposited in separate receipt accounts are classified as income in this table, but not in Table 27–1. This classification is consistent with the definitions of income and outgo for trust funds used elsewhere in the budget. It has the effect of increasing both income and outgo by the

[7] Borrowing and debt repayment are discussed in Chapter 11 of this volume, "Budget Concepts."

[8] Interest on borrowed funds is an example of an offsetting receipt.

Table 27–3. COMPARISON OF TOTAL FEDERAL FUND AND TRUST FUND RECEIPTS TO UNIFIED BUDGET RECEIPTS, FISCAL YEAR 2009

(In billions of dollars)

Gross trust fund receipts	1,637.2
Gross Federal fund receipts	1,319.7
Total, gross receipts	2,956.9
Deduct intrafund receipts (from funds within the same fund group):	
Trust intrafund receipts	–5.7
Federal intrafund receipts	–29.6
Subtotal, intrafund receipts	–35.3
Total trust funds and Federal funds cash income	2,921.7
Deduct offsetting receipts:	
Trust fund receipts from Federal funds:	
Interest in receipt accounts	–181.6
General fund payment to Medicare Parts B and D	–194.3
Employing agencies' payments for pensions, Social Security, and Medicare	–60.0
General fund payments for unfunded liabilities of Federal employees retirement funds	–82.9
Transfer of taxation of Social Security and RRB benefits to OASDI, HI, and RRB	–33.5
Other receipts from Federal funds	–37.3
Subtotal, trust fund receipts from Federal funds	–589.6
Federal fund receipts from trust funds	–3.8
Proprietary receipts	–223.3
Subtotal, offsetting receipts	–816.7
Unified budget receipts	2,105.0

Note: Offsetting receipts are included in cash income for each fund group, but are deducted from outlays in the unified budget.

amount of the offsetting collections. The difference was approximately $57 billion in 2009. Table 27–2, therefore, provides a more transparent summary of trust fund income and outgo.

The trust funds group is expected to have large and growing surpluses over the projection period. As a consequence, trust fund balances are estimated to grow substantially, continuing a trend that has persisted over the past two decades. The size of the anticipated balances is unprecedented and results mainly from changes in the way some trust funds (primarily Social Security and Federal retirement funds) are financed.

Because of these changes and economic growth (both real and inflationary), trust fund balances increased from $205 billion in 1982 to $4.1 trillion in 2009. The current balances are estimated to increase by more than 25 percent by the year 2015, rising to $5.2 trillion. Almost all of these balances are invested in Treasury securities and earn interest. The balances represent the value, in current dollars, of taxes and user fees that have been received by the Government and dedicated to particular programs but have not yet been spent.

Until the 1980s, most trust funds operated on a pay-as-you-go basis. Taxes and user fees were set at levels sufficient to finance current program expenditures and administrative expenses, and to maintain balances generally equal to one year's worth of expenditures (to provide for unexpected events). As a result, trust fund balances tended to grow at about the same rate as the fund's annual expenditures.

For some of the larger trust funds, pay-as-you-go financing was replaced in the 1980s by full or partial advance funding. The Social Security Amendments of 1983 raised payroll taxes above the levels necessary to finance current expenditures. Similarly, in 1984, a new system was set up to finance military retirement benefits on a full accrual basis and, in 1986, full accrual funding of retirement benefits was mandated for Federal civilian employees hired after December 31, 1983. The two retirement programs now require Federal agencies and employees together to pay the trust funds that disburse Federal civilian and military retirement benefits an amount equal to those accruing retirement benefits. Since many years will pass between the time when benefits are earned (or accrued) and when they are paid, the trust funds will accumulate substantial balances over time.

From the perspective of the trust fund, these balances are available for future benefit payments and other fund expenditures. From the perspective of the Government, the trust fund balances do not represent net resources. The trust fund balances are assets of the trust fund program agencies and liabilities of the Treasury, netting to zero for the Government as a whole. From a cash perspective, when trust fund holdings are redeemed to authorize the payment of benefits, the Department of the Treasury finances the expenditure in the same way as any other Federal expenditure—by using current receipts if the unified budget is in surplus or by borrowing from the public if it is in deficit. The existence of large trust fund balances, therefore, does not, by itself, increase the Government's ability to pay benefits. From an economic standpoint, the Government is able to pre-fund benefits only by increasing saving and investment in the economy as a whole. This can be fully accomplished only by simultaneously running trust fund surpluses equal to the actuarial present value of the accumulating benefits while maintaining an unchanged Federal fund surplus or deficit, so that the trust fund surplus reduces the unified budget deficit or increases the unified budget surplus. This would reduce Federal borrowing from the public by the amount of the trust funds surplus and increase the amount of national saving available to finance investment. As long as the increase in Government saving is not offset by a reduction in private saving, greater investment would increase future national income, which would yield greater tax revenue to support the benefits.

Table 27–4 shows estimates of income, outgo, and balances for 2009 through 2015 for the major trust funds. With the exception of transactions between trust funds, the data for the individual trust funds are conceptually the same as the data in Table 27–2 for the trust funds group. As explained previously, transactions between trust funds are shown as outgo of the fund that makes the payment and as income of the fund that collects it in the data for an individual trust fund, but the collections are offset against outgo in the data for the trust fund group as a whole. Additional information for these and other trust funds can be found in the Status of Funds tables in the *Budget Appendix*.

Table 27–5 shows income, outgo, and balances of five Federal funds--three revolving funds and two special funds. These five funds are similar to trust funds in that they are financed by dedicated receipts, the excess of income over outgo is invested in Treasury securities, the interest earnings add to fund balances, and the balances remain available to cover future expenditures. The table is illustrative of the Federal funds group, which includes many other revolving funds and special funds.

Table 27–4. INCOME, OUTGO, AND BALANCES OF MAJOR TRUST FUNDS

(In billions of dollars)

	2009 Actual	Estimate					
		2010	2011	2012	2013	2014	2015
Airport and Airway Trust Fund							
Balance, start of year	9.7	8.8	10.4	10.4	10.7	11.8	13.6
Income:							
Governmental receipts	10.6	11.8	12.5	13.2	14.0	14.8	15.6
Proprietary receipts	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Receipts from Federal funds:							
Interest	0.3	0.2	0.2	0.3	0.4	0.5	0.6
Other	*	0.1	0.1	0.1	0.1	0.1	0.1
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	11.0	12.2	12.9	13.6	14.5	15.5	16.4
Outgo:							
To the public	11.9	10.6	12.9	13.3	13.4	13.6	13.9
Payments to Federal funds	....	....	....	....	....	....	....
Subtotal, outgo	11.9	10.6	12.9	13.3	13.4	13.6	13.9
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	–1.2	1.4	–0.2	–*	0.7	1.4	1.9
Interest	0.3	0.2	0.2	0.3	0.4	0.5	0.6
Subtotal, surplus or deficit(–)	–0.9	1.6	*	0.3	1.1	1.9	2.5
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	....	....	....	....	....	....	....
Total, change in fund balance	–0.9	1.6	*	0.3	1.1	1.9	2.5
Balance, end of year	8.8	10.4	10.4	10.7	11.8	13.6	16.1
Civil Service Retirement and Disability Fund							
Balance, start of year	728.9	754.3	783.4	812.5	841.8	871.1	900.9
Income:							
Governmental receipts	4.1	4.4	4.2	4.0	3.8	3.7	3.6
Proprietary receipts	....	....	....	....	....	....	....
Receipts from Federal funds:							
Interest	37.2	42.1	42.3	43.6	45.2	47.1	48.9
Other	51.8	52.9	55.0	56.6	58.4	60.3	62.2
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	93.1	99.3	101.5	104.3	107.4	111.1	114.6
Outgo:							
To the public	67.7	70.2	72.4	75.0	78.1	81.4	84.6
Payments to Federal funds	....	....	....	....	....	....	....
Subtotal, outgo	67.7	70.2	72.4	75.0	78.1	81.4	84.6
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	–11.8	–12.9	–13.2	–14.4	–15.9	–17.3	–18.8
Interest	37.2	42.1	42.3	43.6	45.2	47.1	48.9
Subtotal, surplus or deficit(–)	25.4	29.2	29.1	29.3	29.3	29.8	30.0
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	....	....	....	....	....	....	....
Total, change in fund balance	25.4	29.2	29.1	29.3	29.3	29.8	30.0
Balance, end of year	754.3	783.4	812.5	841.8	871.1	900.9	930.9

Table 27–4. INCOME, OUTGO, AND BALANCES OF MAJOR TRUST FUNDS—Continued

(In billions of dollars)

	2009	Estimate					
	Actual	2010	2011	2012	2013	2014	2015
Federal Employees Health Benefits Fund							
Balance, start of year	15.5	15.3	14.7	14.7	14.9	15.4	16.0
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	10.5	11.5	12.5	13.4	14.5	15.7	16.9
Receipts from Federal funds:							
Interest	0.4	0.4	0.5	0.6	0.7	0.8	0.8
Other	26.3	27.7	29.9	31.9	34.5	37.4	40.3
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	37.2	39.7	42.8	45.9	49.7	53.8	58.0
Outgo:							
To the public	37.4	40.2	42.9	45.7	49.2	53.2	57.1
Payments to Federal funds	....	....	....	....	....	....	....
Subtotal, outgo	37.4	40.2	42.9	45.7	49.2	53.2	57.1
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	–0.6	–1.0	–0.5	–0.3	–0.2	–0.1	0.1
Interest	0.4	0.4	0.5	0.6	0.7	0.8	0.8
Subtotal, surplus or deficit(–)	–0.2	–0.6	–0.1	0.2	0.5	0.6	0.9
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	....	....	....	....	....	....	....
Total, change in fund balance	–0.2	–0.6	–0.1	0.2	0.5	0.6	0.9
Balance, end of year	15.3	14.7	14.7	14.9	15.4	16.0	16.9
Foreign Military Sales Trust Fund							
Balance, start of year	14.2	17.2	17.3	18.3	18.7	19.8	21.2
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	24.9	24.9	25.5	25.2	24.7	24.2	23.0
Receipts from Federal funds:							
Interest	....	....	....	....	....	....	....
Other	....	....	....	....	....	....	....
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	24.9	24.9	25.5	25.2	24.7	24.2	23.0
Outgo:							
To the public	21.9	24.7	24.5	24.8	23.6	22.9	22.4
Payments to Federal funds	....	....	....	....	....	....	....
Subtotal, outgo	21.9	24.7	24.5	24.8	23.6	22.9	22.4
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	3.0	0.1	1.0	0.4	1.1	1.3	0.6
Interest	....	....	....	....	....	....	....
Subtotal, surplus or deficit(–)	3.0	0.1	1.0	0.4	1.1	1.3	0.6
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	....	....	....	....	....	....	....
Total, change in fund balance	3.0	0.1	1.0	0.4	1.1	1.3	0.6
Balance, end of year	17.2	17.3	18.3	18.7	19.8	21.2	21.8

Table 27–4. INCOME, OUTGO, AND BALANCES OF MAJOR TRUST FUNDS—Continued
(In billions of dollars)

	2009	Estimate					
	Actual	2010	2011	2012	2013	2014	2015
Highway Trust Fund							
Balance, start of year	16.8	14.1	0.1	–13.8	–15.0	–8.3	–7.3
Income:							
Governmental receipts	35.0	36.2	37.1	37.8	38.7	39.3	39.6
Proprietary receipts	0.2	*	*	*	*	*	*
Receipts from Federal funds:							
Interest	....	....	....	....	....	....	....
Other	7.2	0.2	0.2	0.2	0.2	0.2	0.2
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	42.3	36.5	37.4	38.1	39.0	39.5	39.9
Outgo:							
To the public	45.0	50.5	51.2	39.2	32.3	38.5	40.5
Payments to Federal funds	....	....	....	....	....	....	....
Subtotal, outgo	45.0	50.5	51.2	39.2	32.3	38.5	40.5
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	–2.7	–14.0	–13.9	–1.2	6.7	1.0	–0.6
Interest	....	....	....	....	....	....	....
Subtotal, surplus or deficit(–)	–2.7	–14.0	–13.9	–1.2	6.7	1.0	–0.6
Adjustments:							
Transfers/lapses (net)	*	–*	....	....	....	....	....
Other adjustments	–*	....	....	....	....	....	....
Total, change in fund balance	–2.7	–14.0	–13.9	–1.2	6.7	1.0	–0.6
Balance, end of year	14.1	0.1	–13.8	–15.0	–8.3	–7.3	–7.8
Medicare: Hospital Insurance (HI) Trust Fund							
Balance, start of year	318.9	309.8	280.6	248.9	225.6	193.4	142.7
Income:							
Governmental receipts	191.1	180.9	192.8	208.8	223.2	237.7	251.6
Proprietary receipts	8.3	8.8	9.0	9.3	9.6	10.1	10.4
Receipts from Federal funds:							
Interest	15.9	14.7	13.2	11.8	10.1	8.0	5.7
Other	18.9	19.9	23.0	24.6	27.2	29.9	32.4
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	234.3	224.2	238.0	254.6	270.2	285.7	300.1
Outgo:							
To the public	243.4	253.5	269.6	277.8	302.4	336.4	346.9
Payments to Federal funds	....	....	....	....	....	....	....
Subtotal, outgo	243.4	253.5	269.6	277.8	302.4	336.4	346.9
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	–25.0	–43.9	–44.9	–35.0	–42.4	–58.6	–52.4
Interest	15.9	14.7	13.2	11.8	10.1	8.0	5.7
Subtotal, surplus or deficit(–)	–9.1	–29.3	–31.7	–23.2	–32.3	–50.7	–46.7
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	....	....	....	....	....	....	....
Total, change in fund balance	–9.1	–29.3	–31.7	–23.2	–32.3	–50.7	–46.7
Balance, end of year	309.8	280.6	248.9	225.6	193.4	142.7	96.0

Table 27–4. INCOME, OUTGO, AND BALANCES OF MAJOR TRUST FUNDS—Continued
(In billions of dollars)

	2009	Estimate					
	Actual	2010	2011	2012	2013	2014	2015
Medicare: Supplementary Medical Insurance SMI Trust Fund							
Balance, start of year	59.1	61.4	60.6	55.3	64.9	73.7	75.2
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	65.6	70.5	78.3	86.2	94.3	103.1	111.1
Receipts from Federal funds:							
Interest	3.0	3.0	2.9	2.7	2.9	3.3	3.6
Other	196.5	208.6	228.5	245.4	275.1	301.1	325.5
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	265.1	282.1	309.7	334.3	372.4	407.5	440.2
Outgo:							
To the public	262.8	282.9	315.0	324.8	363.5	405.9	433.2
Payments to Federal funds	....	....	....	....	....	....	....
Subtotal, outgo	262.8	282.9	315.0	324.8	363.5	405.9	433.2
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	–0.7	–3.8	–8.2	6.8	5.9	–1.7	3.4
Interest	3.0	3.0	2.9	2.7	2.9	3.3	3.6
Subtotal, surplus or deficit(–)	2.3	–0.8	–5.3	9.5	8.8	1.5	6.9
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	....	....	....	....	....	....	....
Total, change in fund balance	2.3	–0.8	–5.3	9.5	8.8	1.5	6.9
Balance, end of year	61.4	60.6	55.3	64.9	73.7	75.2	82.2
Military Retirement Fund							
Balance, start of year	250.9	276.1	319.1	367.5	419.6	476.9	539.4
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	....	....	....	....	....	....	....
Receipts from Federal funds:							
Interest	2.7	10.5	12.8	16.0	19.8	23.6	27.2
Other	72.4	83.3	87.3	88.9	91.9	95.0	98.2
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	75.1	93.8	100.1	104.9	111.7	118.7	125.4
Outgo:							
To the public	50.0	50.8	51.7	52.7	54.4	56.1	57.5
Payments to Federal funds	....	....	....	....	....	....	....
Subtotal, outgo	50.0	50.8	51.7	52.7	54.4	56.1	57.5
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	22.4	32.5	35.6	36.1	37.4	38.9	40.7
Interest	2.7	10.5	12.8	16.0	19.8	23.6	27.2
Subtotal, surplus or deficit(–)	25.2	43.0	48.4	52.1	57.3	62.5	67.9
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	....	....	....	....	....	....	....
Total, change in fund balance	25.2	43.0	48.4	52.1	57.3	62.5	67.9
Balance, end of year	276.1	319.1	367.5	419.6	476.9	539.4	607.3

Table 27–4. INCOME, OUTGO, AND BALANCES OF MAJOR TRUST FUNDS—Continued

(In billions of dollars)

	2009	Estimate					
	Actual	2010	2011	2012	2013	2014	2015
Railroad Retirement Trust Funds							
Balance, start of year	23.6	21.2	19.7	18.8	17.9	16.8	15.7
Income:							
Governmental receipts	4.2	4.2	4.2	4.4	4.6	4.9	5.1
Proprietary receipts	–0.4	0.6	0.9	0.9	0.9	0.9	0.8
Receipts from Federal funds:							
Interest	*	*	0.1	0.1	0.1	0.1	0.1
Other	0.4	0.6	0.6	0.7	0.7	0.7	0.7
Receipts from Trust funds	4.1	4.4	4.5	4.6	4.6	4.7	4.8
Subtotal, income	8.5	9.8	10.3	10.7	10.9	11.3	11.5
Outgo:							
To the public	10.7	11.0	11.2	11.4	11.8	12.1	12.5
Payments to Federal funds	0.2	0.1	0.2	0.2	0.2	0.2	0.3
Subtotal, outgo	10.9	11.2	11.4	11.6	12.0	12.4	12.7
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	–2.4	–1.4	–1.2	–1.0	–1.2	–1.2	–1.2
Interest	*	*	0.1	0.1	0.1	0.1	0.1
Subtotal, surplus or deficit(–)	–2.4	–1.4	–1.1	–1.0	–1.1	–1.1	–1.2
Adjustments:							
Transfers/lapses (net)	....	–0.1	*	....	....	....	....
Other adjustments	*	*	0.2	....	....	....	....
Total, change in fund balance	–2.4	–1.5	–0.9	–1.0	–1.1	–1.1	–1.2
Balance, end of year	21.2	19.7	18.8	17.9	16.8	15.7	14.5
Social Security: Old-Age, Survivors and Disability Insurance (OASDI) Trust Funds							
Balance, start of year	2,366.4	2,503.8	2,588.4	2,688.4	2,808.6	2,944.5	3,091.0
Income:							
Governmental receipts	654.0	635.2	674.1	720.5	765.7	809.0	855.9
Proprietary receipts	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Receipts from Federal funds:							
Interest	118.0	118.4	119.1	122.3	128.3	135.7	144.3
Other	35.0	39.3	42.5	45.4	49.8	53.9	58.0
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	807.1	793.0	835.7	888.3	943.9	998.7	1,058.3
Outgo:							
To the public	664.5	702.9	730.1	762.3	802.3	846.4	894.2
Payments to Federal funds	5.3	5.4	5.6	5.7	5.7	5.9	6.0
Subtotal, outgo	669.8	708.4	735.7	768.0	808.0	852.3	900.2
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	19.4	–33.8	–19.1	–2.0	7.6	10.7	13.8
Interest	118.0	118.4	119.1	122.3	128.3	135.7	144.3
Subtotal, surplus or deficit(–)	137.3	84.6	100.0	120.2	135.9	146.5	158.0
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	....	....	....	....	....	....	....
Total, change in fund balance	137.3	84.6	100.0	120.2	135.9	146.5	158.0
Balance, end of year	2,503.8	2,588.4	2,688.4	2,808.6	2,944.5	3,091.0	3,249.0

Table 27–4. INCOME, OUTGO, AND BALANCES OF MAJOR TRUST FUNDS—Continued

(In billions of dollars)

	2009	Estimate					
	Actual	2010	2011	2012	2013	2014	2015
Unemployment Trust Fund[1]							
Balance, start of year	73.5	22.8	16.1	15.7	5.3	5.9	14.9
Income:							
Governmental receipts	37.9	51.5	60.1	67.4	73.1	77.1	78.7
Proprietary receipts	*	*	1.9	3.1	3.6	4.0	4.2
Receipts from Federal funds:							
Interest	2.7	0.5	0.2	0.2	0.2	0.3	0.4
Other	18.1	76.6	19.3	1.0	0.9	0.9	0.9
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	58.7	128.7	81.6	71.6	77.9	82.3	84.1
Outgo:							
To the public	117.3	186.0	107.1	82.0	77.3	73.3	69.5
Payments to Federal funds	....	....	....	....	....	....	....
Subtotal, outgo	117.3	186.0	107.1	82.0	77.3	73.3	69.5
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	–61.3	–57.8	–25.7	–10.6	0.3	8.7	14.2
Interest	2.7	0.5	0.2	0.2	0.2	0.3	0.4
Subtotal, surplus or deficit(–)	–58.6	–57.3	–25.5	–10.4	0.5	9.0	14.6
Adjustments:							
Transfers/lapses (net)	....	0.1	–*	....	....	....	....
Other adjustments	7.9	50.5	25.1	....	....	....	....
Total, change in fund balance	–50.7	–6.7	–0.4	–10.4	0.5	9.0	14.6
Balance, end of year	22.8	16.1	15.7	5.3	5.9	14.9	29.5
Veterans Life Insurance Funds							
Balance, start of year	11.5	10.9	10.3	9.6	8.9	8.1	7.4
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	0.5	0.4	0.4	0.4	0.3	0.3	0.3
Receipts from Federal funds:							
Interest	0.6	0.6	0.5	0.5	0.4	0.4	0.3
Other	*	*	*	*	*	*	*
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	1.1	1.0	0.9	0.9	0.8	0.7	0.6
Outgo:							
To the public	1.7	1.7	1.6	1.6	1.5	1.5	1.4
Payments to Federal funds	....	....	....	....	....	....	....
Subtotal, outgo	1.7	1.7	1.6	1.6	1.5	1.5	1.4
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	–1.2	–1.2	–1.2	–1.2	–1.2	–1.1	–1.1
Interest	0.6	0.6	0.5	0.5	0.4	0.4	0.3
Subtotal, surplus or deficit(–)	–0.5	–0.7	–0.7	–0.7	–0.7	–0.8	–0.8
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	....	....	....	....	....	....	....
Total, change in fund balance	–0.5	–0.7	–0.7	–0.7	–0.7	–0.8	–0.8
Balance, end of year	10.9	10.3	9.6	8.9	8.1	7.4	6.6

Table 27–4. INCOME, OUTGO, AND BALANCES OF MAJOR TRUST FUNDS—Continued
(In billions of dollars)

	2009	Estimate					
	Actual	2010	2011	2012	2013	2014	2015
Other Trust Funds							
Balance, start of year	64.7	73.3	76.3	81.0	87.8	95.5	103.4
Income:							
Governmental receipts	5.0	5.1	6.6	7.5	7.8	8.1	8.3
Proprietary receipts	5.5	5.5	5.7	5.8	5.9	6.1	6.2
Receipts from Federal funds:							
Interest	2.5	2.7	3.0	3.4	4.0	3.9	4.2
Other	21.1	15.5	15.9	16.4	16.8	17.5	18.0
Receipts from Trust funds	*	*	*	*	*	*	*
Subtotal, income	34.1	28.8	31.2	33.1	34.5	35.6	36.8
Outgo:							
To the public	25.5	25.0	25.8	26.2	26.8	27.6	27.1
Payments to Federal funds	*	*	*	*	0.1	0.1	0.1
Subtotal, outgo	25.5	25.1	25.8	26.3	26.8	27.7	27.2
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	6.1	1.1	2.4	3.4	3.7	4.1	5.4
Interest	2.5	2.7	3.0	3.4	4.0	3.9	4.2
Subtotal, surplus or deficit(–)	8.6	3.8	5.4	6.8	7.7	7.9	9.5
Adjustments:							
Transfers/lapses (net)	*	*	*	....	....	....	....
Other adjustments	–*	–0.7	–0.8	....	....	....	....
Total, change in fund balance	8.6	3.1	4.6	6.8	7.7	7.9	9.5
Balance, end of year	73.3	76.3	81.0	87.8	95.5	103.4	112.9

* $50 million or less.

Note: Balances shown include committed and uncommitted cash balances.

[1] The large adjustments for the Unemployment Trust Fund shown in 2009, 2010, and 2011 reflect the Fund's borrowing from the general fund for use by the States to pay benefits resulting from the economic recession.

Table 27–5. INCOME, OUTGO, AND BALANCES OF SELECTED FEDERAL FUNDS

(In billions of dollars)

	2009	Estimate					
	Actual	2010	2011	2012	2013	2014	2015
Abandoned Mine Reclamation Fund							
Balance, start of year	2.4	2.5	2.6	2.8	2.9	2.9	2.9
Income:							
Governmental receipts	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Proprietary receipts	*	....	....	....	....	....	....
Receipts from Federal funds:							
Interest	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other	....	....	....	....	....	....	....
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	0.3	0.3	0.4	0.4	0.3	0.3	0.3
Outgo:							
To the public	0.2	0.2	0.2	0.3	0.3	0.3	0.3
Payments to Federal funds	....	....	....	....	....	....	....
Subtotal, outgo	0.2	0.2	0.2	0.3	0.3	0.3	0.3
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	0.1	*	*	*	-*	–0.1	–0.1
Interest	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Subtotal, surplus or deficit(–)	0.1	0.1	0.1	0.1	*	*	*
Adjustments:							
Transfers/lapses (net)	-*	....	....	....	....	....	....
Other adjustments	....	....	....	....	....	....	....
Total, change in fund balance	0.1	0.1	0.1	0.1	*	*	*
Balance, end of year	2.5	2.6	2.8	2.9	2.9	2.9	2.9
National Credit Union Share Insurance Fund							
Balance, start of year	7.2	7.6	8.3	8.5	9.6	10.4	11.3
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	0.5	1.8	11.1	1.3	0.8	0.9	0.9
Receipts from Federal funds:							
Interest	0.2	0.2	0.2	0.3	0.3	0.4	0.4
Other	10.0	....	....	....	....	....	....
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	10.6	2.0	11.3	1.5	1.2	1.2	1.3
Outgo:							
To the public	10.2	1.3	11.1	0.5	0.4	0.3	0.6
Payments to Federal funds	....	....	....	....	....	....	....
Subtotal, outgo	10.2	1.3	11.1	0.5	0.4	0.3	0.6
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	0.2	0.6	-*	0.8	0.5	0.6	0.3
Interest	0.2	0.2	0.2	0.3	0.3	0.4	0.4
Subtotal, surplus or deficit(–)	0.4	0.7	0.2	1.1	0.8	0.9	0.7
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	....	....	....	....	....	....	....
Total, change in fund balance	0.4	0.7	0.2	1.1	0.8	0.9	0.7
Balance, end of year	7.6	8.3	8.5	9.6	10.4	11.3	12.0

Table 27–5. INCOME, OUTGO, AND BALANCES OF SELECTED FEDERAL FUNDS—Continued

(In billions of dollars)

	2009	Estimate					
	Actual	2010	2011	2012	2013	2014	2015
Department of Defense Medicare-Eligible Retiree Health Care Fund							
Balance, start of year	132.8	146.8	164.6	182.6	201.9	222.4	244.2
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	....	....	....	....	....	....	....
Receipts from Federal funds:							
Interest	1.1	5.3	5.7	6.8	7.7	8.8	9.7
Other	21.3	21.1	21.7	22.7	23.8	25.0	26.3
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	22.4	26.4	27.4	29.4	31.5	33.8	36.0
Outgo:							
To the public	8.4	8.6	9.4	10.2	11.0	12.0	12.9
Payments to Federal funds	....	....	....	....	....	....	....
Subtotal, outgo	8.4	8.6	9.4	10.2	11.0	12.0	12.9
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	12.9	12.5	12.3	12.5	12.8	13.1	13.3
Interest	1.1	5.3	5.7	6.8	7.7	8.8	9.7
Subtotal, surplus or deficit(–)	14.0	17.8	18.0	19.3	20.5	21.8	23.1
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	....	....	....	....	....	....	....
Total, change in fund balance	14.0	17.8	18.0	19.3	20.5	21.8	23.1
Balance, end of year	146.8	164.6	182.6	201.9	222.4	244.2	267.3
Overseas Private Investment Corporation							
Balance, start of year	4.6	4.8	4.9	5.0	5.2	5.4	5.6
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	*	*	*	*	*	*	*
Receipts from Federal funds:							
Interest	0.2	0.2	0.2	0.2	0.2	0.2	0.3
Other	*	*	*	*	*	*	*
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	0.3	0.2	0.3	0.2	0.3	0.3	0.3
Outgo:							
To the public	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Payments to Federal funds	....	....	....	....	....	....	....
Subtotal, outgo	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	*	-*	-*	-*	-*	-*	-*
Interest	0.2	0.2	0.2	0.2	0.2	0.2	0.3
Subtotal, surplus or deficit(–)	0.2	0.2	0.2	0.2	0.2	0.2	0.3
Adjustments:							
Transfers/lapses (net)	–0.1	–0.1	–0.1	....	....	....	....
Other adjustments	....	....	....	....	....	....	....
Total, change in fund balance	0.2	0.1	0.1	0.2	0.2	0.2	0.3
Balance, end of year	4.8	4.9	5.0	5.2	5.4	5.6	5.9

Table 27–5. INCOME, OUTGO, AND BALANCES OF SELECTED FEDERAL FUNDS—Continued
(In billions of dollars)

	2009	Estimate					
	Actual	2010	2011	2012	2013	2014	2015
Pension Benefit Guaranty Corporation Fund							
Balance, start of year	13.2	13.1	13.1	14.2	15.1	15.1	14.3
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	4.3	5.6	7.5	8.3	8.4	8.7	9.0
Receipts from Federal funds:							
Interest	0.2	0.8	0.9	0.9	0.9	0.9	0.8
Other	....	....	....	....	....	....	....
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	4.5	6.4	8.3	9.2	9.3	9.6	9.8
Outgo:							
To the public	4.7	6.3	7.2	8.3	9.4	10.4	11.4
Payments to Federal funds	....	....	....	....	....	....	....
Subtotal, outgo	4.7	6.3	7.2	8.3	9.4	10.4	11.4
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	–0.4	–0.7	0.2	*	–0.9	–1.7	–2.4
Interest	0.2	0.8	0.9	0.9	0.9	0.9	0.8
Subtotal, surplus or deficit(–)	–0.2	0.1	1.1	0.9	-*	–0.8	–1.6
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	....	....	....	....	....	....	....
Total, change in fund balance	–0.2	0.1	1.1	0.9	-*	–0.8	–1.6
Balance, end of year	13.1	13.1	14.2	15.1	15.1	14.3	12.7

* $50 million or less.
Note: Balances shown include committed and uncommitted cash balances.

28. NATIONAL INCOME AND PRODUCT ACCOUNTS

The National Income and Product Accounts (NIPAs) are an integrated set of statistics prepared by the Department of Commerce that measure aggregate U.S. economic activity. Because the NIPAs include Federal transactions and are widely used in economic analysis, it is important to understand the differences between the NIPAs' distinctive presentation of Federal transactions and that of the budget.

The main purpose of the NIPAs is to measure the Nation's total production of goods and services, known as gross domestic product (GDP), and the incomes generated in its production. GDP excludes intermediate production to avoid double counting. Government consumption expenditures along with government gross investment—State and local as well as Federal—are included in GDP as part of final output, together with personal consumption expenditures, gross private domestic investment, and net exports of goods and services (exports minus imports).

Not all government expenditures are counted in GDP. Benefit payments to individuals, grants to State and local governments, subsidies, and interest payments are not purchases of final output and are therefore not included in GDP. However, these transactions are recorded in the NIPA government account that records current receipts and expenditures (including depreciation on government gross investment) because all of these affect the government's claim on economic resources.

Federal transactions are included in the NIPAs as part of the government sector.[1] The Federal subsector is designed to measure certain important economic effects of Federal transactions in a way that is consistent with the conceptual framework of the entire set of integrated accounts. The NIPA Federal subsector is not itself a budget, because it is not a financial plan for proposing, determining, and controlling the fiscal activities of the Government. For example, it omits from its current receipts and current expenditures certain "capital transfers" (such as estate and gift tax receipts) that are recorded in the budget. NIPA concepts also differ in many other ways from budget concepts, and therefore the NIPA presentation of Federal finances is significantly different from that of the budget.

Differences between the NIPAs and the Budget

Federal transactions in the NIPAs are measured according to NIPA accounting concepts and as a result they differ from the budget in netting and grossing, timing, and coverage. These differences cause current receipts and expenditures in the NIPAs to differ from total receipts and outlays in the budget, albeit by relatively small amounts.[2] Differences in timing and coverage also cause the NIPA measure of net Federal Government saving to differ from the budget surplus or deficit. Unlike timing and coverage differences, netting and grossing differences have equal effects on receipts and expenditures and thus have no effect on net Government saving. The NIPAs also combine transactions into different categories from those used in the budget.

July 2009 NIPA Revisions.--Comprehensive revisions to the NIPAs introduced in July 2009 changed the way Federal transactions are measured in the NIPAs, and the ways in which the NIPAs differ from the budget. The most important of these differences are a change in the treatment of Federal transactions with U.S. territories and a change in the treatment of insurance payouts (such as for the National Flood Insurance Program). Previously, Federal transactions with territories were omitted from the NIPAs because they were not treated as part of the United States, but neither were they treated as foreign countries (part of the "rest of the world"). The new treatment includes them in the NIPAs as transactions with the "rest of the world." Federal insurance payouts associated with catastrophic events are now treated as capital transfers. Previously, large discrete insurance claim payouts associated with major disasters (such as Hurricane Katrina) were treated as negative current capital transfer receipts from business.

Netting and grossing differences arise because the budget records certain transactions as offsets to outlays that are recorded as current receipts in the NIPAs (or vice versa). The budget treats all income that comes to the Government due to its sovereign powers—mainly, but not exclusively, taxes—as governmental receipts. The budget offsets against outlays any income that arises from voluntary business-type transactions with the public. The NIPAs generally follow this concept as well, and income to Government revolving accounts (such as the Government Printing Office) is offset against their expenditures. However, the NIPAs have a narrower definition of "business-type transactions" than does the budget. Rents and royalties, and some regulatory or inspection fees, which are classified as offsets to outlays in the budget, are recorded in the NIPAs as Government receipts (income receipts on assets and current transfer receipts, respectively). The NIPAs include Medicare premiums as Government receipts, while the budget classifies them as business-type transactions (offsetting receipts). In addition, the NIPAs treat the net surplus of Government en-

[1] The NIPA government sector consists of the Federal subsector and a State and local subsector that is a single set of transactions for all U.S. State and local units of government, treated as a consolidated entity.

[2] Over the period 1994–2008, NIPA current expenditures averaged 4.1 percent higher than budget outlays, while NIPA current receipts averaged 2.7 percent higher than budget receipts.

terprises, such as the Postal Service, as a component of current receipts.

In the budget, any intragovernmental income paid from one account to another is offset against outlays rather than being recorded as a receipt so that total outlays and receipts measure only transactions with the public. For example, Government contributions for Federal employee social insurance (such as Social Security) are offset against outlays. In contrast, the NIPAs treat the Federal Government like any other employer and show contributions for Federal employee social insurance as expenditures by the employing agencies and as current receipts, rather than offsets against outlays. The NIPAs also display certain transactions that are not recorded explicitly in the budget. For example, unemployment benefits for Federal employees are financed by direct appropriations rather than social insurance contributions. The NIPAs impute the social insurance contributions to the expenditures of employing agencies—again, treating the Federal Government like any other employer.

Timing differences for receipts occur because the NIPAs generally record business taxes when they accrue, while the budget generally records receipts when they are received. Thus the NIPAs attribute corporations' final settlement payments back to the quarter(s) in which the profits that gave rise to the tax liability occurred. The delay between accrual of liability and Treasury receipt of payment can result in significant timing differences between NIPA and budget measures of receipts for any given accounting period.

Timing differences also occur for expenditures. When the first day of a month falls on a weekend or holiday, monthly benefit checks normally deposited on the first day of the month may be deposited a day or two earlier; the budget then reflects two payments in one month and none the next. As a result, the budget totals occasionally reflect 13 monthly payments in one year and only 11 the next. NIPA expenditure figures always reflect 12 benefit payments per year, giving rise to a timing difference compared to the budget.

Coverage differences arise on the expenditure side because of the NIPA treatment of Government investment. The budget includes outlays for Federal investments as they are paid, while the NIPA Federal current account excludes current investments but includes a depreciation charge on past investments ("consumption of general government fixed capital") as part of "current expenditures." The inclusion of depreciation on fixed capital (structures, equipment and software) in current expenditures can be thought of as a proxy for the services that capital renders; i.e., for its contribution to Government output of public services. The depreciation charge is not a full reflection of capital services, however, since it does not include the net return to capital that in a private corporation would appear as interest income or profit. The NIPAs would need to include an imputed interest charge for government capital to assure a fully parallel treatment.

Certain items in the budget are excluded from the NIPA Federal current account because they are related to the acquisition or sale of assets, and not linked to current consumption or income. Examples include Federal grants to State and local governments for capital investment, investment subsidies to business, lump sum payments to amortize the unfunded liability of the Uniformed Services Retiree Health Care Fund and the Postal Service Retiree Health Benefits Fund, and forgiveness of debt owed by foreign governments. Likewise, estate and gift taxes, included in budget receipts, are excluded from NIPA current receipts as being capital transfers. The NIPAs also exclude the proceeds from the sales of nonproduced assets such as land. Bonuses paid on Outer Continental Shelf oil leases and proceeds from broadcast spectrum auctions are shown as offsetting receipts in the budget and are deducted from budget outlays. In the NIPAs these transactions are excluded from the Federal current account as an exchange of assets with no current production involved. The NIPAs are not strictly consistent in this interpretation, however, since they do include in total revenues the taxation of capital gains. The treatment of Government pension plan income and outgo creates a coverage difference. Whereas the budget treats employee payments to these pension plans as governmental receipts, and employer contributions by agencies as offsets to outlays because they are intragovernmental, the NIPAs treat employer contributions as personal income and employee payments as a transfer of income within the household sector, in the same way as it treats contributions to pension plans in the private (household) sector. Likewise, the budget records a Government check to a retired Government employee as an outlay, but under NIPA concepts, no Government expenditure occurs at that time; the payment is treated (like private pension payments) as a transfer of income within the household sector.

Financial transactions such as loan disbursements, loan repayments, loan asset sales, and loan guarantees are excluded from the NIPA current accounts on the grounds that such transactions simply involve an exchange of assets rather than current production, income, or consumption. In contrast, under the Federal Credit Reform Act of 1990, the budget records the estimated subsidy cost of the direct loan or loan guarantee as an outlay at the time when the loan is disbursed. The cash flows with the public are recorded in nonbudgetary accounts as a means of financing the budget rather than as budgetary transactions. This treatment recognizes that a Federal direct loan is an exchange of assets with equal value after allowing for the subsidy to the borrower implied by the terms of the loan. It also recognizes the subsidy element in loan guarantees. In the NIPAs current accounts, these subsidies are not recognized. Exclusion from the NIPA current accounts of asset purchases, direct loans, and loan guarantees under the Troubled Asset Relief Program (TARP) and other financial stabilization measures gave rise to the largest difference between budget and NIPA expenditures totals in 2009.

The NIPAs, like the budget, include all interest transactions with the public, including interest received by and paid to the loan financing accounts; and both the NIPAs and the budget include administrative costs of credit program operations.

TREATMENT OF FINANCIAL STABILIZATION PROGRAMS

U.S. financial stabilization efforts include programs administered by Executive Branch agencies (principally Treasury, the Federal Deposit Insurance Corporation (FDIC), and the National Credit Union Administration (NCUA)) and by the Federal Reserve. The Troubled Assets Relief Program (TARP), administered by Treasury, has injected capital into banks and other financial institutions by purchasing preferred stock, guaranteed assets of financial institutions, and provided loans and other support to the auto industry. Treasury has also provided support for the major Government Sponsored Enterprises in the housing area, the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac), which have been placed under conservatorship by the Federal Housing Finance Administration, including purchasing GSE preferred stock and purchasing mortgage-backed securities issued by GSEs. The FDIC and NCUA have taken steps to provide liquidity to the banking industry.

The Executive Branch actions in support of financial stabilization give rise to a number of differences between the budget and the NIPAs. As mentioned in the main text, deposit insurance transactions of the FDIC and NCUA are recorded on a cash basis in the budget but only premiums are included in the NIPAs. Likewise, purchase of GSE preferred stock is recorded in the budget on a cash basis, but is excluded from the NIPA current accounts; GSE preferred stock purchases, however, are scored as capital transfers.

Many of the Treasury's financial stabilization programs, including TARP equity purchases, are recorded in the budget on a credit basis, in which the budget recognizes the estimated subsidy value of direct loans, loan guarantees, and equity purchases at the time the loan or purchase is made. Under the Emergency Economic Stabilization Act of 2008, this credit treatment was extended to equity purchases under the Troubled Asset Relief Program, as well as loans. As mentioned in the text, the NIPAs normally exclude the principal disbursements and repayments of credit transactions as exchanges of assets with no current production involved; the interest and dividend receipts, however, are included in NIPA current receipts as receipts on assets. For certain transactions, the NIPAs will recognize the subsidy conveyed by these transactions by recording capital transfers, calculated as the difference between the actual price paid for the financial asset and an estimate of its market value. This capital transfer treatment applies to preferred stock purchases and purchases of warrants for common stock.

Both the Budget and the NIPAs treat the Federal Reserve System (the Fed) as if it were a nonfederal entity; thus, those financial stabilization efforts undertaken by the Federal Reserve (assistance to AIG and Bear Stearns, for example) are not scored in either the Budget or NIPA current expenditures. Both the budget and the NIPAs treat GSEs in a similar way to their treatment of the Fed, and they continue to treat the two GSEs in conservatorship in the same manner.

Similarly to loan transactions, deposit insurance outlays for resolving failed banks and thrift institutions are excluded from the NIPAs on the grounds that there are no offsetting current income flows from these transactions. This exclusion creates a particularly large difference in 2009, because of large outlays to liquidate failed bank deposits. In a similar episode in 1991, this exclusion was the largest difference between the NIPAs and the budget and made NIPA net Government saving a significantly smaller negative number than the budget deficit that year. In subsequent years, as assets acquired from failed financial institutions were sold, these collections tended to make the budget deficit a smaller negative figure than NIPA net Federal Government saving.

Federal Sector Current Receipts

Table 28–1 shows the NIPA classification of Federal current receipts in five major categories and four of the subcategories used to measure taxes, which are similar to the budget categories but with some significant differences.

Current tax receipts is the largest category of current receipts, and its personal current taxes subcategory—composed primarily of the individual income tax—is the largest single subcategory. The NIPAs' taxes on corporate income subcategory differs in classification from the corresponding budget category primarily because the NIPAs include the deposit of earnings of the Federal Reserve System as corporate income taxes, while the budget treats these collections as miscellaneous receipts. (The timing difference between the NIPAs and the budget is especially large for corporate receipts.) The taxes on production and imports subcategory is composed of excise taxes and customs duties.

Contributions for Government social insurance is the second largest category of current receipts. It differs from the corresponding budget category primarily because: (1) the NIPAs include Federal employer contributions for social insurance as a governmental receipt, while the budget offsets these contributions against outlays as undistributed offsetting receipts; (2) the NIPAs include premiums for Parts B and D of Medicare as governmental receipts, while the budget nets them against outlays; (3) the NIPAs treat Government employee contributions to their pension plans as a transfer of personal income within the household sector (as if the pension system were private), while the budget includes them in governmental receipts; and (4) the NIPAs impute employer contributions for Federal employees' unemployment insurance and workers' compensation.

The income receipts on assets category consists mainly of interest payments received on Government direct loans (such as student loans), rents and royalties on Outer Continental Shelf oil leases, and, beginning in 2009, dividends received on preferred stock. The current transfer receipts category consists primarily of deposit insurance premiums, fees, fines and other receipts from both individuals and businesses, less insurance settlements from the National Flood Insurance Program—virtually all of which are netted against outlays in the budget. The current surplus (or deficit) of Government enterprises category is the profit or loss of "Government enterprises," such as the Postal Service, which are business-type operations of Government that usually appear in the budget as public enterprise revolving funds. Depreciation (consumption of enterprise fixed capital) is netted in calculating the current surplus of Government enterprises.

Table 28–1. FEDERAL TRANSACTIONS IN THE NATIONAL INCOME AND PRODUCT ACCOUNTS, 2000-2011

(In billions of dollars)

Description	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Estimate 2010	Estimate 2011
CURRENT RECEIPTS												
Current tax receipts	1302.9	1263.9	1095.5	1056.5	1115.7	1346.2	1538.5	1641.2	1491.6	1195.1	1312.5	1624.7
Personal current taxes	985.1	991.4	849.4	781.5	782.3	913.2	1033.7	1142.3	1124.9	881.1	928.5	1076.1
Taxes on production and imports	87.3	85.9	85.9	88.7	93.4	98.0	99.1	95.8	92.9	90.5	100.6	105.3
Taxes on corporate income	223.5	179.1	152.4	177.8	230.8	323.0	393.8	387.6	258.7	210.5	272.0	431.9
Taxes from the rest of the world	6.9	7.5	7.7	8.4	9.3	12.0	11.8	15.5	15.1	13.1	11.4	11.4
Contributions for government social insurance	693.3	719.5	734.4	753.4	795.4	847.9	892.7	936.0	969.7	958.2	987.5	1054.4
Income receipts on assets	23.6	25.2	21.6	21.6	23.1	24.1	25.2	27.9	31.7	34.6	40.4	45.3
Current transfer receipts	25.9	25.6	27.5	24.9	27.8	32.4	38.1	40.5	48.0	70.0	63.6	64.2
Current surplus of government enterprises	–*	–4.9	–0.9	4.0	1.7	–3.7	–3.3	–2.3	–3.3	–3.4	–3.4	–6.6
Total current receipts	**2045.7**	**2029.3**	**1878.1**	**1860.3**	**1963.7**	**2246.9**	**2491.2**	**2643.4**	**2537.7**	**2254.5**	**2400.6**	**2782.1**
CURRENT EXPENDITURES												
Consumption expenditures	493.9	516.9	574.1	646.3	704.7	756.5	797.6	831.3	909.5	975.7	1073.0	1103.3
Defense	321.5	335.5	367.6	422.9	469.7	507.3	531.3	562.8	616.7	653.4	704.8	730.2
Nondefense	172.3	181.3	206.6	223.4	235.0	249.3	266.3	268.4	292.8	322.3	368.2	373.1
Current transfer payments	1032.6	1116.7	1226.0	1317.0	1392.2	1473.4	1566.0	1658.5	1803.5	2076.9	2411.0	2380.9
Government social benefits	768.1	828.0	905.8	960.5	1014.9	1076.9	1166.6	1248.2	1372.0	1570.2	1799.7	1756.9
Grants-in-aid to State and local governments	244.0	268.2	296.7	328.4	347.8	359.6	360.9	372.5	386.1	460.1	558.3	566.0
Other transfers to the rest of the world	20.4	20.5	23.5	28.1	29.5	37.0	38.5	37.8	45.5	46.7	53.0	58.0
Interest payments	283.2	267.9	234.5	215.7	215.8	242.8	284.4	302.2	313.6	233.7	289.0	359.8
Subsidies	45.3	51.3	41.0	48.1	44.6	57.6	54.6	47.8	49.3	56.4	80.0	87.4
Wage disbursements less accruals	....	....	....	....	....	....	....	....	....	....	....	....
Total current expenditures	**1855.0**	**1952.8**	**2075.6**	**2227.0**	**2357.4**	**2530.2**	**2702.7**	**2839.7**	**3075.9**	**3342.7**	**3853.0**	**3931.4**
Net Federal Government saving	**190.7**	**76.5**	**–197.5**	**–366.7**	**–393.8**	**–283.4**	**–211.5**	**–196.4**	**–538.2**	**–1088.2**	**–1452.4**	**–1149.4**
ADDENDUM: TOTAL RECEIPTS AND EXPENDITURES												
Current receipts	2045.7	2029.3	1878.1	1860.3	1963.7	2246.9	2491.2	2643.4	2537.7	2254.5	2400.6	2782.1
Capital transfer receipts	28.8	28.2	26.4	21.7	24.7	24.6	27.7	25.8	28.6	23.2	16.8	24.8
Total receipts	2074.5	2057.5	1904.5	1882.1	1988.3	2271.4	2518.9	2669.2	2566.3	2277.8	2417.4	2806.9
Current expenditures	1855.0	1952.8	2075.6	2227.0	2357.4	2530.2	2702.7	2839.7	3075.9	3342.7	3853.0	3931.4
Net investment:												
Gross government investment:												
Defense	48.9	50.5	55.7	61.4	67.1	73.8	78.6	86.1	98.8	112.0	128.0	132.7
Nondefense	32.5	30.1	32.9	33.7	33.5	34.8	40.0	40.2	42.2	46.9	52.2	58.0
Less: Consumption of fixed capital:												
Defense	60.6	60.5	60.3	61.4	63.7	67.8	72.0	76.2	81.7	85.4	89.6	93.3
Nondefense	26.6	28.0	28.6	29.0	29.7	31.3	33.0	34.8	36.5	40.1	40.6	41.1
Capital transfer payments	39.5	41.0	45.2	51.3	62.2	83.7	69.5	69.5	86.4	266.0	238.3	144.6
Net purchases of nonproduced assets	–0.2	–0.8	0.3	–*	0.1	–0.7	–0.3	–13.9	–10.0	–16.9	–0.2	–3.6
Total expenditures	**1888.5**	**1985.0**	**2120.8**	**2283.0**	**2427.0**	**2622.7**	**2785.5**	**2910.6**	**3175.1**	**3625.3**	**4141.0**	**4128.6**
Net lending or net borrowing (–)	**186.0**	**72.5**	**–216.3**	**–400.9**	**–438.7**	**–351.3**	**–266.6**	**–241.4**	**–608.8**	**–1347.5**	**–1723.7**	**–1321.7**

* $50 million or less.

Federal Sector Current Expenditures

Table 28–1 shows the five major NIPA categories for current expenditures and five subcategories, which differ greatly from the corresponding budget categories.

Government consumption expenditures consist of goods and services purchased by the Federal Government, including compensation of employees and depreciation on fixed capital. Gross investment (shown among the addendum items in Table 28–1) is thus excluded from current expenditures and does not figure in computing net Government saving on a NIPA basis, whereas depreciation—charges on federally-owned fixed capital ("consumption of general government fixed capital")—is included. The NIPAs treat State and local investment and capital consumption in the same way—regardless of the extent to which it is financed with Federal aid (capital transfer payments) or from State and local own-source receipts.

Although gross investment is not included in Government current expenditures, Government gross investment is included in total GDP along with current consumption expenditures (including depreciation), which makes the treatment of the government sector in the NIPAs similar to that of the private sector. Investment includes structures, equipment, and computer software.

The largest expenditure category consists mainly of current transfer payments for Government income security and health benefits, such as Social Security and Medicare. Payment of pension benefits to former Government employees is not included, as explained previously. Grants-in-aid to State and local governments help finance a range of programs, including income security, Medicaid, and education (but capital transfer payments for construction of highways, airports, waste-water treatment plants, and mass transit are excluded). "Current transfer payments to the rest of the world (net)" consists mainly of grants to foreign governments and U.S. territories.

Interest payments consist of the interest paid by the Government on its debt (excluding debt held by trust funds, other than Federal employee pension plans; and other Government accounts). Where the budget nets interest received on loans against outlays, the NIPAs treat it as current receipts.

Subsidies consist of subsidy payments for resident businesses (excluding subsidies for investment). NIPA subsidies do not include the imputed credit subsidies estimated as budget outlays under credit reform. Rather, as explained previously loans and guarantees are excluded from the NIPAs except for associated interest and fees.

Wage disbursements less accruals is an adjustment that is necessary to the extent that the wages paid in a period differ from the amount earned in the period.

Table 28–2. RELATIONSHIP OF THE BUDGET TO THE FEDERAL SECTOR, NIPAs

Description	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Estimate 2010	Estimate 2011
RECEIPTS												
Budget receipts	2025.2	1991.1	1853.1	1782.3	1880.1	2153.6	2406.9	2568.0	2524.0	2105.0	2165.1	2567.2
Contributions to government employee retirement plans	–4.8	–4.7	–4.6	–4.6	–4.6	–4.5	–4.4	–4.3	–4.2	–4.1	–4.4	–4.3
Capital transfers received	–28.8	–28.2	–26.4	–21.7	–24.7	–24.6	–27.7	–25.8	–28.6	–23.2	–16.8	–24.8
Other coverage differences	–4.9	–4.6	–5.6	–5.7	–6.6	–7.1	–7.4	–7.3	–8.4	–7.5	–7.9	–8.1
Netting and grossing	71.9	70.0	79.4	87.4	91.7	97.8	111.2	119.9	133.2	151.1	204.7	180.9
Timing differences	–12.9	5.7	–17.9	22.6	27.7	31.6	12.6	–7.2	–78.3	33.4	59.9	71.1
NIPA current receipts	**2045.7**	**2029.3**	**1878.1**	**1860.3**	**1963.7**	**2246.9**	**2491.2**	**2643.4**	**2537.7**	**2254.5**	**2400.6**	**2782.1**
EXPENDITURES												
Budget outlays	1789.0	1862.9	2010.9	2159.9	2292.9	2472.0	2655.1	2728.7	2982.6	3517.7	3720.7	3833.9
Government employee retirement plan transactions	31.4	31.7	33.6	33.0	33.2	38.9	41.6	39.9	52.6	34.7	57.8	62.4
Deposit insurance and other financial transactions	–11.9	–7.3	–9.2	–1.8	–0.9	–0.5	–9.8	–13.8	–61.8	–356.9	–142.2	–151.6
Capital transfer payments	–35.3	–41.0	–45.1	–45.7	–46.8	–65.1	–51.8	–53.1	–58.3	–236.2	–202.5	–107.5
Net purchases of nonproduced assets	0.2	0.8	–0.3	-*	–0.1	0.7	0.3	13.9	10.0	16.9	0.2	3.6
Net investment	5.8	7.9	0.3	–4.7	–7.3	–9.5	–13.6	–15.2	–22.8	–33.4	–49.9	–56.2
Other coverage differences	13.8	18.3	10.6	–2.1	–8.4	–12.7	–23.7	9.1	19.6	241.1	262.7	178.8
Netting and grossing differences	71.9	70.0	79.4	87.4	91.7	97.8	111.2	119.9	133.2	151.1	204.7	180.9
Timing differences	–9.7	9.3	–4.7	1.1	3.1	8.6	–6.5	10.3	20.8	7.9	1.5	–13.0
NIPA current expenditures	**1855.0**	**1952.8**	**2075.6**	**2227.0**	**2357.4**	**2530.2**	**2702.7**	**2839.7**	**3075.9**	**3342.7**	**3853.0**	**3931.4**
ADDENDUM												
Budget surplus or deficit (–)	236.2	128.2	–157.8	–377.6	–412.7	–318.3	–248.2	–160.7	–458.6	–1412.7	–1555.6	–1266.7
NIPA net Federal Government saving	190.7	76.5	–197.5	–366.7	–393.8	–283.4	–211.5	–196.4	–538.2	–1088.2	–1452.4	–1149.4

* $50 million or less.

Differences in the Estimates

Since the introduction of the unified budget in January 1968, NIPA current receipts have been greater than budget receipts in most years. This is due principally to grossing differences and the fact that estate and gift taxes, which the NIPAs exclude as capital transfers, have been roughly matched by Medicare premiums, which the NIPAs include as a governmental receipt, but the budget treats as an offsetting receipt that is netted against the outlay total. Since 1986, NIPA current expenditures have usually been higher than budget outlays (from which the Medicare premiums and employer retirement contributions are netted out as offsetting receipts), despite the omission from NIPA expenditures of capital transfer grants and pension benefit payments to former Government employees.

Two components of budget outlays, however, are sometimes sufficiently large in combination to exceed the usual netting and grossing adjustments. These are financial transactions and net investment (the difference between gross investment and depreciation). Large outlays associated with resolving the failed savings and loan associations and banks in 1990 and 1991 caused those year's budget outlays to exceed NIPA current expenditures. With the change in budgetary treatment of direct loans in 1992 under credit reform, the cost of direct loans to the public recorded in the budget has been reduced, bringing it closer to the NIPA treatment. Disbursement and repayment of loans made since that time are recorded outside the budget; only credit subsidies are recorded as budget outlays, unlike the NIPAs which do not include this element of government expenditure.

Every year during the period 1976–1992, the budget deficit showed a larger fiscal imbalance than the amount of (negative) net Federal Government saving as measured in the NIPAs. The largest difference, $74.1 billion, occurred in 1991 as a result of resolving failed financial institutions as discussed above; the budget deficit was then $269.2 billion, while the NIPA net Government saving was $195.1 billion. Beginning in 1992, deposit insurance and other financial transactions caused the relationship to change, and in 1992–2002, the budget deficit or surplus showed a more positive fiscal picture than the NIPA measure, with NIPA (negative) net Federal Government saving exceeding in magnitude the budget deficit when the budget was in deficit and (positive) net Federal Government saving falling short of the budget surplus during the years the budget was in surplus. The budget measure was more positive again in 2007 and 2008 due to sales of nonproduced assets and unusual swings in timing differences and financial transactions those years. For 2003–2006, and for 2009, however, the budget deficit was once again larger than NIPA net Federal Government saving, largely due to timing differences and financial transactions. For 2009, the difference was historically high, $324 billion, due primarily to differing treatment of TARP and other financial stabilization measures (see text box); and it is expected to remain high in 2010 and 2011.

Table 28–1 displays Federal transactions using NIPA concepts with actual data for 2000–2009 and estimates for 2010 and 2011 consistent with the Administration's Budget proposals. Table 28–2 summarizes the reasons for differences between the NIPA and budget measures. Annual NIPA data for 1948–2011 are published in Section 14 of a separate budget volume, *Historical Tables, Budget of the U.S. Government, Fiscal Year 2011*.

Detailed estimates of NIPA current receipts and expenditures consistent with the Budget and including quarterly estimates will be published in a forthcoming issue of the Department of Commerce publication, *Survey of Current Business* and on the Bureau of Economic Analysis website at *www.bea.gov.*

29. COMPARISON OF ACTUAL TO ESTIMATED TOTALS

In successive budgets, the Administration publishes several estimates of the surplus or deficit for a particular fiscal year. Initially, the year appears as an outyear projection at the end of the budget horizon. In each subsequent budget, the year advances in the estimating horizon until it becomes the "budget year." One year later, the year becomes the "current year" then in progress, and the following year, it becomes the just-completed "actual year."

The budget is legally required to compare budget year estimates of receipts and outlays with the subsequent actual receipts and outlays for that year. Part I of this chapter meets that requirement by comparing the actual results for 2009 with the current services estimates shown in the 2009 Budget, published in February 2008.

Part II of the chapter presents a broader comparison of estimates and actual outcomes. This part first discusses the historical record of budget year estimates versus actual results over the last two and a half decades. Second, it lengthens the focus to estimates made for each year of the budget horizon, extending four years beyond the budget year. This longer focus shows that the differences between estimates and the eventual actual results grow as the estimates extend further into the future.

PART I: COMPARISON OF ACTUAL TO ESTIMATED TOTALS FOR 2009

This part of the chapter compares the actual receipts, outlays, and deficit for 2009 with the current services estimates shown in the 2009 Budget, published in February 2008.[1] This part also presents a more detailed comparison for mandatory and related programs, and reconciles the actual receipts, outlays, and deficit totals shown here with the figures for 2009 previously published by the Department of the Treasury.

Receipts

Actual receipts for 2009 were $2,105 billion, $710 billion less than the $2,815 billion current services estimate in the 2009 Budget (February 2008). As shown in Table 29–1, this decrease was the net effect of legislative and administrative changes, economic conditions that differed from what had been expected, and technical factors that resulted in different tax liabilities and collection patterns than had been assumed.

Policy differences. Several laws were enacted after February 2008 that reduced 2009 receipts by a net $222 billion. The largest net reductions in 2009 receipts were provided by the American Recovery and Reinvestment Act of 2009, the Economic Stimulus Act of 2008, and the Emergency Economic Stabilization Act of 2008, Energy Improvement and Extension Act of 2008, and Tax Extenders and Alternative Minimum Tax Relief Act of 2008.

Economic differences. Differences between the economic assumptions upon which the current services estimates were based and actual economic performance reduced 2009 receipts by $267 billion below the February 2008 estimate. Lower-than-anticipated wages and salaries and other sources of taxable personal income were in large part responsible for the reduction in individual income taxes of $151 billion. Lower-than-anticipated gross domestic product (GDP) and other economic measures that affect the profitability of corporations reduced corporation income taxes $13 billion below the February 2008 estimate. Lower-than-anticipated wages and salaries and proprietors' income—the tax base for Social Security and Medicare payroll taxes—were in large part responsible for the reduction in social insurance and retirement receipts of $78 billion. Lower-than-anticipated imports reduced collections of customs duties by $9 billion. Reductions in deposits of earnings by the Federal Reserve System, attributable in large part to lower-than-expected interest rates, were responsible for the $12 billion reduction in miscellaneous receipts. Differences between anticipated and actual economic performance reduced other sources of receipts by $5 billion.

Technical factors. Technical factors, which had the greatest effect on collections of individual and corporation income taxes, reduced receipts by a net $221 billion below the February 2008 current services estimate. The models used to prepare the February 2008 estimates of individual and corporation income taxes were based on historical economic data and then-current tax and collections data that were all subsequently revised. These revisions indicated that sources of income that are not part of the economic forecast, but subject to tax, such as capital gains and pensions, were lower than expected at the time the February 2008 estimates were prepared. These revisions also indicated that for most sources of income subject to individual and corporation income

[1] The current services concept is discussed in Chapter 26, "Current Services Estimates." For mandatory programs and receipts, the February 2008 current services estimate was based on laws then in place, adjusted to reflect extension of certain expiring provisions in the 2001 and 2003 tax acts. For discretionary programs the current services estimate was based on the current year estimates, excluding one-time emergency appropriations, adjusted for inflation.

taxes, both the percentage that was subject to tax and the effective tax rate on the portion subject to tax were lower than anticipated. The revisions also indicated that the timing of the payment of tax liability was different from what had been assumed. These revisions in economic, tax, and collections data and their effect on income tax liability and the timing of collections, relative to what was assumed when the February 2008 estimates were prepared, accounted for the reductions in individual and corporation income taxes of $99 billion and $143 billion, respectively. Technical factors affecting collections of other sources of receipts were much smaller and increased collections by a net $21 billion. Specifically, shortfalls in collections of excise taxes and estate and gift taxes totaling $12 billion were offset by higher-than-estimated collections of social insurance and retirement receipts, customs duties and miscellaneous receipts totaling $33 billion. Higher-than-expected deposits of earnings by the Federal Reserve System, attributable to higher-than-expected returns on its investment portfolio and its foreign currency holdings, accounted for $16 billion of the increase in miscellaneous receipts. A reclassification of gifts and donations from miscellaneous receipts to offsetting receipts also affected miscellaneous receipts, reducing collections by $0.3 billion.

Outlays

Outlays for 2009 were $3,518 billion, $525 billion more than the $2,993 billion current services estimate in the 2009 Budget (February 2008).

Table 29–2 distributes the $525 billion net increase in outlays among discretionary and mandatory programs and net interest.[2] The table also makes rough estimates according to three reasons for the changes: policy; economic conditions; and technical estimating differences, a residual.

[2] Discretionary programs are controlled by annual appropriations, while mandatory programs are generally controlled by authorizing legislation. Mandatory programs are mostly formula benefit or entitlement programs with permanent spending authority that depend on eligibility criteria, benefit levels, and other factors.

Policy changes are the result of legislative actions that change spending levels, primarily through higher or lower appropriations or changes in authorizing legislation, which may themselves reflect responses to changed economic conditions. For 2009, policy changes increased outlays by an estimated $603 billion relative to the initial current services estimates.

Policy changes increased discretionary outlays by $239 billion. The increase in defense discretionary outlays of $156 billion largely resulted from enactment of emergency supplemental appropriations for combat operations in Iraq and Afghanistan in 2008 and 2009. The February 2008 current services estimates reflected only the part-year funding for 2008 that had been enacted at that point, and included no allowance for funding for 2009. The increase in nondefense discretionary outlays of $82 billion largely resulted from enactment of the American Recovery and Reinvestment Act of 2009.

Policy changes increased mandatory outlays by a net $362 billion above current law. This increase largely reflects $151 billion of net outlays for the Troubled Asset Relief Program enacted in the Emergency Economic Stabilization Act of 2008; $87 billion of net outlays for Fannie Mae and Freddie Mac transactions authorized by the Housing and Economic Recovery Act of 2008; a $44 billion increase in Medicare and Medicaid outlays enacted in the Medicare Improvements for Patients and Providers Act of 2008 and the American Recovery and Reinvestment Act of 2009; a $32 billion increase in unemployment compensation outlays enacted in the Supplemental Appropriations Act of 2008, the Unemployment Compensation Extension Act of 2008, and the American Recovery and Reinvestment Act of 2009; $14 billion of economic recovery payments to individuals enacted in the American Recovery and Reinvestment Act of 2009; and other increases in mandatory outlays, largely economic stimulus rebates and refundable tax credits to individuals. Debt service costs associated with the policy receipt and outlay changes were $2 billion.

Economic conditions that differed from those forecast in February 2008 resulted in a net decrease in outlays of $33 billion. This change largely reflected an $18 bil-

Table 29–1. COMPARISON OF ACTUAL 2009 RECEIPTS WITH THE INITIAL CURRENT SERVICES ESTIMATES

	February 2008 estimate	Enacted legislation/ administrative actions	Different economic conditions	Technical factors	Net change	Actual
Individual income taxes	1,337	–171	–151	–99	–422	915
Corporation income taxes	348	–55	–13	–143	–210	138
Social insurance and retirement receipts	955	–1	–78	14	–64	891
Excise taxes	69	5	–2	–10	–7	62
Estate and gift taxes	26	1	–3	–1	–3	23
Customs duties	31	–1	–9	1	–9	22
Miscellaneous receipts	48	–1	–12	18	4	52
Total receipts	2,815	–222	–267	–221	–710	2,105

Table 29–2. COMPARISON OF ACTUAL 2009 OUTLAYS WITH THE INITIAL CURRENT SERVICES ESTIMATES
(In billions of dollars)

	Current Services (Feb. 2008)	Changes				Actual
		Policy	Economic	Technical	Total changes	
Discretionary:						
Defense	560	156	....	–60	96	657
Nondefense	531	82	....	–32	50	581
Subtotal, discretionary	1,092	239	....	–92	146	1,238
Mandatory:						
Social Security	645	13	12	8	33	678
Medicare and Medicaid	638	44	3	–9	38	676
Other programs	370	305	36	28	369	739
Subtotal, mandatory	1,653	362	51	28	440	2,093
Net interest	249	2	–84	20	–62	187
Total outlays	2,993	603	–33	–45	525	3,518

lion increase in unemployment compensation and a $13 billion increase in food and nutrition assistance due to higher-than-expected unemployment rates and a $12 billion increase in Social Security benefits due to higher cost-of-living adjustments, which were more than offset by an $84 billion decrease in net interest due to lower-than-expected interest rates.

Technical estimating factors resulted in a net decrease in outlays of $45 billion. Technical changes result from changes in such factors as the number of beneficiaries for entitlement programs, crop conditions, or other factors not associated with policy changes or economic conditions. Outlays for discretionary programs decreased by $92 billion, because appropriations for both defense and nondefense programs were spent more slowly than expected. Outlays for mandatory programs increased a net $28 billion, largely due to higher-than-anticipated outlays for unemployment compensation and deposit insurance, which were partially offset by lower-than-expected subsidy costs for the Federal Family Education Loan and Direct Student Loan Programs. The net change in mandatory outlays also includes a conceptual change with a relatively small budgetary impact, reclassifying $0.3 billion of gifts and donations from governmental receipts to offsetting receipts, which net against mandatory outlays. Net interest outlays increased by $20 billion due to technical factors compared to the February 2008 estimates.

Deficit

The preceding two sections discussed the differences between the initial current services estimates and the actual amounts of Federal Government receipts and outlays for 2009. This section combines these effects to show the net deficit impact of these differences.

As shown in Table 29–3, the 2009 current services deficit was initially estimated to be $178 billion. The actual deficit was $1,413 billion, which was a $1,235 billion increase from the initial estimate. Receipts were $710 billion less than the initial estimate and outlays were $525 billion more. The table shows the distribution of the changes according to the categories in the preceding two sections.

The net effect of policy changes for receipts and outlays increased the deficit by $825 billion. Economic conditions that differed from the initial assumptions in February 2008 accounted for an estimated $234 billion increase in the deficit. Technical factors increased the deficit by an estimated $176 billion.

Comparison of the Actual and Estimated Outlays for Mandatory and Related Programs for 2009

This section compares the original 2009 outlay estimates for mandatory and related programs under current law in the 2009 Budget (February 2008) with the ac-

Table 29–3. COMPARISON OF THE ACTUAL 2009 DEFICIT WITH THE INITIAL CURRENT SERVICES ESTIMATE
(In billions of dollars)

	Current Services (Feb. 2008)	Changes				Actual
		Policy	Economic	Technical	Total changes	
Receipts	2,815	–222	–267	–221	–710	2,105
Outlays	2,993	603	–33	–45	525	3,518
Deficit	178	825	234	176	1,235	1,413

Note: Deficit changes are outlays minus receipts. For these changes, a positive number indicates an increase in the deficit.

Table 29–4. COMPARISON OF ACTUAL AND ESTIMATED OUTLAYS FOR MANDATORY AND RELATED PROGRAMS UNDER CURRENT LAW

(In billions of dollars)

	2009		
	Feb. 2008 estimate	Actual	Change
Mandatory outlays:			
Human resources programs:			
Education, training, employment, and social services	10	–22	–32
Health:			
Medicaid	218	251	33
Other	26	27	*
Total, health	244	278	34
Medicare	420	425	5
Income security:			
Retirement and disability	121	126	5
Unemployment compensation	37	119	82
Food and nutrition assistance	56	72	16
Other	129	153	24
Total, income security	343	470	126
Social security	645	678	33
Veterans benefits and services:			
Income security for veterans	45	46	1
Other	3	3	–*
Total, veterans benefits and services	48	49	1
Total, mandatory human resources programs	1,710	1,877	167
Other functions:			
Agriculture	14	16	2
International	–2	–6	–3
Mortgage credit	–3	101	104
Deposit insurance	–3	23	26
Other advancement of commerce (includes the Troubled Asset Relief Program)	12	162	150
Other functions	6	13	7
Total, other functions	23	309	286
Undistributed offsetting receipts:			
Employer share, employee retirement	–68	–71	–3
Rents and royalties on the outer continental shelf	–10	–5	5
Other undistributed offsetting receipts	–2	–17	–15
Total, undistributed offsetting receipts	–80	–93	–13
Total, mandatory	1,653	2,093	440
Net interest:			
Interest on Treasury debt securities (gross)	476	383	–93
Interest received by trust funds	–209	–182	27
Other interest	–18	–15	4
Total, net interest	249	187	–62
Total, outlays for mandatory and net interest	1,902	2,280	378

* $500 million or less.

tual outlays. Major examples of these programs include Social Security and Medicare benefits, agricultural price support payments to farmers, and deposit insurance for banks and thrift institutions. This category also includes net interest outlays and undistributed offsetting receipts.

A number of factors may cause differences between the amounts estimated in the budget and the actual mandatory outlays. For example, legislation may change benefit rates or coverage; the actual number of beneficiaries may differ from the number estimated; or economic conditions (such as inflation or interest rates) may differ from what was assumed in making the original estimates.

Table 29–4 shows the differences between the actual outlays for these programs in 2009 and the amounts originally estimated in the 2009 Budget, based on laws in effect at that time. Actual outlays for mandatory spending and net interest in 2009 were $2,280 billion, which was $378 billion more than the initial estimate of $1,902 billion, based on existing law in February 2008.

As Table 29–4 shows, actual outlays for mandatory human resources programs were $1,877 billion, $167 billion more than originally estimated. This increase was the net effect of legislative action, differences between actual and assumed economic conditions, differences between the anticipated and actual number of beneficiaries, and other technical differences. Most significantly, outlays for unemployment compensation increased by $82 billion, largely due to extensions of benefits enacted in 2008 and 2009 and higher-than-expected unemployment rates. Outlays for programs in other functions were $286 billion more than originally estimated, largely due to outlays for the Troubled Asset Relief Program, Fannie Mae and Freddie Mac preferred stock purchases, and higher-than-expected outlays for deposit insurance. Undistributed offsetting receipts were on net $13 billion higher than the original estimate.

Outlays for net interest were $187 billion or $62 billion less than the original estimate. As shown on Table 29-4, interest payments on Treasury debt securities decreased by $93 billion due to lower-than-expected interest rates, which was partially offset by lower interest receipts by trust funds and other interest accounts.

Reconciliation of Differences with Amounts Published by the Treasury for 2009

Table 29–5 provides a reconciliation of the receipts, outlays, and deficit totals published by the Department of the Treasury in the September 2009 Monthly Treasury Statement (MTS) and those published in this Budget. The Department of the Treasury made adjustments to the estimates for the Combined Statement of Receipts, Outlays, and Balances, which increased receipts by $1 million and decreased outlays by $35 million. Additional adjustments for this Budget increased receipts by $381 million and decreased outlays by $4,018 million. Several financial transactions that are not reported to the Department of the Treasury, including those for the Public Company Accounting Oversight Board, the Affordable Housing Program, the Securities Investor Protection Corporation, the Electric Reliability Organization, and the United Mine Workers of America benefit funds, are included in the Budget. Another conceptual difference in reporting is for the National Railroad Retirement Investment Trust (NRRIT). Reporting to the Department of the Treasury for the NRRIT is done with

Table 29–5. RECONCILIATION OF FINAL AMOUNTS FOR 2009
(in millions of dollars)

	Receipts	Outlays	Deficit
Totals published by Treasury (September 30 MTS)	2,104,613	3,521,734	1,417,121
Miscellaneous Treasury adjustments	1	–35	–36
Totals published by Treasury in Combined Statement	2,104,614	3,521,699	1,417,085
National Railroad Retirement Investment Trust	....	–3,535	–3,535
Exchange Stabilization Fund, Money Market Mutual Fund Guaranty Facility	....	–1,100	–1,100
Interest on Treasury Debt Securities	....	–293	–293
Public Company Accounting Oversight Board	157	149	–8
Affordable Housing Program	152	152	....
Securities Investor Protection Corporation	130	641	511
Electric Reliability Organization	100	100	....
United Mine Workers of America benefit funds	69	55	–14
Reclassification of Gifts and Donations from Governmental to Offsetting Receipts	–251	–251	....
Other	24	64	40
Total adjustments, net	381	–4,018	–4,399
Totals in the budget	2,104,995	3,517,681	1,412,686
MEMORANDUM:			
Total change since year-end statement	382	–4,053	–4,435

a one-month lag so that the fiscal year total provided in the Treasury Combined Statement covers September 2008 through August 2009. The Budget has been adjusted to reflect transactions that occurred during the actual fiscal year, which begins October 1. The Budget also reflects agency adjustments to outlays reported to Treasury after preparation of the Treasury Combined Statement. These backdated adjustments included transactions for the Exchange Stabilization Fund Money Market Mutual Fund Guaranty Facility and the Interest on Treasury Debt Securities, a reclassification of gifts and donations from governmental to offsetting receipts, and other smaller receipt and outlay adjustments.

PART II: HISTORICAL COMPARISON OF ACTUAL TO ESTIMATED SURPLUSES OR DEFICITS

This part of the chapter compares estimated surpluses or deficits to actual outcomes over the last two and a half decades. The first section compares the estimate for the budget year of each budget with the subsequent actual result. The second section extends the comparison to the estimated surpluses or deficits for each year of the budget window: that is, for the current year through the fourth year following the budget year. This part concludes with some observations on the historical record of estimates of the surplus or deficit versus the subsequent actual outcomes.

Historical Comparison of Actual to Estimated Results for the Budget Year

Table 29–6 compares the estimated and actual surpluses or deficits since the deficit estimated for 1982 in the 1982 Budget. The estimated surpluses or deficits for each budget include the Administration's policy proposals. Therefore, the original deficit estimate for 2009 differs from that shown in Table 29–3, which is on a current services basis. Earlier comparisons of actual and estimated surpluses or deficits were on a policy basis, so for consistency the figures in Table 29–6 are on this basis.

On average, the estimates for the budget year underestimated actual deficits (or overestimated actual surpluses) by $55 billion over the 28-year period. Policy outcomes that differed from the original proposals increased the deficit by an average of $61 billion. Differences between economic assumptions and actual economic performance increased the deficit an average of $22 billion. Differences due to these two factors were partly offset by technical revisions, which reduced the deficit an average of $28 billion.

The relatively small average difference between actual and estimated deficits conceals a wide variation in the differences from budget to budget. The differences ranged from a $1,005 billion underestimate of the deficit to a $192 billion overestimate. The $1,005 billion underestimate in the 2009 Budget was due largely to enactment of several housing and economic stabilization and recovery legislation in response to weak economy, lower 2009 receipts due to weak economic performance, and emergency supplemental appropriations for combat operations in Iraq and Afghanistan in 2008 and 2009. The $192 billion overestimate of the deficit in the 2007 Budget stemmed largely from higher-than-anticipated collections of individual and corporation income taxes due to different collection patterns and effective tax rates than initially assumed, as well as lower-than-expected outlays due to technical factors.

Because the average deficit difference obscures the degree of under- and overestimation in the historical data, a more appropriate statistic to measure the magnitude of the differences is the average absolute difference. This statistic measures the difference without regard to whether it was an under- or overestimate. Since 1982, the average absolute difference has been $139 billion.

Other measures of variability include the standard deviation and the root mean squared error. These measures calculate the dispersion of the data around the average value. As shown in Table 29-6, the standard deviation of the deficit differences since 1982 is $233 billion and the root mean squared error is $239 billion. Like the average absolute difference, these measures illustrate the high degree of variation in the difference between estimates and actual deficits.

The large variability in errors in estimates of the surplus or deficit for the budget year underscores the inherent uncertainties in estimating the future path of the Federal budget. Some estimating errors are unavoidable, because of differences between the President's original budget proposals and the legislation that Congress subsequently enacts. Occasionally such differences are huge, such as additional spending in 2002 for disaster recovery, homeland security, and military operations in Afghanistan in response to the terrorist attacks of September 11, 2001, which were obviously not anticipated in the Budget submitted in February 2001. Even aside from differences in policy outcomes, errors in budget estimates can arise from new economic developments, unexpected changes in program costs, shifts in taxpayer behavior, and other factors. The budget impact of changes in economic assumptions is discussed further in Chapter 3 of this volume, "Interactions Between the Economy and the Budget."

Table 29–6. COMPARISON OF ESTIMATED AND ACTUAL SURPLUSES OR DEFICITS SINCE 1982

(In billions of dollars)

Budget	Surplus (–) or deficit (+) estimated for budget year[1]	Differences due to			Total difference	Actual surplus (–) or deficit (+)
		Enacted legislation	Economic factors	Technical factors		
1982	62	–15	70	11	66	128
1983	107	12	67	22	101	208
1984	203	21	–38	*	–17	185
1985	195	12	17	–12	17	212
1986	180	8	27	7	41	221
1987	144	–2	16	–8	6	150
1988	111	9	19	16	44	155
1989	130	22	–10	11	23	153
1990	91	21	31	79	131	221
1991	63	–21	85	143	206	269
1992	281	36	21	–48	9	290
1993	350	8	13	–115	–95	255
1994	264	8	–16	–52	–61	203
1995	165	18	–1	–18	–1	164
1996	197	–6	–53	–30	–89	107
1997	140	–1	4	–121	–118	22
1998	121	9	–48	–151	–190	–69
1999	–10	22	–56	–82	–116	–126
2000	–117	42	–88	–73	–119	–236
2001	–184	129	–32	–41	56	–128
2002	–231	104	201	84	389	158
2003	80	86	34	177	297	378
2004	307	122	22	–39	105	413
2005	364	67	11	–123	–45	318
2006	390	141	–6	–277	–142	248
2007	354	85	–7	–270	–192	162
2008	239	165	98	–44	219	459
2009	407	595	234	176	1,005	1,413
Average		61	22	–28	55	
Absolute average[2]		64	47	80	139	
Standard deviation		117	70	108	233	
Root mean squared error		131	73	111	239	

* $500 million or less.

[1] Surplus or deficit estimate includes the effect of the Budget's policy proposals.

[2] Absolute average is the average without regard to sign.

Five-Year Comparison of Actual to Estimated Surpluses or Deficits

The substantial difference between actual surpluses or deficits and the budget year estimates made less than two years earlier raises questions about the degree of variability for estimates of years beyond the budget year. Table 29–7 shows the summary statistics for the differences for the current year (CY), budget year (BY), and the four succeeding years (BY+1 through BY+4). These are the years that are required to be estimated in the budget by the Budget Enforcement Act of 1990.

On average, the budget estimates since 1982 overstated the deficit in the CY by $25 billion, but underestimated the deficit in the BY by $55 billion. The budget estimates understated the deficit in the years following, by amounts growing from $105 billion for BY+1 to $195 billion for BY+4. While these results suggest a tendency to underestimate deficits toward the end of the budget horizon, the averages are not statistically different from zero in light of the high variation in the data. Chapter 3 of this volume, "Interactions Between the Economy and the Budget," further discusses the variability in the difference between estimated and actual deficits over the budget horizon and includes Chart 3-2, which is based on the variability measures shown in Table 29-7.

Table 29–7. DIFFERENCES BETWEEN ESTIMATED AND ACTUAL SURPLUSES OR DEFICITS FOR FIVE-YEAR BUDGET ESTIMATES SINCE 1982

(In billions of dollars)

	Current year estimate	Budget year estimate	Estimate for budget year plus			
			One year (BY+1)	Two years (BY+2)	Three years (BY+3)	Four years (BY+4)
Average difference [1]	–25	55	105	137	168	195
Average absolute difference [2]	58	139	192	237	272	307
Standard deviation	70	233	299	322	331	343
Root mean squared error	75	239	317	350	371	388

[1] A positive figure represents an underestimate of the deficit or an overestimate of the surplus.

[2] Average absolute difference is the difference without regard to sign.

30. BUDGET AND FINANCIAL REPORTING

The budget is a plan for proposing, allocating, and controlling financial resources of the Federal Government and the primary mechanism for reporting fiscal results. The annual President's Budget proposes a fiscal plan for the current year and the coming budget year, includes projections for subsequent years, and reports budget results for prior fiscal years. Budget reporting also occurs throughout the year with the *Monthly Treasury Statement*, culminating in the first report of fiscal-year-end results in the September *Monthly Treasury Statement*. A second source of financial information for the Government is the annual *Financial Report of the U.S. Government*. The *Financial Report* provides information on the Government's financial position and condition at the end of the prior fiscal year. Financial reporting and budget reporting use much of the same underlying data pertaining to agency financial transactions, but financial reports[1] compile the data using different methods and present the data using different formats,[2] as explained in this chapter.

Although not discussed in this chapter, a third source of Government financial information is the Integrated Macroeconomic Accounts, which are a series of accounts that relate flows of production, income, saving, and investment to financial holdings and physical capital stocks for the major sectors of the U.S. economy.[3] Federal Government financial transactions are included in the government sector of the Integrated Accounts. The Integrated Accounts combine the national income and product accounts with the flow of funds accounts,[4] and the treatment of Federal transactions under national income and product accounting and under budgetary accounting is compared in Chapter 28 of this volume, "National Income and Product Accounts."

The Purpose of Budget and Financial Reporting

In a democracy, the Government's sovereign authority to tax and to allocate the proceeds of those taxes to public purposes requires that the Government be accountable to the public for its use of tax dollars and that it be transparent in its activities. Accountability requires reporting the amount of money raised by taxation and other means, the programs on which the money was spent, and whether the money was spent in accordance with the requirements of appropriations, authorizing, and other applicable laws. In addition, accountability requires the Government to report balances for, among other things, cash on hand and other financial assets and dedicated funds,[5] and to report on its borrowing needs.

In addition to providing information about how financial resources are obtained and used, accountability requires that the Government provide information about its operating performance. This includes information about the costs and results of Government programs and activities, and the degree to which their performance was efficient or effective. Chapters 7, 8, and 9 of this volume, "Delivering High-Performance Government," "Program Evaluation," and "Benefit-Cost Analysis," provide more information about the Government's operating performance and issues related to measuring performance. Unlike a private entity, Government performance cannot be summed up in a single measure such as profit or loss found on the income statement or net position found on the balance sheet.

The budget and financial reports provide information that the citizenry can use to hold the Government accountable, reporting on how and how well the Government has obtained, used, and managed its financial and other resources. The budget and financial reports seek to provide information in a transparent manner. Transparency is an important element of accountability, which addresses past actions, and transparency is equally important when looking to the future. Future plans can only be evaluated based on how clearly and how completely they are explained.

As a financial plan, the President's Budget contains detailed information about the Government's fiscal policies for the coming fiscal year and the 10-year budget window. In addition, the Budget provides long-term, 75-year information about projected spending and projected receipts. The financial report also contains information about the Government's long-run fiscal condition, showing projections of long-run sustainability and detailed information about social insurance[6] programs. The detailed historical

[1] As used in this chapter, "*Financial Report*" refers to the *Financial Report of the United States Government*, which is the consolidated financial report for the Executive Branch and some Legislative and Judicial Branch entities, and "financial reports" refer to both the *Financial Report* and the Agency Financial Reports or the Performance and Accountability Reports issued by Executive Branch agencies. The *Financial Report* is issued by the Department of the Treasury in coordination with the Office of Management and Budget.

[2] Federal financial reporting is governed by statements issued by the Federal Accounting Standards Advisory Board (FASAB).

[3] The Integrated Accounts follow the guidelines of the System of National Accounts 1993, and are prepared jointly by the Bureau of Economic Analysis and the staff of the Board of Governors of the Federal Reserve.

[4] The National Income and Product Accounts show production, income, and expenditures for each sector of the economy and how these measures relate to wealth. Flow of funds accounts show financial flows (in the form of borrowing, lending, and investment) through the sectors of the economy.

[5] In this chapter, "dedicated" refers to those Government collections that are designated for a particular purpose; the collections may be voluntary or compulsory, and include collections in trust, special, and revolving funds.

[6] As used in this chapter, "social insurance" refers to Social Security, Medicare, Unemployment Insurance, Railroad Retirement, and the Black Lung Programs.

and projected information contained in the Budget and the financial reports provide the public with transparent information about the Government's financial activities.

The Budget

As noted above, the budget serves as both a forward-looking planning tool and a backward-looking accountability report. To serve these dual purposes, the President's Budget contains both budget projections and historical budget data. The budget projections and historical data contain measures that represent flows or amounts over a period of time (usually a year) and measures that represent stocks or amounts at a point in time. In addition, the budget includes measures that are recorded on cash and accrual bases of accounting, with cash-based transactions recorded when cash is either paid or received regardless of when the transaction occurs, and accrual-based transactions recorded when the transaction occurs regardless of when the cash is exchanged.

Measures

Budget measures that represent flows include budget authority, obligations, outlays, receipts, and the deficit or surplus. Budget measures that represent a stock include debt held by the public, debt net of financial assets, and gross Federal debt

Budget authority is the amount of resources made available for use during a given period, usually a year. Obligations are the legal commitments incurred during a year. Both budget authority and obligations can be viewed as accrual measures, as the term "accrual" is described above, in that budget authority and obligations are recorded when a transaction occurs, rather than when cash is actually received or paid out by the Government. Outlays are the liquidation or payment of obligations during a year, and are measured primarily on a cash basis.[7] Receipts are inflows of financial resources to the Government during a year, and are measured on a cash basis. Because the deficit or surplus is the difference between outlays and receipts for a given year, it represents an annual flow and is measured primarily on a cash basis, as are outlays and receipts. In contrast to all of these measures that represent flows, the debt held by the public is a stock measure and it can be viewed as the accumulation of past deficits less past surpluses; it is measured on an amortized cost basis. Chapter 11 of this volume, "Budget Concepts," and Chapter 6 of this volume, "Federal Borrowing and Debt," contain more complete definitions of these concepts.

The President's Budget presents budget authority, obligations, and outlays and receipts at a summary level, for example, for the Government as a whole and by agency. In addition, the Budget presents all four of these measures at a very detailed level, by program, activity, and account. In addition to summary and detailed budget data, the Budget presents total obligations by object class and total budget authority and outlays by function and subfunction. The Budget presents the deficit (or surplus) and debt held by the public (and other measures) in nominal and inflation-adjusted dollar amounts, and as a percent of gross domestic product (GDP).[8]

Summary and detailed data for budget authority, obligations, outlays, and receipts; object class data; and functional classification data are reported for the prior fiscal year, the current fiscal year, and the budget year. In addition, many of these measures are presented for the entire ten-year budget horizon, and the summary measures are presented historically, in the *Historical Tables* volume, and projected for 75 years in Chapter 5 of this volume, "Long-Term Budget Outlook."

Structure

The President's Budget is a multi-volume document,[9] consisting of the main *Budget* volume, the *Budget Appendix*, the *Analytical Perspectives* volume, the *Historical Tables*, the *Federal Credit Supplement*, other supplemental materials, and the Mid-Session Review. The main *Budget* volume is a textual summary of the budget, discussing the Administration's fiscal plan, including its policy and program priorities, and significant proposed changes to current law. The *Budget Appendix* contains the proposed appropriations language for each program, activity, or account that receives an appropriation, whether the appropriation is annual, biennial, or permanent. The *Analytical Perspectives* volume provides historical and cross-cutting analyses of the budget, and the *Historical Tables* volume reports historical data for summary budget measures; many are expressed in nominal and inflation-adjusted dollars and as a percent of GDP. The *Federal Credit Supplement* provides detailed information about the Government's loan and loan guar-

[7] Outlays for interest on debt held by the public are measured on an accrual basis rather than on a cash basis. Budget authority and obligations for interest are measured on an accrual basis, consistent with budget authority and obligations measures for most other programs. Budget authority, obligations, and outlays for loans and loan guarantees, or credit programs, are measured on a net present value basis with the present value of the cash outflows and inflows recorded when the loan or guarantee is made. A present value represents the value today of a future amount or amounts, reflecting the time value of money, and it can be used as an accrual measure. Present values are used in budgetary accounting to record the costs of credit programs and to estimate the actuarial costs of employee (defined-benefit) pension plans. From an agency perspective, payments toward Federal employee (defined-benefit and defined-contribution) pension plans are recorded on an accrual basis (with the actuarially accruing defined-benefit costs estimated by using present values). Agency payments to a defined-contribution plan such as the Thrift Savings Plan constitute Government outlays and are reflected in the deficit at the time the payments are made. In contrast, agency payments to a Government defined-benefit pension plan—such as Military Retirement or Civil Service Retirement—are recorded as collections by the plan trust funds and net to zero within the unified budget. As a consequence of this netting, only the defined-benefit payments to current retirees constitute outlays and are reflected in the deficit. From a government-wide perspective, payments for Federal employee defined-benefit pension plans are recorded on a cash basis.

[8] The deficit and debt, as well as other measures, are presented as a percent of gross domestic product because comparisons of these measures over time are best done by looking at these measures in relation to the size of the economy as a whole, as measured by GDP.

[9] Budget data reflect all three Branches of Government, but the Budget documents reflect proposals for the Executive Branch only.

antee programs that are governed by the Federal Credit Reform Act (FCRA). In addition to the documents that comprise the President's Budget, the budget transmittal to the Congress involves the transmittal of Congressional Budget Justifications for each agency subject to the appropriations process and of authorizing legislation in support of the President's Budget.

The Financial Reports

As noted above, financial reports are primarily an accountability tool. The financial reports are not plans per se, although they provide information that can be used in developing a fiscal plan. The *Financial Report* provides information about the Government's financial position at the end of the prior fiscal year, and how the financial position changed during the course of the fiscal year. In addition, like the Budget, the financial reports contain measures[10] that represent flows and stocks, and measures that are reported on modified-cash and accrual bases of accounting. The financial reports are used as, among other things, accountability documents by non-profit groups that monitor Government activities and as informational documents by agency staff.

Measures

The financial reporting measures that represent flows include revenues, expenses, and net operating cost, which is the difference between revenues and expenses. The measures that represent stocks include assets, liabilities, and net position, which is the difference between assets and liabilities. The most widely cited of these measures are the net operating cost and net position.

Less than ten percent of the Government's revenues are recognized on an accrual basis in the financial reports and the remainder, more than 90 percent of revenues, are recognized on a cash basis; overall, revenues are said to be recognized on a "modified-cash" basis of accounting. Assets (e.g., cash, other monetary assets, property, plant and equipment) are generally measured at historical cost, but some (e.g., debt and equity securities) are measured at fair market value. Expenses are measured on an accrual basis.

Net operating cost and net position are derived from revenues and expenses, and from assets and liabilities, respectively. Even though they are derived from measures (revenues) that are not pure accrual measures, both net operating cost and net position are generally considered to be accounted for on an accrual basis.

Structure

The *Financial Report* consists of six basic financial statements organized as follows: Statements of Net Cost, Statements of Operations and Changes in Net Position, Reconciliations of Net Operating Cost and Unified Budget Deficit, Statements of Changes in Cash Balance from Unified Budget and Other Activities, Balance Sheets, and the Statements of Social Insurance. Reported with the basic statements are required note disclosures. In addition, the *Financial Report* contains a Management's Discussion and Analysis section that summarizes the highlights of the statements, supplementary disclosures, and the auditor's report. The *Financial Report* is the governmentwide report for the Executive Branch, and contains some financial data from the Legislative and Judicial Branches.

Individual agencies produce Agency Financial Reports or Performance and Accountability Reports, which include financial information that is used to develop the *Financial Report* and program performance information that is unique to each agency. The financial statements for agencies consist of five basic statements. Three of the five statements are the same as in the *Financial Report*: the Statement of Net Cost, Statement of Operations and Changes in Net Position, and the Balance Sheet. The two statements that are not included as statements in the *Financial Report* are the Statement of Budgetary Resources and the Statement of Custodial Activity.

Comparison of the Budget and Financial Reports

Revenues in the *Financial Report* and budgetary receipts are quite similar, with revenues recognized on a modified cash basis and receipts recognized on a pure cash basis. The revenues recognized on an accrual basis are those resulting from Government business-like transactions with the public, for example the sale of stamps by the Postal Service and the recreation fees paid at National Parks; these revenues are referred to as "earned revenues."[11] As noted above, earned revenues comprise less than 10 percent of total revenues. In addition, because the cash and accrual bases of earned revenues are

Table 30–1. KEY BUDGET AND FINANCIAL MEASURES FOR 2008
(In billions of dollars)

Budget Measures	
Receipts	2,524.3
Outlays	2,982.9
Deficit	(458.6)
Debt Held by the Public	5,802.7
Financial Measures	
Revenues	2,661.4
Expenses	3,640.7
Net Operating Cost	(1,009.1)
Assets	1,974.7
Liabilities	12,178.2
Net Position	(10,203.5)

[10] The term "measures" is used in this chapter to refer to both budget and financial measures; however, the Federal Accounting Standards Advisory Board would refer to the financial measures as "elements."

[11] Earned revenue may be received before goods or services are provided. Examples include Department of Energy collections from utility companies for the future cost of disposing of nuclear waste, Federal Communications Commission collections from its competitive bidding system for the recovered analog spectrum for licenses that have not been granted, and Postal Service collections for prepaid postage, outstanding money orders, and prepaid P.O. box rentals.

themselves quite similar, the difference between total revenues and total receipts tends to be less than 10 percent.

Expenses in the financial reports are recognized on an accrual basis, and in this regard are similar to budgetary obligations. However, because expenses are subtracted from revenues to derive net operating cost, they are more frequently compared with budgetary outlays. In contrast to expenses, outlays are generally recognized on a cash basis (except for interest and credit programs as noted in footnote 7 above). As a result of the difference between cash and accrual accounting, the difference between total expenses (referred to as net cost in the *Financial Report*) and total budgetary outlays can be fairly significant, roughly 20 percent.

Net operating cost and the budget deficit are the most widely compared measures. They are similar in that both represent the annual increase or decrease in Government resources resulting from financial transactions. The primary difference between net operating cost and the deficit results from the accrual of certain expenses that affect net operating cost, but not the deficit. These differences are primarily accruing expenses for civilian and military employee retirement and veterans programs, accruing expenses for environmental cleanup and disposal, and the accrual of depreciation expense. In addition, the full cost of asset acquisitions (or usable segments thereof) are included in the deficit upfront, when the asset is acquired, but these costs are included in net operating cost only over time, once the asset begins to be used up or depreciated. Because net operating cost is derived from revenues and expenses, and the deficit is derived from receipts and outlays, the difference between net operating cost and the deficit results from the differences, discussed above, between revenues and receipts, and to an even greater extent between expenses and outlays.

Liabilities recorded in the financial statements are accounting liabilities, which include, but are not limited to, legal liabilities. This is in contrast to budgetary accounting, where budget authority reflects the legal authority to incur budgetary obligations, obligations are legal commitments, and outlays are the liquidation of those budgetary obligations. In addition, the primary budgetary stock measure that is cited, and which is a legal liability, is debt held by the public. Debt held by the public is shown as a liability on the Government's balance sheet along with other liabilities, some of which are not legal liabilities. Total accounting liabilities, as of 2008, were more than twice the size of debt held by the public.

Assets are generally recorded in the financial statements at historical cost or fair market value, but not treated as budget measures. For this reason, the net position, which is the difference between assets and liabilities, reported in the financial reports does not have a budgetary analog.

The prior fiscal-year data included in the budget and the fiscal-year results reported in the financial reports are all taken from the same source, the Federal Agencies' Centralized Trial-Balance System, known as FACTS I and II. These data are audited for certain Federal agencies[12] and for the government-wide financial statements; the related audit reports, which include audits of prior fiscal year data, are included in the financial reports.

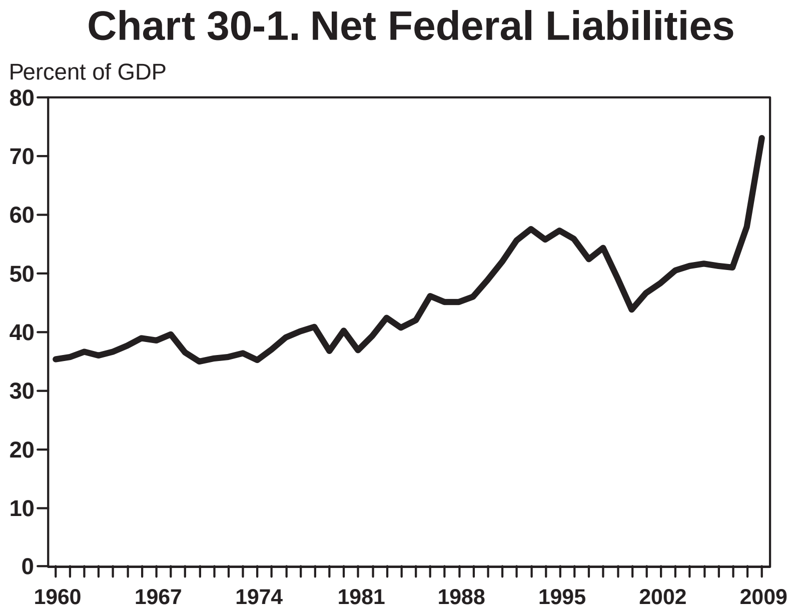
Alternative Estimates of Government Assets and Liabilities

The traditional measures of financial position in budget and financial reporting, debt and net position respectively, reflect the Government's financial position at a point in time, but not the Government's future financial position. This is because measures of assets and liabilities at any particular point in time do not reflect the full scope of resources available to or responsibilities of the Government into the future. Even the measures used by OMB to produce a Government balance sheet (shown below), using somewhat different methods from those used in the *Financial Report*, do not capture the Government's total future resources or responsibilities. Balance sheet measures reflect only past transactions or events, but the Government's responsibilities will continue into in the indefinite future and its primary resource for fulfilling these responsibilities is future tax revenue, which is not reflected on a balance sheet. The best way to assess the Government's long-term financial condition is to compare future spending to future receipts, as is done in Chapter 5 of this volume, "Long-Term Budget Outlook."

The Government has many assets reported on the balance sheet of the *Financial Report*, such as cash, loans (including mortgages), financial assets acquired recently in an attempt to alleviate the crisis in the financial markets, property, plant and equipment. The Government owns a substantial amount of land, timber and mineral resources, and heritage assets (works of art and historical artifacts) that, although disclosed in the financial reports, are not reported as assets. The Government's most valuable and unique asset is one that cannot reasonably be reported on any balance sheet—its sovereign power to tax. The Government's authority to levy taxes allows it to operate even if its liabilities exceed its measurable assets, as is evident in the low interest rate creditors charge the U.S. Treasury.

The Government's liabilities reported on the balance sheet of the *Financial Report* include debt held by the public, Federal employee and veterans health and pension benefits, insurance obligations, loan guarantees, environmental liabilities, and certain entitlement benefits that are due and payable (within the next month). These liabilities, however, are only a subset of the Government's long-run responsibilities. Just as the power to tax or future tax revenue is not shown as an asset on the balance sheet, the Government's long-term commitments to, among other things, Medicare, Medicaid, Social Security, unemployment insurance, supplemental nutrition assistance, education, and defense are not reported on the balance sheet.

[12] Audits are conducted for more than 100 Executive Branch agencies, including the 24 agencies covered by the Chief Financial Officers Act of 1990 and an additional 11 significant Executive Branch entities. Audits are not conducted for some of the smaller entities that are included in the *Financial Report*.



For many years, the *Analytical Perspective* volume has included a table of assets and liabilities, shown here as Table 30-2. This table is similar in concept to the balance sheet in the *Financial Report*, but it is designed to show a consistent historical series of assets and liabilities and uses economic valuation methods rather than accounting methods for certain entries.[13] The table shows Government assets and liabilities from 1960 through 2009 measured in constant 2009 dollars; the balance of net liabilities is also shown as a ratio to gross domestic product (GDP). As shown in the table, Government liabilities exceeded its assets over the entire period. In addition, as shown in the table and Chart 30-1, there was a substantial increase in net liabilities in the 1980s and early 1990s, which was the result of the large budget deficits in those years. In the late 1990s, there was a marked decline in the ratio of net liabilities to GDP as the budget temporarily went into surplus, and debt held by the public fell. Beginning in 2001, the ratio began increasing again, and in 2009 it reached a new high because of the Government's efforts to address the worldwide financial crisis.

Relative to GDP, the net liability position was 35 percent in 1960 and, although fluctuating over the next two decades, in 1980, it was 37 percent. From 1980 to 1993, the ratio of net liabilities rose to 58 percent of GDP primarily because of the increase in the budget deficits, but by 2000, the ratio had fallen to 44 percent again mainly because of the decline in the budget deficit. As the deficit began to increase again, at the start of the millennium, the net liability position deteriorated once again, reaching a plateau of approximately 52 percent in 2004. The ratio has increased again in 2008 and 2009 because of the worldwide financial crisis and the recession. For 2009, the Government's net liabilities were 73 percent of GDP.

Financial Assets: The Government's financial assets amounted to about $1 trillion at the end of 2009. Government holdings of loans and mortgages have been relatively stable since the mid-1990s. OMB estimates the discounted present value of future losses and interest subsidies on loans to be $82 billion as of the end of 2009, and this amount was subtracted from the face value of outstanding loans to estimate their value.

Non-Financial Assets: Government-owned stocks of reproducible defense and nondefense capital have been relatively stable for most of the last 45 years at around $1.2 trillion. In 1960, 86 percent of the capital was defense; today it is 64 percent. During the 1970s and again during the 1990s (after the end of the Cold War), there were substantial declines in defense capital.

Although there are no official estimates of the market value of the Government's vast land and mineral holdings, it is assumed here that Federal land values rise and fall along with private land values. Since the mid-1990s, oil prices have been volatile, which has caused the estimated market value of federally-owned proved reserves of oil and natural gas to fluctuate as well. In 2009, as estimated here, the combined real value of Federal land and mineral rights was $0.8 trillion compared with $1.1 trillion in 2008.

Total Assets: The total value of Government assets measured in constant dollars was about $3.3 trillion, equal to 23 percent of GDP, at the end of 2009.

Debt Held by the Public: The Government's largest liability is the debt owed to the public, which amounted to

[13] Land and mineral rights, shown in Table 30-2, are assets that are not reported on the balance sheets in the financial reports. Fixed reproducible capital is reported at historical cost on the balances sheets in the financial reports, but is estimated using a model that approximates current market value in Table 30-2.

$7.5 trillion at the end of 2009. Publicly held debt declined for several years in the late 1990s because of the shift from unified budget deficits to surpluses, but began to increase again as deficits returned, and it increased very substantially in 2008 and 2009.

Insurance and Guarantee Liabilities: The estimates in Table 30-2 reflect the current discounted value of prospective future losses on outstanding guarantees and insurance contracts, not accounting for market risk. Other insurance includes veterans' life insurance, flood, crop, and terrorism insurance. Relative to total liabilities, insurance and guarantee liabilities are small, comprising less than 2 percent of total liabilities in 2008.

Pension and Post-Employment Health Liabilities: While the Government's employee pension obligations have risen slowly, there has been a sharp increase in the

Table 30–2. GOVERNMENT ASSETS AND LIABILITIES*

(As of the end of the fiscal year, in billions of 2009 dollars)

	1960	1965	1970	1975	1980	1985	1990	1995	2000	2005	2007	2008	2009
ASSETS													
Financial Assets:													
Cash and Checking Deposits	51	74	46	37	57	37	51	52	69	38	79	375	368
Other Monetary Assets	2	1	1	2	2	2	2	1	8	2	1	3	2
Mortgages	33	32	47	50	92	94	120	82	95	84	86	91	97
Other Loans	122	168	211	212	273	354	251	202	232	218	212	215	223
Less Expected Loan Losses	–1	–3	–5	–11	–21	–21	–24	–30	–46	–45	–45	–49	–82
Other Treasury Financial Assets	74	92	81	73	103	152	241	290	309	330	316	339	339
Subtotal	281	364	380	363	506	618	641	599	666	627	650	973	947
Nonfinancial Assets:													
Fixed Reproducible Capital	1229	1219	1269	1231	1079	1254	1303	1361	1192	1148	1186	1181	1,280
Defense	1060	995	1007	919	776	910	938	966	793	723	751	752	818
Nondefense	170	224	263	312	303	344	365	395	398	425	435	429	462
Inventories	321	278	259	232	287	328	290	223	229	297	286	292	285
Nonreproducible Capital	158	209	251	408	595	692	587	438	752	1369	1351	1088	831
Land	113	156	197	312	399	414	426	313	532	1003	991	636	514
Mineral Rights	45	53	53	96	196	278	162	125	220	366	360	453	317
Subtotal	1709	1707	1779	1871	1960	2274	2180	2022	2173	2814	2823	2561	2,395
Total Assets	1989	2071	2159	2234	2466	2893	2821	2621	2838	3441	3472	3534	3,342
LIABILITIES													
Debt held by the Public	1402	1442	1284	1305	1622	2681	3649	4848	4214	5022	5196	5842	7,544
Insurance and Guarantee Liabilities:													
Deposit Insurance	....	....	....	....	2	11	88	24	1	1	2	34	72
Pension Benefit Guarantee	....	....	....	53	39	53	53	25	50	90	85	75	92
Loan Guarantees	....	1	3	8	15	13	19	36	46	52	71	75	70
Other Insurance	38	35	27	24	33	20	24	22	20	44	17	25	15
Subtotal	38	35	30	85	89	98	184	107	117	188	176	209	249
Pension and Post-Employment Health Liabilities:													
Civilian and Military Pensions	1059	1331	1592	1804	2218	2200	2148	2082	2178	2372	2492	2627	2,707
Retiree Health Insurance Benefits	217	272	326	369	454	450	440	435	483	1230	1184	1170	1,178
Veterans Disability Compensation	233	293	350	388	398	328	296	359	683	1228	1164	1477	1,318
Subtotal	1509	1896	2268	2561	3070	2979	2884	2876	3343	4830	4841	5274	5,202
Environmental and Disposal Liabilities	82	102	123	139	166	198	232	306	372	284	353	345	342
Other Liabilities:													
Trade Payables and Miscellaneous	33	41	52	64	100	132	181	150	133	251	278	288	258
Benefits Due and Payable	25	30	40	43	54	60	72	84	96	128	138	147	161
Subtotal	59	71	93	107	155	192	253	234	229	379	416	435	419
Total Liabilities	3089	3546	3796	4197	5101	6148	7202	8370	8275	10702	10982	12104	13,756
Net Liabilities (Liabilities Minus Assets)	1100	1475	1637	1963	2635	3256	4381	5749	5437	7261	7509	8570	10,414
Addenda:													
Ratio to GDP (in percent)	35.3	37.7	35.0	37.0	41.5	43.0	49.5	57.4	43.9	52.1	51.3	58.5	73.1

* This table shows assets and liabilities for the Government as a whole excluding the Federal Reserve System. Data for 2009 are extrapolated in some cases.

liability for future health benefits and veterans compensation. The discounted present value of these benefits is estimated to have been around $5.2 trillion at the end of 2009, which is little changed from 2008.

Environmental and Disposal Liabilities: During World War II and the Cold War, the Government constructed a vast industrial complex to produce and test nuclear weapons, which resulted in environmental contamination. Ongoing defense and other activities can result in contamination if waste disposal is not carried out properly. Cleanup and disposal liabilities are estimated to be around $340 billion in present value terms.

The Government need not maintain a positive balance of net assets to assure its fiscal solvency. Indeed, the increase in the Government's net liability position since 1960 has not significantly affected the Government's creditworthiness, and interest rates on Federal debt have been very low recently, despite the surge in Government borrowing. Nevertheless, there are limits to how much debt any Government can assume without putting its finances in jeopardy.

Conclusion

Budget and financial reporting each provide the public with detailed information on how the Government raised and spent financial resources. The budget uses a cash-based transactions conceptual framework laid out in the 1967 Report of the President's Commission on Budget Concepts. Financial reporting uses much the same underlying data to develop reports prepared in accordance with generally accepted accounting principles (GAAP) promulgated by the Federal Accounting Standard Advisory Board and adopted for Executive Branch agencies by the Office of Management and Budget.

31. SOCIAL INDICATORS

The social indicators presented in this chapter illustrate in broad terms how the Nation is faring in selected areas where the Federal Government has significant responsibilities, including the economy, energy, the environment, health, and education, among others.

The indicators shown in the tables in this chapter are only a subset drawn from the vast array of available data on conditions in the United States. In choosing indicators for this table, priority was given to measures that were consistently available over an extended period. Such indicators make it easier to draw comparisons and establish trends.

The individual measures in these tables are influenced to varying degrees by many Government policies and programs, as well as by external factors beyond the Government's control. They do not measure the outcomes of Government policies, because they do not show the direct results of Government activities, but they do provide a quantitative measure of the progress or lack of progress toward some of the ultimate ends that Government policy is intended to promote. The *Program Evaluation* and *Benefit-Cost Analysis* chapters of this volume discuss approaches to directly assessing the impacts of particular Government programs.

The President has made it clear that policy decisions should be based upon evidence—evidence about what the Nation's greatest needs and challenges are and evidence about what strategies are working. The social indicators in this chapter provide useful information both for prioritizing budgetary and policymaking resources and for evaluating how well existing approaches are working.

Economic Conditions: The current economic downturn has produced the worst labor market in more than a generation. Unemployment is more than double its rate at the most recent business cycle peak. The employment to population ratio has fallen below 60 percent for the first time in 25 years.

Over the full 1960 to 2009 period shown in the tables, the primary pattern has been one of rising living standards. Real disposable income per capita has more than tripled over the past five decades as technological progress and the accumulation of human and physical capital have increased the Nation's productive capacity. Average household net worth has more than doubled. But the median family has not shared fully in this prosperity—median income is up only about 30 percent (since 1967) and was lower in 2008 than in 1998, because income gains have been concentrated among higher-income families and individuals. Household composition has also affected the median income as the numbers of two-earner households and single-parent households have increased. Similarly the median wealth of households in the decade before retirement has risen, but not nearly as rapidly as mean wealth.

The rise in the share of national income received by those at the top of the income distribution can be seen in the two inequality measures in Table 31-1. The share of income accruing to the lower 60 percent of households has fallen from 32.3 percent in 1970 to 26.7 percent in the most recent year for which we have data. The income share of the top one percent of taxpayers has risen from around eight percent between 1960 and 1980 to over 18 percent in 2007. The poverty rate, which fell dramatically between 1960 and 1970, as the economy prospered and as Social Security and other safety-net programs expanded, is at about the same level as in 1970—despite the large increase in per capita income, and 15 percent of American households are food-insecure. Changes in family structure among low-income households and stagnating wages for low-skill workers are a large part of the story for why rising aggregate income has not had more impact on the most economically vulnerable Americans.

Setting the Stage for Future Prosperity: The Nation's future economic prosperity depends on the amount of technical know-how we have as well as on the quantity and quality of our physical and human capital. Table 31-1 shows that net national saving, which was already low by international standards when it averaged around 10 percent in the 1960s and 1970s, fell from 6.2 percent in 2000 to 2.0 percent in 2007 under the previous administration as Federal budget surpluses turned to deficits. National saving is a key determinant of future prosperity because it leads to the investment that produces capital accumulation. During the current recession, personal savings has rebounded to 4.5 percent, but net national saving, which includes the Government's dissaving, has fallen to less than -2 percent of GDP. Despite the current low saving rate, past saving has resulted in a large accumulation of physical capital. The stock of physical capital including consumer durable goods like cars and appliances amounted to $48 trillion in 2008, more than four times the size of the capital stock in 1960.

National R&D spending has hovered between 2.5 percent and 2.7 percent for most of the past 50 years. The President has set a target to increase this number to 3.0 percent. Patents encourage innovation by awarding an inventor the right to exclude others from the use of an invention unless compensated. The patent system also assures publication of patented ideas distributing knowledge that might otherwise be kept confidential. Patents by U.S. inventors have more than doubled since 1960.

The Nation's future well-being and prosperity depends also on stewardship of our natural resources and environment and on our ability to transform the economy into one that can succeed with a lower-level of carbon emissions. The country has made major strides in improving air quality since the passage of the Clean Air Act in 1970. Concentrations of the main criteria pollutants tracked by the Environmental Protection Agency have declined significantly since 1970. The largest decline was for lead, which was removed from gasoline, but there have also been large declines in the emissions of carbon monoxide, nitrogen oxides, and sulfur dioxide. The air has become markedly cleaner in the United States as a result of this progress. Progress on improving water quality has also been noticeable as an increasing proportion of the population is served by improved water treatment facilities.

Moving forward, the greatest environmental challenge is reducing greenhouse gas emissions. In 2007 emissions were 6088 teragrams. The President announced a target reduction of 17 percent in greenhouse gas emissions between 2005 and 2020, with an ultimate reduction of 83 percent between 2005 and 2050. While technological advances and a shift in production patterns mean that we now use about half as much energy per real dollar of GDP as we did 40 years ago, our rising income levels mean that per capita consumption has remained roughly constant. And today only seven percent of our energy production is from renewable sources.

Health, Education, and Civic Engagement: Table 31-2 focuses on additional national priorities.

The first three groups of indicators in this table show measures related to the Nation's health. The United States devotes a large fraction of its income to health care, and that share has increased more than threefold since 1960. In the latest data, from 2008, the share of GDP accounted for by health expenditures was over 16 percent. This is the largest it has ever been and well above what other nations spend on health. Despite the large expenditures on health care, many Americans lack health insurance, although if Congress passes health care reform legislation this number is projected to decline significantly. In 2008, about 15 percent of the U.S. population was uninsured. The United States has seen progress over the last 50 years in some important indicators of health status. Infant mortality has fallen from 26 deaths per 1,000 live births in 1960 to less than 7 deaths in 2000, although there has been no further progress since 2000. Life expectancy at birth continues to increase in the United States, rising by more than eight years since 1960, although it lags behind that in many other developed countries.

Americans' behaviors contribute to some of our health problems. Cigarette smoking has declined dramatically since the 1970s, but 20 percent of the adult population still smokes with the attendant health risks that brings. Obesity is a growing problem for the United States as more and more Americans fall into this category. More than a third of the population is classified as obese according to criteria established by the Centers for Disease Control and Prevention, up from 15 percent thirty years ago.

The Administration is committed to returning America to being number one in the world in high school and college graduation rates and academic achievement. Between 1960 and 1980, the percentage of 18-24 year olds with a high school diploma increased from 60 percent to 81 percent, a gain of about ten percentage points per decade. Progress has slowed since then with only a four percentage point gain over the past 30 years. College enrollment rates have continued to rise. In 1980 only a quarter of 18-24 year olds were enrolled in college. Today that number is almost 40 percent. The most thorough measurement of education achievement is the National Assessment of Educational Progress (NAEP). These measures have been taken since the 1980s. They show only very gradual improvement in mathematics and no discernible progress in reading for American 17-year olds.

Americans are generally well housed, but some of the population faces housing problems. In 2007, about five percent of households with children lived in inadequate housing as defined by the Census Bureau. These problems usually consisted of poor plumbing, inadequate heating, or other physical maintenance problems. About six percent of these households were experiencing overcrowding. Both measures were down from levels reported in the 1980s. However, many families have experienced increased housing costs relative to income. In 2007, 37 percent of families with children were spending more than 30 percent of reported income on housing and utilities, up from 17 percent in 1980.

Since 1980, there has been a remarkable decline in violent crime. The two crime measures shown in Table 31-2 are based on different types of record keeping. The murder rate is based on reported homicides compiled by the Federal Bureau of Investigation from local law enforcement agencies, while the violent crime statistic is based on surveys of victims. The violent crime rate has declined to less than half of its 1980 level. The murder rate has been cut almost in half.

Measures of family instability increased significantly up until around 1995. Since 1995, births to unmarried adolescents age 15 to 17 have dropped from around 30 per 1,000 women to about 20 per 1,000. After rising for more than three decades, the percentage of children living only with their mother has stabilized at around 24 percent of all children. Americans increased their charitable contributions at an average real rate of slightly less than two percent per year between 1960 and 2008; real GDP per capita grew by slightly more than two percent per year over that interval. Charitable giving dropped in real terms in 2008, as the recession and capital losses cut into family resources. Another measure of American's willingness to participate in civic activity, the voting rate for President, was at 64 percent in 1960, but averaged about 55 percent from 1972 through 2000 before rising to 60 percent in 2004 and 62 percent in 2008.

Other Compilations of Economic and Social Indicators: There are many other sources of data on trends in American social and economic conditions, including the *Statistical Abstract* published annually by the Census Bureau. Some examples are described below. Cutting across a range of social and economic domains, the Interagency Forum on Child and Family Statistics annually assembles *American's Children: Key National Indicators of Well-Being*: *http://www.childstats.gov*. The Interagency Forum on Aging-Related Statistics publishes *Older Americans: Key Indicators of Well-Being* every other year *http://www.agingstats.gov/agingstatsdotnet/main_site/default.aspx*.

There are also topic-specific indicators, which highlight performance in specific areas. *Science and Engineering Indicators*, published by the National Science Board, provides a broad base of quantitative information on the U.S. and international science and engineering enterprise: *http://www.nsf.gov/statistics/indicators*. The Science Resources Statistics Division at the National Science Foundation is doing developmental work on measuring innovation, an important component of the scientific enterprise not currently included in our measures. *Healthy People 2010* within the Department of Health and Human Services offers a statement of national health objectives that identifies the most significant preventable threats to health and establishes national goals to reduce these threats. The National Center for Health Statistics annually publishes *Health, United States* (*http://www.cdc.gov/nchs/hus.htm*), a comprehensive compilation of health indicators. The National Center for Education Statistics within the Department of Education publishes the *Condition of Education*: *http://nces.ed.gov/programs/coe*. The website includes a set of indicators and also special analyses, and a user's guide.

Table 31–1. ECONOMIC AND SOCIAL INDICATORS

Calendar Years	1960	1970	1980	1990	1995	2000	2005	2007	2008	2009
Economic Conditions:										
Living Standards:										
Real GDP per person (2005 dollars) [1]	15,661	20,820	25,640	32,112	34,111	39,750	42,692	43,926	43,714	42,190
average annual percent change (5-year trend)	0.7	2.3	2.6	2.3	1.2	3.1	1.4	1.8	1.4	0.2
Real disposable income per capita average (2005 dollars) [1]	10,865	15,158	18,863	23,568	24,951	28,899	31,338	32,679	32,546	32,599
average annual percent change (5-year trend)	1.2	3.2	2.0	1.8	1.1	3.0	1.6	1.7	1.3	0.9
Real median income: all households (2008 dollars)	N/A	41,620	44,059	47,818	47,803	52,500	51,093	52,163	50,303	N/A
average annual percent change (5-year trend)	N/A	N/A	0.5	1.2	–0.0	1.9	–0.5	0.5	–0.2	N/A
Poverty rate (%) [2]	22.2	12.6	13.0	13.5	13.8	11.3	12.6	12.5	13.2	N/A
Food-insecure households (percent of all households) [3]	N/A	N/A	N/A	N/A	N/A	10.5	11.0	11.1	14.6	N/A
Jobs and Unemployment: [1]										
Civilian unemployment rate (%)	5.5	4.9	7.1	5.5	5.6	4.0	5.1	4.6	5.8	9.9
Unemployment plus marginally attached and underemployed (%)	N/A	N/A	N/A	N/A	10.0	7.0	8.9	8.3	10.6	16.3
Employment-population ratio % [4]	56.1	57.4	59.2	62.8	62.9	64.4	62.7	63.0	62.2	59.3
Payroll employment change—December to December (millions)	–0.4	–0.5	0.3	0.3	2.2	2.0	2.5	1.2	–3.1	–4.2
Payroll employment change—5-year annual average (millions)	0.2	1.7	2.6	2.1	1.8	2.9	0.5	1.6	1.0	–0.3
Economic Inequality:										
Income share of lower 60% of all households	N/A	32.3	31.2	29.3	28.0	27.3	26.6	26.9	26.7	N/A
Income share of top 1% of all taxpayers	8.4	7.8	8.2	13.0	13.5	16.5	17.4	18.3	N/A	N/A
Wealth Creation:										
Net national saving rate (% of GDP) [5]	10.4	8.1	7.1	3.9	4.7	6.2	2.9	2.0	–0.2	–2.3
Personal Saving Rate (% of Disposable Personal Income) [5]	7.2	9.4	9.8	6.5	5.2	2.9	1.4	1.7	2.7	4.5
Average household net worth (2009 dollars) [5]	222,912	267,600	293,177	350,828	394,535	500,019	577,813	575,210	438,420	455,906
Median wealth of households aged 55-64 (2007 dollars) [6]	N/A	N/A	N/A	160,000	156,100	198,800	269,233	254,100	N/A	N/A
Innovation:										
R&D spending (% of GDP)	2.6	2.5	2.3	2.6	2.5	2.7	2.6	2.6	N/A	N/A
Patents issued to U.S. residents (thousands)	42.3	50.6	40.8	52.8	64.4	96.9	82.6	93.7	92.6	N/A
Multifactor productivity (average 5 year percent change)	1.0	0.8	0.8	0.6	0.5	1.1	1.8	1.4	1.1	N/A
Nonfarm output per hour (average 5 year percent change)	1.8	2.1	1.1	1.5	1.5	2.7	3.1	2.2	1.8	1.9
Capital and Infrastructure:										
Bridges that are structurally deficient or functionally obsolete (%) [7]	N/A	N/A	N/A	N/A	31.8	28.6	26.3	25.4	25.2	N/A
Real net stock of fixed assets and consumer durable goods ($08 bils)	11,204	16,350	22,526	29,796	33,150	38,926	44,791	47,236	48,139	N/A
Energy and Environment:										
Air Quality - Mean Pollution Concentration levels [8]:										
Carbon Monoxide (ppm) based on 124 monitoring sites	N/A	N/A	8.951	6.130	4.797	3.461	2.296	2.021	1.874	N/A
Ground Level Ozone (ppm) based on 258 monitoring sites	N/A	N/A	0.100	0.089	0.090	0.081	0.080	0.079	0.075	N/A
Lead (ug/m3) based on 19 monitoring sites	N/A	N/A	1.263	0.357	0.090	0.079	0.078	0.102	0.101	N/A
Nitrogen Dioxide (ppm) based on 75 monitoring sites	N/A	N/A	0.028	0.024	0.023	0.021	0.017	0.016	0.015	N/A
Particulate Matter (ug/m3):										
PM10 based on 325 monitoring sites	N/A	N/A	N/A	80.769	67.718	62.601	57.194	58.360	55.929	N/A
PM 2.5 based on 728 monitoring sites	N/A	N/A	N/A	N/A	N/A	13.470	12.831	11.887	10.899	N/A
Sulfur Dioxide (ppm) based on 141 monitoring sites	N/A	N/A	0.012	0.009	0.006	0.005	0.004	0.004	0.003	N/A
Water Quality:										
Population served by secondary treatment or better (millions) [6]	57.2	85.7	117.9	146.5	161.1	189.1	207.7	213.1	215.9	218.6
Climate Change:										
Net greenhouse gas emissions (teragrams CO2 equivalent) [9]	N/A	N/A	N/A	5,257	5,612	6,291	5,986	6,088	N/A	N/A
Per capita greenhouse gas emissions (megagrams CO2 equivalent)	N/A	N/A	N/A	21.0	21.1	22.3	20.2	20.2	N/A	N/A
Per 2005$ of GDP greenhouse emissions (kilograms CO2 equivalent)	N/A	N/A	N/A	0.654	0.617	0.560	0.474	0.459	N/A	N/A
Energy:										
Energy consumption per capita (millions of BTUs)	250	331	344	339	342	351	340	337	327	N/A
Energy consumption per real dollar of GDP (thousands of BTUs)	18	18	15	12	11	10	9	9	9	N/A
Energy production from renewable sources (% of total)	N/A	N/A	N/A	N/A	N/A	N/A	6.4	6.7	7.4	N/A

N/A = Not Available

[1] Values for 2009 based on a consensus forecast for 2009Q4.

[2] The poverty rate does not reflect noncash government transfers.

[3] These households were uncertain of having, or unable to acquire, enough food to meet the needs of all their members because they had insufficient money or other resources for food at some time during the year.

[4] Civilian employment as a percent of the civilian noninstitutional population age 16 and above.

[5] 2009 through 2009Q3 only.

[6] Data interpolated for some years.

[7] Bridges are structurally deficient if they have been restricted to light vehicles, require immediate rehabilitation, or are closed. They are functionally obsolete if they have deck geometry, load carrying capacity, clearance or approach roadway alignment that no longer meet the criteria for the system of which the bridge is carrying a part.

[8] ppm—parts per million; ug/m3—micrograms per cubic meter

[9] This is a net measure reflecting both sources and sinks of greenhouse gases.

Table 31–2. ECONOMIC AND SOCIAL INDICATORS

Calendar Years	1960	1970	1980	1990	1995	2000	2005	2007	2008	2009
Access to Health Care:										
Total national health expenditures (percent of GDP)	5.2	7.2	9.1	12.3	13.7	13.6	15.7	15.9	16.2	N/A
Percentage of population without health insurance	N/A	N/A	N/A	12.9	14.4	13.7	15.3	15.3	15.4	N/A
Percent of children age 19-35 months with recommended immunizations [1]	N/A	N/A	N/A	N/A	N/A	72.8	80.8	80.1	N/A	N/A
Health Status:										
Infant mortality (per 1000 live births) [2]	26.0	20.0	12.6	9.2	7.6	6.9	6.9	6.8	N/A	N/A
Low birthweight [<2,500 gms] percentage of babies	7.7	7.9	6.8	7.0	7.3	7.6	8.2	8.2	N/A	N/A
Life expectancy at birth (years) [2]	69.7	70.8	73.7	75.4	75.8	76.8	77.4	77.9	N/A	N/A
Health Risks:										
Cigarette smokers (% population 18 and older)	N/A	39.2	33.0	25.3	24.6	23.2	20.9	19.8	20.6	N/A
Obesity (% of population with BMI over 30) [3]	13.3	14.3	15.2	22.4	26.6	31.4	34.6	N/A	N/A	N/A
Alcohol (% high school students engaged in heavy drinking) [4]	N/A	N/A	N/A	N/A	32.6	30.7	25.5	26.0	N/A	N/A
Physical activity: % of adults over 45 engaged in regular activity [5]	N/A	N/A	N/A	N/A	N/A	27.2	29.0	29.3	N/A	N/A
Education:										
High school graduates (% of population 25 and older)	44.6	55.2	68.6	77.6	81.7	84.1	85.2	85.7	86.6	N/A
Percentage of 18-24 year olds with a high school diploma	59.9	78.8	80.9	81.7	80.8	81.9	82.9	83.9	84.9	N/A
Percentage of 18-24 year olds enrolled in college	N/A	25.7	25.6	32.0	34.3	35.5	38.9	38.8	39.6	N/A
College graduates (% of population 25 and older)	8.4	11.0	17.0	21.3	23.0	25.6	27.6	28.7	29.4	N/A
National Assessment of Educational Progress [6]										
Reading 17-year olds	N/A	N/A	283	288	286	285	284	285	286	N/A
Mathematics 17-year olds	N/A	N/A	297	303	305	306	305	306	306	N/A
Housing:										
Percentage of families with children with inadequate housing [7]	N/A	N/A	9	9	7	7	5	5	N/A	N/A
Percentage of families with children with crowded housing	N/A	N/A	9	7	7	7	6	6	N/A	N/A
Percentage of families with children with costly housing [8]	N/A	N/A	17	25	28	28	34	37	N/A	N/A
Crime:										
Violent crime rate (per 100,000 population 12 and older) [9]	N/A	N/A	4,940	4,410	4,610	2,740	2,100	2,040	1,930	N/A
Murder rate (per 100,000 population) [10]	5.1	7.8	10.2	9.4	8.2	5.5	5.6	5.6	5.4	N/A
Families:										
Births to unmarried adolescents age 15-17 (per 1,000)	N/A	N/A	20.6	29.6	30.1	23.9	19.7	N/A	N/A	N/A
Children living with mother only (% of all children)	9.2	11.6	18.6	21.6	24.0	22.3	23.4	24.1	23.9	N/A
Civic Engagement:										
Individual Charitable Giving per Capita (2008 dollars)	295	421	450	514	487	744	766	781	725	N/A
Percentage of Americans volunteering [11]	N/A	N/A	N/A	20.4	N/A	N/A	27.0	26.2	26.4	N/A
	(1960)	(1972)	(1980)	(1988)	(1992)	(1996)	(2000)	(2004)	(2008)	
Voting for President by election year (% eligible population) [12]	63.8	56.2	54.2	52.8	58.1	51.7	54.2	60.1	61.7	

N/A = Not Available

[1] The 4:3:1:3:3 series consisting of 4 doses (or more) of diphtheria, tetanus toxoids, and pertussis (DTP) vaccines, diphtheria and tetanus toxoids (DT), or diphtheria, tetanus toxoids, and any acellular pertussis (DTaP) vaccines; 3 doses (or more) of poliovirus vaccines; 1 dose (or more) of any measles-containing vaccine; 3 doses (or more) of Haemophilus influenzae type b (Hib) vaccines; and 3 doses (or more) of hepatitis B vaccines.

[2] Data for 2007 are preliminary.

[3] BMI refers to body mass index. A BMI over 30 is the criterion for obesity used by the Centers for Disease Control and Prevention.

[4] Data are interpolated. Percentage of high school students who had five or more drinks within a couple of hours at least once within the 30 days prior to the survey.

[5] Data for 2007 are preliminary.

[6] Data are interpolated. Actual survey years were 1973, 1978, 1982, 1986, 1990, 1992, 1994, 1996, 1999, 2004, and 2008.

[7] Inadequate housing has moderate to severe physical problems, usually poor plumbing or heating or upkeep problems. Some data intepolated.

[8] Expenditures for housing and utilities exceed 30 percent of reported income. Some data intepolated.

[9] Includes crimes both reported and not reported to law enforcement. Offenses include homicide, rape, robbery, aggravated assault and simple assault.

[10] Based on reported crimes. Not all crimes are reported, and the fraction that go unreported may have varied over time, preliminary data for 2008.

[11] Data from 1974, 1989, and since 2005 are drawn from the Current Population Survey.

[12] As computed by Professor Michael McDonald, George Mason University, after adjusting the population for those not eligible to vote in Presidential elections.

Table 31–3. SOURCES FOR ECONOMIC AND SOCIAL INDICATORS

Indicator:	Source:
Economic, Envronmental, and Energy Indicators (Table 31–1):	
Real GDP per person	U.S. Department of Commerce, Bureau of Economic Analysis, National Economic Accounts Data.
Real disposable income per capita	U.S. Department of Commerce, Bureau of Economic Analysis, National Economic Accounts Data.
Real median income: all households	U.S. Census Bureau, Housing and Household Economic Statistics Division.
Poverty rate	U.S. Census Bureau, Housing and Household Economic Statistics Division.
Food-insecure households	U.S. Census Bureau, Current Population Survey Food Security Supplement; tabulated by U.S. Department of Agriculture, Economic Research Service.
Civilian unemployment rate	U.S. Department of Labor, Bureau of Labor Statistics, Current Population Survey.
Unemployment plus marginally attached and underemployed	U.S. Department of Labor, Bureau of Labor Statistics, Current Population Survey.
Employment-population ratio	U.S. Department of Labor, Bureau of Labor Statistics, Current Population Survey.
Payroll employment	U.S. Department of Labor, Bureau of Labor Statistics, Current Employment Statistics program.
Income share of lower 60% of all households	U.S. Census Bureau, Housing and Household Economic Statistics Division.
Income share of top 1% of all taxpayers	Thomas Piketty and Emanuel Saez, “Income Inequality in the United States, 1913-1998” Quarterly Journal of Economics, 118(1), 2003, 1-39 (tables and figures updated to 2007, 8-09).
Net national saving rate	U.S. Department of Commerce, Bureau of Economic Analysis, National Economic Accounts Data.
Personal Saving Rate	U.S. Department of Commerce, Bureau of Economic Analysis, National Economic Accounts Data.
Average household net worth	Board of Governors of the Federal Reserve System, Flow of Funds Accounts of the United States, and U.S. Census Bureau, Housing and Economic Statistics Division.
Median wealth of households aged 55-64	Board of Governors of the Federal Reserve System, 2007 Survey of Consumer Finances Chartbook.
R&D spending	National Science Foundation, Division of Science Resources Statistics, National Patterns of R&D Resources 2007, data update, NSF 08-318.
Patents issued to U.S. residents	U.S. Patent and Trademark Office, Electronic Information Products Division, Patent Technology Monitoring Team, submissions to the World Intellectual Property Organization.
Multifactor productivity	U.S. Department of Labor, Bureau of Labor Statistics, Major Sector Productivity Program.
Nonfarm output per hour	U.S. Department of Labor, Bureau of Labor Statistics, Major Sector Productivity Program.
Bridges that are structurally deficient or functionally obsolete	U.S. Federal Highway Administration, Office of Bridge Technology, “National Bridge Inventory.”
Real net stock of fixed assets and consumer durable goods	U.S. Department of Commerce, Bureau of Economic Analysis, National Economic Accounts Data.
Carbon Monoxide	U.S. Environmental Protection Agency, Office of Air and Radiation, Air Trends.
Ground Level Ozone	U.S. Environmental Protection Agency, Office of Air and Radiation, Air Trends.
Lead	U.S. Environmental Protection Agency, Office of Air and Radiation, Air Trends.
Nitrogen Dioxide	U.S. Environmental Protection Agency, Office of Air and Radiation, Air Trends.
PM10	U.S. Environmental Protection Agency, Office of Air and Radiation, Air Trends.
PM 2.5	U.S. Environmental Protection Agency, Office of Air and Radiation, Air Trends.
Sulfur Dioxide	U.S. Environmental Protection Agency, Office of Air and Radiation, Air Trends.
Population served by secondary treatment or better	U.S. Environmental Protection Agency, Clean Watersheds Needs Survey 2004 Report to Congress, January 2008 (includes a projection for 2020).
Net greenhouse gas emissions	U.S. Environmental Protection Agency, 2009 Inventory of Greenhouse Gases Emissions and Sinks: 1990-2007.
Energy consumption per capita	U.S. Energy Information Administration, Annual Energy Review 2008, June 26, 2009, energy overview Table 1.5.
Energy production from renewable sources	U.S. Energy Information Administration, Monthly Energy Review 2009, April 2009.
Health, Education, and Other Social Indicators (Table 31–2):	
Total national health expenditures	Centers for Medicare and Medicaid Services, National Health Expenditure Data, January 2010.
Percentage of population without health insurance	U.S. Census Bureau, Housing and Household Economic Statistics Division.
Percent of children age 19-35 months with recommended immunizations	Centers for Disease Control and Prevention, National Center for Immunization and Respiratory Diseases and National Center for Health Statistics, National Immunization Survey.
Infant mortality	Centers for Disease Control and Prevention, National Vital Statistics Report, vol. 58, no. 1, August 19, 2009, and National Center for Health Statistics, and Data Brief, Number 9, October 2008, Recent Trends in Infant Mortality in the United States, Marian MacDorman and T.J. Mathews.
Low birthweight percentage of babies	Centers for Disease Control and Prevention, National Vital Statistics Report, vol. 57, no. 12, March 18, 2009.
Life expectancy at birth	Centers for Disease Control and Prevention, National Vital Statistics Report, vol. 57, no. 14, April 17, 2009.
Cigarette smokers (% population 18 and older)	Centers for Disease Control and Prevention, Morbidity and Mortality Weekly Report, November 13, 2009.
Obesity (% of population with BMI over 30)	Centers for Disease Control and Prevention, National Center for Health Statistics, Health and Stats, December 2008. Prevalence of Obesity and Extreme Obesity among Adults: United States Trends 1960-62 through 2005-2006.
Percent high school students engaged in heavy drinking	Centers for Disease Control and Prevention, Youth Risk Behavior Survey, Trends in the Prevalence of Alcohol Use, 1991-2007.
Percent of adults over 45 engaged in regular activity	Centers for Disease Control and Prevention, National Center for Health Statistics, National Health Interview Survey.

Table 31–3. SOURCES FOR ECONOMIC AND SOCIAL INDICATORS—Continued

Indicator:	Source:
High school graduates (% of population 25 and older)	U.S. Census Bureau, U.S. Census of Population, 1960, 1970, and 1980, Summary File 3; and Current Population reports.
Percentage of 18-24 year olds with a high school diploma	U.S. Census Bureau, School Enrollment, Historical Table A-5a, The Population 14 to 24 Years Old by HS Graduate Status and College Enrollment.
Percentage of 18-24 year olds enrolled in college	U.S. Census Bureau, School Enrollment, Historical Table A-5a, The Population 14 to 24 Years Old by HS Graduate Status and College Enrollment.
College graduates (% of population 25 and older)	U.S. Census Bureau, Current Population Survey, 2008 Annual Social and Economic Supplement, Internet Release Data, April 2009.
NAEP: Reading 17-year olds	National Assessment of Educational Progress, National Center for Education Statistics, 2008 Long-Term Trend Top Stories.
NAEP: Mathematics 17-year olds	National Assessment of Educational Progress, National Center for Education Statistics, 2008 Long-Term Trend Top Stories.
Percentage of families with children with inadequate housing	U.S. Census Bureau, American Housing Survey. Tabulated by U.S. Department of Housing and Urban Development.
Percentage of families with children with crowded housing	U.S. Census Bureau, American Housing Survey. Tabulated by U.S. Department of Housing and Urban Development.
Percentage of families with children with costly housing	U.S. Census Bureau, American Housing Survey. Tabulated by U.S. Department of Housing and Urban Development.
Violent crime rate (per 100,000 population 12 and older)	U.S. Department of Justice, Bureau of Justice Statistics, Violent Crime Trends.
Murder rate (per 100,000 population)	U.S. Department of Justice, Federal Bureau of Investigation, Criminal Justice Information Services Division, 2008 Crime in the United States, Table 1.
Births to unmarried women aged 15-17 (per 1,000)	National Center for Health Statistics, National Vital Statistics System. Hamilton, B.E., Martin, J.A., and Ventura, S.J. (2009). Births: Preliminary data for 2007. National Vital Statistics Reports, 57(12). Hyattsville, MD: National Center for Health Statistics. Martin, J.A., Hamilton, B.E., Sutton, P.D., Ventura, S.J., Menacker, F., Kirmeyer, S., and Mathews, T.J.. (2009). Births: Final data for 2006. National Vital Statistics Reports, 57(7). Hyattsville, MD: National Center for Health Statistics. Hamilton, B.E., Sutton, P.D., and Ventura, S.J. (2003). Revised birth and fertility rates for the 1990s: United States, and new rates for Hispanic populations, 2000 and 2001. National Vital Statistics Reports, 51(12). Hyattsville, MD: National Center for Health Statistics. Ventura, S.J. and Bachrach, C.A. (2000). Nonmarital childbearing in the United States, 1940–99. National Vital Statistics Reports, 48(16). Hyattsville, MD: National Center for Health Statistics.
Children living with mother only	Annual Social and Economic Supplement to the Current Population Survey, Detailed Poverty Tabulations various years.
Individual Charitable Giving	Statistical Abstract 2009, Center on Philanthropy at Indiana University, Giving USA.
Percentage of Americans volunteering	Corporation for National and Community Service, "Volunteer Growth in America: A Review of Trends since 1974" based on the Current Population Survey.
Voting for President by election year (% eligible population)	The United States Elections Project, Dr. Michael McDonald, George Mason University, Fairfax, Virginia.

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