

## SECTION 20—TERMS AND CONCEPTS

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### Summary of Changes

Clarifies how amounts precluded from obligation are treated (section [20.4](#)).

Clarifies the description of receipts, offsetting collections, and offsetting receipts (section [20.7](#)).

Provides guidance on establishing TAFS to address Economy Act activities between Federal entities (section [20.12](#)).

## 20.1 What is the purpose of this section?

In this section, we define budget terms—such as *budget authority*, *obligation*, and *outlay*—that you need to know in order to understand the budget process and this Circular. We also explain certain of the terms in depth.

## 20.2 How do I use this section?

- Go to the next section (section 20.3) if you just need a brief definition of a term commonly used in the budget process. That section lists the terms in alphabetical order.
- Go to sections 20.4–20.12 if you need a fuller explanation of the terms and concepts listed in the section titles of the Table of Contents above.
- Go to section 113 if you need to know about investing fund balances in Federal securities or other securities.
- Go to section 185, Federal credit, if you need to know more about the credit terms defined in section 20.3.
- Go to section 200, Overview of strategic plans, performance budgets, and performance and accountability reports, if you need definitions of performance terms.

## 20.3 What special terms must I know?

**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. (See [section 20.4\(c\)](#).)

**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. (See [section 20.4\(c\)](#).)

**Agency** means a department or establishment of the Government for the purposes of this Circular. (Compare to *bureau*.)

**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. For example, the budget might include an allowance to show the effect on the budget totals of a proposal that would affect many accounts by relatively small amounts, in order to avoid unnecessary detail in the presentations for the individual accounts. The President doesn't propose that Congress enact an allowance as such, but rather that it modify specific legislative measures as necessary to produce the increases or decreases represented by the allowance.

**Amendment** means a proposed action that revises the President's budget request and is transmitted prior to completion of action on the budget request by the Appropriations Committees of both Houses of Congress. (See [section 110.2](#).)

**Apportionment** means a distribution made by OMB of amounts available for obligation in an appropriation or fund account into amounts available for specified time periods, program, activities, projects, objects, or any combinations of these. The apportioned amount limits the obligations that may be incurred. An apportionment may be further subdivided by an agency into allotments, suballotments, and allocations.

**Appropriated entitlement**—See entitlement authority.

**Appropriation** means a provision of law (not necessarily in an appropriations act) authorizing the expenditure of funds for a given purpose. Usually, but not always, an appropriation provides budget authority (see [section 20.4](#).)

**Baseline** means an estimate of the receipts, outlays, and deficit or surplus that would result from continuing current law through the period covered by the budget. (See [section 80](#).)

**BEA** means the Budget Enforcement Act of 1990, as amended. (See [section 15.3](#).)

**Borrowing authority** is a type of budget authority that permits obligations and outlays to be financed by borrowing. (See [section 20.4\(b\)](#).)

**Budget** means the *Budget of the United States Government*, which sets forth the President's comprehensive financial plan and indicates the President's priorities for the Federal Government. (See [section 10.1](#).)

**Budget authority (BA)** means the authority provided by law to incur financial obligations that will result in outlays. Specific forms of budget authority include appropriations, borrowing authority, contract authority, and spending authority from offsetting collections. (See [section 20.4](#).)

**Budget totals** means the totals included in the budget for budget authority, outlays, receipts, and the surplus or the 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. Off-budget totals reflect the transactions of Government entities that laws exclude from the on-budget totals (those of the Social Security trust funds and the Postal Service). The budget presents combined on- and off-budget totals to derive totals for Federal activity, sometimes called the unified budget totals. For example, see the end of the chapter "Federal Programs by Agency and Account" in the *Analytical Perspectives* volume of the most recent budget.

**Budgetary resource** means an amount available to enter into new obligations and to liquidate them. Budgetary resources are made up of new budget authority (including direct spending authority provided in existing statute and obligation limitations), and unobligated balances of budget authority provided in previous years.

**Bureau** means the principal subordinate organizational units of an agency.

**Cash equivalent transaction** means a transaction in which the Government makes outlays or receives collections in a form other than cash, or in which the outlays or receipts recorded in the budget differ from the cash because the cash does not accurately measure the value of the transaction. (See [section 20.8](#).)

**Collection** means money collected by the Government that the budget records as either a receipt, an offsetting collection, or an offsetting receipt. (See [section 20.7](#).)

**Contract authority** permits you to incur obligations in advance of an appropriation, offsetting collections, or receipts to make outlays to liquidate the obligations. Typically, Congress provides contract authority in an authorizing statute to allow you to incur obligations in anticipation of the collection of receipts or offsetting collections that will be used to liquidate the obligations. (See [section 20.4\(b\)](#).)

**Cost** means the price or cash value of the resources used to produce a program, project, or activity. This term is used in many different contexts. When used in connection with Federal credit programs, the term 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 (see [section 185](#)). For specific instructions on estimating costs, refer to the pertinent OMB instructions: for cost principles for educational institutions, see [Circular No. A-21](#); for estimating costs for user charges, see [Circular No. A-25](#); for rental and construction costs of Government quarters, see [Circular No. A-45](#); for allowable costs for audits, see [Circular No. A-50](#); for cost estimates in performing commercial activities, see [Circular No. A-76](#); and for cost principles for State, local and Indian Tribal Governments, see [Circular No. A-97](#).

**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 amount to a financing account. (See [section 185](#).)

**Current services estimates**—See baseline.

**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. (See *budget totals*.)

**Deferral** means any executive branch action or inaction that temporarily withholds, delays, or effectively precludes the obligation or expenditure of budgetary resources. The President reports deferrals to Congress by special message. They are not identified separately in the budget. (See [section 112](#).)

**Deposit fund** means an account established to record amounts held temporarily by the Government until ownership is determined (for example, earnest money paid by bidders for mineral leases) or held by the Government as an 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). (See [section 20.11\(f\)](#).)

**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 also includes certain equivalent transactions that extend credit. (See [section 185](#).) (Compare to *loan guarantee*.)

**Direct spending**—See mandatory spending.

**Discretionary spending** means budgetary resources (except those provided to fund mandatory spending programs) provided in appropriations acts. (See [section 20.9](#).) (Compare to *mandatory spending*.)

**Entitlement authority** means the authority, generally provided by an authorizing statute, to make payments (including loans and grants) to persons or non-federal entities who meet the requirements established by law. Examples of entitlement authority include benefit payments for Social Security, Medicare, and unemployment insurance. Some programs, such as the food stamp program, veteran's compensation, and Medicaid, are classified as entitlements even though they are funded by appropriations acts, because the authorizing statute for the program obligates the United States to make payments. These are referred to as *mandatory appropriations* or *appropriated entitlements*. Also see *mandatory spending* ([section 20.9](#).)

Expenditure transfer—See transfers.

**FACTS II** means the Treasury Federal Agencies' Centralized Trial-balance System II. Agency staff use this system to electronically submit the accounting data that (a) support the SF 133 Report on Budget Execution and Budgetary Resources and (b) are used for much of the initial set of past year data in MAX schedule P. (See [sections 82.15](#) and [130.2](#))

**Federal funds group** refers to the moneys collected and spent by the Government through accounts other than those designated as trust funds. The Federal funds group includes general, special, public enterprise, and intragovernmental funds. (See [section 20.11](#).) (Compare to *trust funds*.)

**Financing account** means a non-budgetary account that records all of the cash flows resulting from direct loan obligations or loan guarantee commitments made on or after October 1, 1991. At least one financing account is associated with each credit program account. Separate financing accounts are required for direct loan cash flows and for guaranteed cash flows if the program account provides subsidy cost for both forms of credit. The transactions of the financing accounts, which are a *means of financing*, are not included in the budget totals. (See [section 185](#).) (Compare to *liquidating account*.)

**Fiscal year** means the Government's accounting period. It begins on October 1 and ends on September 30, and is designated by the calendar year in which it ends.

**Forward funding** means appropriations of budget authority that become available for obligation in the last quarter of the fiscal year for the financing of ongoing grant programs during the next fiscal year. (See [section 20.4\(c\)](#).)

**Full-time equivalent (FTE) employment** is the basic measure of the levels of employment used in the budget. It is the total number of hours worked (or to be worked) divided by the number of compensable hours applicable to each fiscal year. (See [section 32](#).)

**Functional classification** means the array of budget authority, outlays, and other budget data according to the major purpose served—for example, agriculture, national defense, and transportation. (See [section 79.3](#).)

**General fund** means the accounts for receipts not earmarked by law for a specific purpose, the proceeds of general borrowing, and the expenditure of these moneys.

**Impoundment** means any executive action or inaction that temporarily or permanently withholds, delays, or precludes the obligation or expenditure of budgetary resources.

**Intragovernmental fund**—See revolving fund.

**Liquidating account** means a budget account that records all cash flows to and from the Government resulting from direct loan obligations and loan guarantee commitments made prior to October 1, 1991. Unlike financing accounts, these accounts are included in the budget totals. (See [section 185](#).) (Compare to *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. (See [section 185](#).) (Compare to *direct loan*.)

**Mandatory appropriation**—See entitlement authority.

**Mandatory spending** means spending controlled by laws other than appropriation acts (including spending for entitlement programs) and spending for the food stamp program. Although the BEA uses the term *direct spending* to mean this, *mandatory spending* is commonly used instead. (See [section 20.9](#).) (Compare to *discretionary spending*.)

**Means of financing** refers to borrowing, the change in cash balances, and certain other transactions that are 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. (See [section 20.7\(f\)](#).)

**Non-expenditure transfer**—See transfer.

**Obligated balance** means the cumulative amount of budget authority that has been obligated but not yet outlayed. It is also known as unpaid obligations (which are made up of accounts payable and undelivered orders) net of accounts receivable and unfilled customers orders. (See [section 20.4\(g\)](#).)

**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. (See [section 20.5](#).)

**Obligation limitation** means a type of budgetary resource appropriated to accounts in a manner similar to budget authority that limits the amount of budget authority already made available for obligation by another law. The obligation limitation is effectively the amount of new budget authority available for obligation for that period. Obligation limitations are quite common in Transportation and General Service Administration accounts.

**Off-budget**—See 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-type or market-oriented activities with the public and intragovernmental transactions with other Government accounts. The authority to spend offsetting collections is a form of budget authority. (See [sections 20.4\(b\)](#) and [20.7](#).) (Compare to *receipts* and *offsetting receipts*.)

**Offsetting receipts** mean collections that are deposited in offsetting receipt accounts and deducted from gross budget authority and outlays, rather than added to receipts. Usually they are deducted at the level of the agency and subfunction, but in some cases they are deducted at the level of the government as a whole. 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 appropriations acts before they can be spent. Like offsetting collections, they result from business-type or market-oriented activities with the public and intragovernmental transactions with other Government accounts. (Compare to *receipts* and *offsetting collections*.)

**On-budget**—See budget totals.

**Outlay** means a payment to liquidate an obligation (other than the repayment of debt principal). Outlays generally are equal to cash disbursements but also are recorded for cash-equivalent transactions, such as the subsidy cost of direct loans and loan guarantees, and interest accrued on public issues of the public debt. Outlays are the measure of Government spending. (See [section 20.6](#).)



**Outyear estimates** mean estimates presented in the budget for the years beyond the budget year (usually four) of budget authority, outlays, receipts, and other items (such as debt).

**Pay-as-you-go (PAYGO)** means the requirements of the BEA that result in a sequestration if the estimated combined result of legislation affecting mandatory spending or receipts is a net cost for a fiscal year. (See [section 20.9](#).)

**Public enterprise fund**—See revolving fund.

**Reappropriation** means an extension of the availability of unobligated balances of budget authority that have expired or would otherwise expire as a result of legislation enacted subsequent to the law that provided the budget authority. (See [section 20.4\(h\)](#), [section 121.10](#).)

**Receipts** mean collections that result from the Government's exercise of its sovereign power to tax or otherwise compel payment, and gifts of money to the Government. They are compared to outlays in calculating a surplus or deficit. (See [section 20.7](#).) (Compare to *offsetting collections* and *offsetting receipts*.)

**Reduction in budgetary resources** means either a) rescission (see [section 20.4\(i\)](#)), b) across-the-board reduction (see [section 82.8](#)) or c) sequestration (see [section 20.9](#)).

**Refund** means the return of excess payments to or by the Government. (See [section 20.10](#).)

**Reimbursable obligation** means an obligation financed by offsetting collections credited to an expenditure account in payment for goods and services provided by that account. (See [section 83.5](#).)

**Rescission** means a legislative action that cancels new budget authority or the availability of unobligated balances of budget authority prior to the time the authority would otherwise have expired. (See [section 20.4\(i\)](#).)

**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 three types of revolving funds: Public enterprise funds, which conduct business-like operations mainly with the public, intragovernmental revolving funds, which conduct business-like operations mainly within and between Government agencies, and trust revolving funds, which conduct business-like operations mainly with the public. (See [section 20.11](#).)

**Scorekeeping** means measuring the budget effects of legislation, generally in terms of budget authority, receipts, and outlays for purposes of the BEA. (See [section 20.9](#).)

**Sequestration** means the cancellation of budgetary resources provided by discretionary appropriations or mandatory spending legislation, following various procedures prescribed by the BEA. A sequestration may occur in response to a discretionary appropriation that causes discretionary spending to exceed the discretionary spending caps set by the BEA 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). (See [section 20.9](#).)

**Special fund** means a Federal fund account for receipts earmarked for specific purposes and the expenditure of these receipts. (See [section 20.11](#).)

**Spending authority from offsetting collections** is a type of budget authority that permits obligations and outlays to be financed by offsetting collections (see [section 20.4\(b\)](#)). (Compare to *offsetting collections*.)

**Subsidy** means the same as "cost" when it is used in connection with Federal credit programs. (See [section 185](#).)

**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. (See *budget totals*.)

**Supplemental appropriation** means an appropriation enacted subsequent to a regular annual appropriations act, when the need for funds is too urgent to be postponed until the next regular annual appropriations act. (See [section 110.2](#).)

**Transfer** means to move budgetary resources from one budget account to another. Depending on the circumstances, the budget may record a transfer as an expenditure transfer, which means a transfer that involves an outlay, or as a nonexpenditure transfer, which means a transfer that doesn't involve an outlay. (See [section 20.4\(j\)](#).)

**Transfer in the estimates** means a proposal to stop funding an activity through one budget account and begin funding it through another account. A transfer in the estimates doesn't involve a transfer of budgetary resources between the accounts. (See [section 20.4\(k\)](#).)

**Treasury Appropriation Fund Symbol (TAFS)** refers to the separate Treasury accounts for each appropriation title based on the availability of the resources in the account. The TAFS is a combination of Federal account symbol and availability code (e.g., annual, multi-year, or no-year). (See [section 20.4\(c\)](#).)

**Trust fund** refers to a type of account, designated by law a trust fund, for receipts or offsetting receipts earmarked for specific purposes and the expenditure of these receipts. Some revolving funds are designated as trust funds, and these are called trust revolving funds. Trust revolving funds have no receipt account and the collections are credited directly to the expenditure account. (See [section 20.11](#).) (Compare to *special funds* and *revolving funds*.)

**Trust funds group** refers to the moneys collected and spent by the Government through trust fund accounts. (See [section 20.11](#).) (Compare to *Federal funds group*.)

**Unexpended balance** means the sum of the unobligated and obligated balances.

**Unobligated balance** means the cumulative amount of budget authority 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 customs duties). User charges are defined and the 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). (See [section 20.7\(e\)](#).)



**Warrant** means an official document issued by the Secretary of the Treasury, pursuant to law, that establishes the amount of appropriations that can be obligated and disbursed.

#### 20.4 What do I need to know about budget authority?

(a) *Definition of budget authority.*

Budget authority (BA) means the authority provided by law to incur financial obligations that will result in outlays. This definition is the same as the one contained in section 3(2) of the Congressional Budget and Impoundment Control Act of 1974, which Congress uses in the congressional budget process. You violate the law if you enter into contracts, issue purchase orders, hire employees, or otherwise obligate the Government to make a payment before a law has provided budget authority for that purpose (see [section 145.1](#)).

(b) *Forms of budget authority.*

Most laws provide budget authority in the form of appropriations, but some laws provide budget authority in the form of contract authority, borrowing authority, or spending authority from offsetting collections. The following table summarizes the characteristics of each form of budget authority, and the text following the table discusses them in more depth.

#### FORMS OF BUDGET AUTHORITY

Form of budget authority	Summary of Characteristics
Appropriation	<ul style="list-style-type: none"> <li>• Authorizes obligations and outlays using general funds, special funds, or trust funds.</li> <li>• Provided in appropriations acts and other laws.</li> <li>• May authorize the use of cash-equivalent payments.</li> <li>• Not all appropriations provide budget authority.</li> </ul>
Contract authority	<ul style="list-style-type: none"> <li>• Authorizes obligations but not outlays.</li> <li>• Typically provided in authorizing laws with variations in the way obligations are liquidated.</li> </ul>
Borrowing authority	<ul style="list-style-type: none"> <li>• Authorizes obligations with outlays to be financed by borrowing, usually from Treasury.</li> <li>• Typically provided in laws that authorize business-like operations and require the borrowing to be repaid, with interest, out of the business proceeds.</li> </ul>
Spending authority from offsetting collections.	<ul style="list-style-type: none"> <li>• Authorizes obligations and outlays using offsetting collections.</li> <li>• Typically provided in authorizing laws.</li> <li>• Appropriations acts limit obligations in some cases.</li> </ul>

Form of budget authority	Summary of Characteristics
	<ul style="list-style-type: none"> <li>Obligations may be incurred against orders from other Federal accounts, but not from the public.</li> </ul>

- (1) *Appropriations*, as a type of budget authority, permit you to incur obligations and make outlays (payments). (Not all appropriations provide budget authority, as explained below.) Congress enacts appropriations in annual appropriations acts and other laws. An appropriation may make funds available from the general fund, special funds, or trust funds, or it may authorize the spending of offsetting collections, which are credited to expenditure accounts (including revolving funds).

A law that authorizes you to incur obligations and liquidate them through cash-equivalent payments (see [section 20.8](#)) constitutes an appropriation of budget authority.

Some appropriations do not provide budget authority, because they do not provide authority to incur new obligations. Amounts appropriated to liquidate contract authority, to liquidate deficiencies, or to repay debt provide the cash needed to liquidate obligations already incurred. Because they do not authorize you to incur new obligations, they are not appropriations of budget authority, and you do not record them as such. Although there are many variations in the language providing such appropriations, usually the appropriation heading for such appropriations includes a subheading such as "(Liquidation of Contract Authority)", and the language reads something like, for "payment of obligations...."

For purposes of the Antideficiency Act, the definition of the term "appropriations" is broader. As defined by the Act, it means all new budget authority and balances of budget authority as described here.

- (2) *Contract authority* permits you to incur obligations in advance of an appropriation, offsetting collections, or receipts that enable you to make outlays to liquidate the obligations. Typically, Congress provides contract authority in an authorizing statute to allow you to incur obligations in anticipation of the collection of receipts or offsetting collections that will be used to liquidate the obligations. When you receive the appropriated receipts or the collections, you replace the contract authority with the appropriation or the spending authority from the offsetting collections to cover the obligations and subsequently liquidate the obligations.

For some programs, the law authorizes you to use offsetting collections to liquidate the obligations incurred against the contract authority without further appropriation action. In a few cases, such as the foreign military sales program, the law that provides the contract authority also appropriates the receipts without further appropriation action.

For other programs, such as certain highway and airport and airway programs, Congress as a matter of custom requires you to seek an appropriation of receipts to liquidate the obligations.

In some instances, if the program does not have sufficient collections to liquidate the obligations incurred against contract authority, Congress may enact a general fund appropriation.

- (3) *Borrowing authority* permits you to incur obligations and authorizes you to borrow funds to liquidate the obligations. Usually, the law authorizing the borrowing specifies that you must borrow from the Treasury, but in a few cases it authorizes borrowing directly from the public. Laws usually authorize borrowing for business-like operations, such as the Tennessee Valley

Authority, which generates and sells electrical power. Such laws require the program to repay the borrowing, with interest, out of business proceeds.

- (4) *Spending authority from offsetting collections* permits you to incur obligations and to make outlays using offsetting collections.

For *annual* and *multi-year* accounts that perform reimbursable work, the spending authority from the offsetting collections belongs to the Treasury account that filled the order. (See section 20.11(a) for the distinction between Treasury accounts (TAFS) and budget accounts.) The availability of the spending authority is generally the same as the Treasury account to which it belongs. If the annual or multi-year Treasury account has *expired*, then you should NOT record the collection as *new* spending authority (schedule P lines 6800 and 6900) because it is not available to incur new obligations. It is not new budget authority. However, collections that belong to expired Treasury accounts are available to pay old bills, until the authority is canceled. You record collections in expired accounts as offsetting collections along with the collections in unexpired accounts (schedule P lines 8800 through 8845). You report the portion credited to expired accounts only on schedule P line 8896. For more information on determining the period of availability of budget authority, see [section 20.4\(c\)](#). As discussed in [section 20.11\(a\)](#), each budget account covers all the Treasury accounts with the same appropriation title. The program and financing schedule covers:

- Unexpired accounts (annual, multi-year and no-year); and
- All the expired accounts (for example, the five expired annual accounts illustrated in 20-11(a)).

You subtract all offsetting collections (unexpired and expired) from gross outlays to yield net outlays so that the contribution of the budget account to the Federal Government's bottom line (the surplus or deficit) can be determined.

For *no-year* accounts, you record gross new budget authority (spending authority from offsetting collections) (schedule P lines 6800 and 6900) equal to the collections for the year and record the collections (schedule P lines 8800 - 8845) as an offset to the budget authority.

The Congressional Budget Act defines offsetting receipts and collections as negative budget authority. In the congressional budget process, this subjects proposed provisions of law that affect offsetting receipts and collections to the rules that pertain to budget authority.

*Amounts precluded from obligation.* A law may preclude you from using some of the offsetting collections to incur obligations (see [section 20.4\(d\)](#)). In these cases, the precluded amounts are not counted as budget authority. However, you always deduct the full amount of offsetting collections (cash) from gross budget authority and gross outlays in the year you collect them, even where a law precludes you from obligating all or a portion of the collections in that year. For this reason, an account can have negative net budget authority or outlays. As a general rule, you record obligations first against new offsetting collections. To the extent that the new offsetting collections are not adequate to cover obligations, you record new budget authority from previously unavailable balances of offsetting collections, but you may not exceed the new obligation limitation, if any.

(c) *Period of availability of budget authority.*

When a law appropriates budget authority, it sets the period during which you can use it to incur new obligations. We call this the period of availability for *new obligation* of the budget authority, and the period normally is specified in the law providing the budget authority. The period of availability for incurring new obligations is shorter than the period of availability for making *disbursements*, which is covered by a general law. Each is described below.

*Period of availability for incurring new obligations*

- *Annual budget authority.* This term refers to budget authority that is available for obligation during only one fiscal year or less. One year is the default period of availability for annual appropriations acts, because a general provision in each of the acts specifies that the amounts provided in the act are available for one year, unless the act expressly provides otherwise. Even if there were not such a provision, the preamble of an appropriations act says that it is for a specific fiscal year. For example, the following language in an appropriation act would provide one-year budget authority: "For expenses of the Office of the Secretary, \$1,500,000."
- *Multi-year budget authority.* The language for a specific appropriation of budget authority in an appropriations act or the authorization of the appropriation may make all or some portion of the amount available for obligation for a specified period of time in excess of one fiscal year. Usually, the period covers two or more whole fiscal years, but it may cover a period that includes part of the second fiscal year. We refer to such budget authority as multi-year budget authority or, specifically, as two-year budget authority, three-year budget authority, etc. For example, if the following language appeared in an appropriations act for 2004, it would provide two-year budget authority: "For research and development, \$1,500,000, to remain available until September 30, 2005."
- *No-year budget authority.* The language for a specific appropriation of budget authority or the authorization of the appropriation may make all or some portion of the amount available until expended. That means you can incur obligations against it indefinitely. We refer to this as no-year budget authority. For example, the following language provides no-year budget authority: "For construction, improvements, repair or replacement of physical facilities, \$1,500,000, to remain available until expended." Authorizing laws that make appropriations seldom limit the period of availability, so most budget authority provided in authorizing laws is no-year budget authority.

Usually an appropriations act makes budget authority available beginning on October 1 of the fiscal year for which the appropriation act is passed. However, there are three types of appropriations where that is not the case. They are described below, and the budget *Appendix* lists the accounts in the budget with such appropriations under the heading, "Advance Appropriations, Advance Funding, and Forward Funding."

- *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. For example, if the following language appeared in an appropriations act for fiscal year 2004, it would provide an advance appropriation for fiscal year 2005: "For operating expenses, \$1,500,000, to become available on October 1, 2004." Under current BEA scoring guidelines, new budget authority for advance appropriations is scored in the fiscal year in which the funds become available for obligation. In this example, you would record the budget authority in fiscal year 2005.

- *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. When such budget authority is used, the budget records an increase in the budget authority for the fiscal year in which it is used and a reduction in the budget authority for the following fiscal year. The following language, when added to regular appropriation language, provides advance funding: "...together with such sums as may be necessary to be charged to the subsequent year appropriation for the payment of compensation and other benefits for any period subsequent to August 15 of the current year."
- *Forward funding* means appropriations of budget authority that are made available for obligation in the last quarter of the fiscal year for the financing of ongoing grant program during the next fiscal year. The budget records the budget authority in the fiscal year in which it is appropriated. The following language, if it appeared in an appropriation act for 2004, would provide forward funding, which would be recorded in fiscal year 2004: "... of which \$2,000,000,000 shall become available on July 1, 2004 and shall remain available through September 30, 2005 for academic year 2004–2005."

*Period of availability for making disbursements.*

Under a general law, *annual* budget authority and *multi-year* budget authority may disburse during the first two phases of the following three phases that make up the life cycle of the budget authority.

- *Unexpired* phase. During this time period the budget authority is available for incurring "new" obligations. You may make "new" grants or sign "new" contracts during this phase and you may make disbursements to liquidate the obligations. This phase lasts for a set number of years. Annual budget authority lasts for up to one fiscal year. Multi-year authority lasts for longer periods, currently from over one fiscal year up to 15 fiscal years, and no-year authority lasts indefinitely.
- *Expired* phase. During this time period, the budget authority is no longer available for new obligations but is still available for disbursement. This phase lasts five years after the last unexpired year unless the expiration period has been lengthened by legislation. Specifically, you may not incur new obligations against expired budget authority, but you may liquidate existing obligations by making disbursements.
- However, you may use the expired budget authority to make certain adjustments to obligations that were incurred before the budget authority expired. For example, you could make an upward adjustment in previously recorded obligations for transportation charges, under an agreement to pay actual transportation charges, if they turned out to be greater than originally estimated. Unless there is an exception in law, you may use expired authority to make adjustments to obligations or disbursements only during a period of five years after the last unexpired year. The expired period can be lengthened by legislation. If you have a program with a legitimate need to disburse funds for more than five years after the authority expires for obligation—for example, to make disbursements over many years under direct loan contracts, to pay termination costs under a contract, or to make payments under a lease—and your OMB representative approves, you may propose special language to disburse over a period longer than five years. ([section 95.8](#)). You may disburse during the longer period only if the special language is enacted in law.
- *Canceled* phase. After the last expired year, the account is closed, and the balances are canceled. The authority to disburse is canceled and is no longer available for any purpose. Any offsetting

collections credited to the account at the time the account is canceled or subsequently must be transferred to miscellaneous receipts in the Treasury. Any old bills with valid obligations that show up after the account is closed must be obligated against and disbursed from budget authority that is available for the same general purpose but still in the unexpired phase. For example, an old bill from obligations incurred against an FY 1999 annual salaries and expense (S&E) account that arrives after the authority is canceled must be obligated and disbursed against the corresponding FY 2005 annual S&E account.

*No-year* authority usually stays in the unexpired phase until fully obligated and disbursed. When the purposes for which the authority was made available have been achieved, the account may be closed and the authority canceled.

(d) *Determining the amount of budget authority.*

If a law provides budget authority in a specific amount, we refer to it as *definite* budget authority. We consider the budget authority definite even if the language reads "not to exceed" a specified amount. You record the specified amount as budget authority. For example, this language would provide definite budget authority of \$100 million: "For salaries and expenses, not to exceed \$100,000,000."

If a law doesn't specify an amount of budget authority, but, instead, specifies a variable factor that determines the amount, we refer to the budget authority as *indefinite*. If the law provides "such sums as may be necessary" to cover the obligations resulting from an entitlement (such as unemployment insurance), record budget authority in the past year equal to the amount obligated and in other years equal to your estimate of obligations. If a law authorizes you to obligate all of the receipts from a specified source, record budget authority equal to the amount of receipts you collected in the past year and equal to amounts you estimate you will collect in other years.

If a law appropriates a specific amount to be derived from receipts, it limits the amount of budget authority actually provided to the lower of the actual receipts or the amount specified. For example, if the language read, "... and, in addition, \$75,000,000 of the amounts collected under section 101 of the Authorization Act of 1995," you could obligate only the amount actually collected, up to \$75,000,000. Similarly, if a law appropriates an amount to be derived from a special or trust fund, it limits the amount of budget authority actually provided to the lower of the amount of the balances in the fund or the specified amount. For example, language that reads, "For necessary expenses, \$1,500,000, to be derived from the Land Restoration Trust Fund," allows you to obligate only the amount actually in the fund and no more than \$1,500,000. If a law authorizes you to obligate all of the receipts credited to a fund, record budget authority equal to the amount of receipts collected by the fund in the past year and equal to the amounts you estimate you will collect in other years.

Some laws that provide borrowing authority limit the amount of debt that may be outstanding at any one time. This may limit your ability to incur obligations indirectly, because you must consider your ability to borrow the cash needed to liquidate the obligations that will become due, but it doesn't determine the level of obligations directly. In such cases, treat the budget authority as indefinite and record the amount that you obligated in the past year or estimate you will obligate in other years. Under the BEA scorekeeping guidelines, OMB will score legislation that imposes or changes a limit of this type only to the extent that we estimate that it will alter the amount of obligations that will be incurred (see [Appendix A](#), scorekeeping guideline no. 16).

Most budget authority provided in appropriations acts is definite, and most budget authority provided in other laws is indefinite.



Congress may enact laws that preclude agencies from using all of their potential budget authority. For example, in some cases Congress enacts limitations on obligations or program levels in appropriations acts that limit the authority to use offsetting collections or receipts provided in authorizing legislation. In other cases, the authorizing law may itself limit the amount of obligations you may incur, such as through a benefit formula that determines the amount of benefits that may be obligated.

For special and trust funds with indefinite budget authority whose obligations are constrained by an obligation limitation or benefit formula, the collections in excess of such limitations or benefit formulas are not counted as budget authority. Similarly, offsetting collections that are precluded from obligation are not counted as budget authority. In these cases, you reduce the spending authority by the precluded amount. The precluded amounts are considered to be unavailable and are not included in the account's unobligated balances. You record new budget authority in the year the amounts become available for obligation under the law.

(e) *Discretionary or mandatory budget authority.*

The Budget Enforcement Act of 1990 (BEA) requires us to classify budget authority (and outlays) as either discretionary spending or mandatory spending, and applies a different set of rules to each type of spending. We explain this further in section 20.9.

(f) *Unobligated balance of budget authority.*

An unobligated balance consists of the cumulative amounts of budget authority that are not obligated and that remain available for obligation under law.

In budget execution, the unobligated balance of budget authority at the end of the year is the total amount that is available for obligation during the fiscal year.

In budget formulation, there is a related but not identical concept called "unobligated balance carried forward." These are the unobligated balances net of the balances that expire at the end of the fiscal year. Unobligated balances carried forward must meet *all* of the following conditions:

- They are balances of budget authority that have never been obligated or that have been obligated and deobligated.
- They are balances of budget authority that do not expire at the end of the fiscal year.
- You can quantify the amount by subtracting the obligations to date from the amount of budget authority provided (new budget authority and unobligated balances carried forward at the start of the year from the previous fiscal year). That is, the law providing the budget authority must have specified a definite amount or an indefinite amount based on the appropriation of collections from a specified source. You can not quantify "such sums as may be necessary".

You shouldn't count unavailable special and trust fund receipts or unavailable offsetting collections as budget authority and, therefore, you shouldn't have any unobligated balances as a result of them. Unavailable receipts are included in the special and trust fund receipts schedule (see [section 86.6](#)); unavailable offsetting collections are presented as a memorandum entry in the program and financing schedule (see [section 82.7](#)).

In budget schedules, such as the program and financing schedule, the unobligated balance carried forward at the end of a year is equal to the unobligated balance at the start of the next year.

The balances you report for the start and end of the past year must be consistent with the amounts reported in the Treasury Combined Statement (TCS) published by the Department of the Treasury (previously called the Treasury Annual Report (TAR)). (See [section 82.15](#).)

(g) *Obligated balance.*

The term obligated balance is a term of art that is defined in law as a "net" concept. It is *not* the unpaid obligations. The obligated balances are calculated as follows:

- Take the unpaid obligations (which is the sum of the accounts payable and the undelivered orders).
- Subtract the accounts receivable and the unfilled orders from Federal sources.

(h) *Reappropriation.*

A reappropriation is an extension of the availability of unobligated balances of budget authority that have expired or would otherwise expire as a result of legislation enacted subsequent to the law that provided the budget authority. The term does not apply to extensions of the availability of unobligated balances of budget authority that result from standing provisions of law, enacted before the budget authority was provided, or from provisions of law included in the same law that appropriated the funds.

Reappropriations of expired balances that are newly available for obligation in the current or budget year will be recorded as new budget authority (reappropriations) in the year they are newly available, in the full amount of the potential extension. Reappropriations of unexpired balances or reappropriations of expired balances that cannot take effect until a fiscal year beyond the budget year will be reported as balance transfers in the year they are newly available for obligation.

Similar to reappropriations of unexpired balances, extensions in availability resulting from standing provisions of law or from provisions of law included in the same law that appropriated the funds will be shown as balance transfers. See [section 121.12](#) for a complete discussion on reporting for all types of extensions in availability.

(i) *Rescission.*

Rescission means a cancellation in law of budgetary resources (budget authority or unobligated balances). You record a rescission as negative budget authority in the year it takes effect, regardless of whether it cancels budget authority or unobligated balances. A law that precludes the obligation of budgetary resources in one year and authorizes their obligation in a subsequent year in which they were not available for obligation, constitutes a rescission and a reappropriation. In such cases, you record a rescission in the first year and a reappropriation in the second. Include enacted rescissions in the regular program and financing and other regular schedules. Proposed rescissions require separate budget schedules (see section 82.9).

Amounts rescinded from special fund accounts revert either to unavailable collections of the special fund or to the general fund of the Treasury, depending on the circumstances and the specific requirements of the law making the rescission. As a general rule, amounts rescinded from an annually appropriated special fund account revert to unavailable collections, which may be appropriated subsequently. However, if the rescinding law indicates that the rescinded amounts are *permanently* canceled, the amounts revert to the general fund and are not available for subsequent appropriation. A rescission of permanently appropriated special fund receipts reverts to the general fund of the Treasury, and the receipts are no longer available for appropriation as special fund receipts.

Spending authority from offsetting collections rescinded from general and revolving funds revert either to the specific Treasury Appropriation Fund Symbol or to the general fund of the Treasury, depending on the circumstances and the specific requirements of the law making the rescission. OMB will analyze the application of reductions against spending authority from offsetting collections on a case-by-case basis. However, as a general rule, if the budgetary resource is reported as spending authority from offsetting collections, then the amount is not permanently canceled.

(j) *Transfer.*

- (1) *Definition.* Transfer means to reduce budgetary resources (budget authority and unobligated balances) in one account and increase them in another, by the same amount.
- (2) *Authority.* You can't make a transfer unless a law authorizes it. The law may specify a particular transfer or provide general transfer authority within specified limits.
- (3) *Expenditure transfer or nonexpenditure transfer.* A transfer is recorded as either an *expenditure transfer*, which involves an outlay, or a *nonexpenditure transfer*, which does not involve an outlay. Which you record usually depends on the purpose of the transfer, as explained in the following table, except that nonexpenditure transfers are limited to transactions in which both accounts are within the same fund group (i.e., trust-to-trust or Federal-to-Federal). See also [exhibit 20](#).

If the transfer...	Record as...
(1) purchases goods or services that benefit the transferring account for example, Economy Act transactions or purchases from revolving funds (including working capital funds), such as, a rental payment to GSA's Federal Buildings Fund...	An expenditure transfer.
(2) shifts budgetary resources between Federal funds (general, special, and revolving fund accounts) and trust funds (trust fund and trust revolving fund accounts), regardless of the purpose...	An expenditure transfer.
(3) reduces budgetary resources available for the activities of the transferring account and increases them for the activities of the receiving account (for example, a transfer of unobligated balances from the construction account to the salaries and expense account to fund pay raises) other than between Federal and trust funds...	A non-expenditure transfer.
(4) corresponds to a transfer of an activity from one account to another (such as in a reorganization)...	A non-expenditure transfer.

(4) *Recording transfers in the budget:*

- *Expenditure transfers.* Record an expenditure transfer as an obligation (against new budget authority or unobligated balances) and an outlay in the transferring account and as an offsetting collection or offsetting receipt in the receiving account (see [section 20.7](#)). If the receiving account is a general fund appropriation account or a revolving fund account (including a trust revolving fund), credit the amount as an offsetting collection to the appropriation or revolving fund account. If the receiving account is a special fund or trust fund account, you would normally credit the amount as an offsetting receipt to a receipt account of the fund.
- *Nonexpenditure transfers.* Do not record an obligation or an outlay or an offsetting collection or offsetting receipt. Record nonexpenditure transfers as a decrease either in budget authority or

unobligated balances in the transferring account and as an increase either in budgetary authority or unobligated balances in the gaining account. Whether you record the reduction and increase as a change in budget authority or unobligated balances, depends on the circumstances, as described in the following table.

<b>If you transfer...</b>	<b>And the transfer...</b>	<b>Record...</b>
(1) unobligated balances	Results from a transfer <u>specified in law</u> that changes the purpose for which the funds will be used	a decrease in budget authority in the transferring account and an increase in budget authority in the gaining account.
(2) unobligated balances	<ul style="list-style-type: none"> <li>• Results from general transfer authority, or</li> <li>• corresponds to a transfer of an activity such that the purpose does not change</li> </ul>	a decrease in unobligated balances in the transferring account and an increase in unobligated balances in the gaining account.
(3) budget authority in the year it becomes available	Is for any purpose	a decrease in budget authority in the transferring account and an increase in budget authority in the gaining account.

(k) *Transfer in the estimates.*

A transfer in the estimates means the budget proposes to stop funding an activity under one budget account and start funding the activity under another budget account, beginning in the budget year. This does not involve a transfer of budgetary resources, like that discussed in subsection (j). You simply stop showing budget authority in the one account and start showing it in the other. A transfer in the estimates usually reflects a proposal to do one of the following in the budget year:

- Transfer the funding of an activity from one account to another.
- Consolidate funding for related activities from two or more accounts into a single account.
- Disaggregate the funding for an activity from one account between two or more accounts.

You must indicate a transfer in the estimates by footnoting the program and financing schedules of the transferring and receiving accounts (see [section 82.12](#)).

(l) *Allocation.*

Allocation means a delegation, authorized in law, by one agency of its authority to obligate budget authority and outlay funds to another agency. When an agency makes such a delegation, the Treasury Department establishes a subsidiary account called a "transfer appropriation account", and the receiving agency may obligate up to the amount included in the account. The budget doesn't show the transfer appropriation account separately. The budget schedules for the parent account include the obligations by the other agency against the subsidiary account without separate identification, except in the object class

schedule (see [section 83.17](#)). Allocations are appropriate where the receiving agency is acting as the agent for the allocating agency.

## 20.5 When should I record obligations and in what amounts?

### (a) *The general rule.*

Obligation means a legally binding agreement that will result in outlays, immediately or in the future. When you place an order, sign a contract, award a grant, purchase a service, or take other actions that require the Government to make payments to the public or from one Government account to another, you incur an obligation. It is a violation of the Antideficiency Act ([31 U.S.C. 1341\(a\)](#)) to involve the Federal Government in a contract or obligation for payment of money *before* an appropriation is made, unless authorized by law. This means you can not incur obligations in a vacuum; you incur an obligation against budget authority in a Treasury account that belongs to your agency. It is a violation of the Antideficiency Act to incur an obligation in an amount *greater* than the amount available in the Treasury account that is available. This means that the account must have budget authority sufficient to cover the total of such obligations at the time the obligation is incurred. In addition, the obligation you incur must conform to other applicable provisions of law, and you must be able to support the amounts reported by the documentary evidence required by [31 U.S.C. 1501](#). Moreover, you are required to maintain certifications and records showing that the amounts have been obligated ([31 USC 1108](#)). The following provides additional guidance on when to record obligations for the different types of goods and services or the amount.

### (b) *Personnel compensation and benefits.*

For personnel compensation and benefits the issue is usually the "timing" of the obligation and not the "amount" of the obligation. The amount is prescribed by laws that cover the civil service and the uniformed service and determined by well-established personnel procedures. As for the timing of the obligation, the amounts generally are recorded as obligations as the amounts are earned during the reporting pay period, with the following exceptions:

Type of obligations...	At the time ...	Because...
Severance pay.	It is paid on a pay period by pay period basis.	Severance pay is not earned with regular salaries and wages.
Authorized reimbursable expenses estimated to be paid to employees for real estate, temporary subsistence, and other expenses incident to relocation at the request of the Government.	The individual travel orders are approved.	The travel is a bona fide need at the time the order is approved.
Cash awards that do not become part of the employee's basic rate of pay.  Allowances for uniforms and quarters.	When payable to the employee.	This is the time the amount is definite.

Type of obligations...	At the time ...	Because...
Subsidies for commuting costs.		
Unemployment compensation payments to the Department of Labor for former Federal employees	When the agency receives the bills rendered by Labor.	Underlying law.
Annual leave	When it becomes due and payable as terminal leave or taken in lieu of a lump sum payment	Normally, annual leave is unfunded.
Funded annual leave	<p>When you transfer a person from a revolving fund to another revolving fund, you obligate the employee's share of funded annual leave and you pay it to the fund to which the employee is transferred.</p> <p>When you transfer a person from a revolving fund to a non-revolving fund, you obligate the employee's portion of the funded annual leave and pay miscellaneous receipts in the general fund of the Treasury</p>	<p>The revolving fund to which the employee is transferred will pay the employee's salary and wages when the employee takes the annual leave or will pay the lump sum terminal leave for any annual leave not taken.</p> <p>The appropriation from the general fund in the Treasury will pay the employee's salaries and wages when the employee takes the annual leave or will pay the lump sum terminal leave for any annual leave not taken.</p>

(c) *Contractual services and supplies.*

Services and supplies that are purchased by contract and any potential Federal Government cancellation and/or termination costs are recorded as obligations at the time there is a binding agreement, which is usually when the contract is signed, and in the amount of the maximum liability to the Federal Government under the terms of the contract. The following provides the nuances of contracts with certain characteristics.

Contracts with...	Amount obligated is...	At the time ...
A maximum price	<p>The maximum price.</p> <p>Amount of downward adjustments, i.e. deobligation, if any.</p>	<p>The contract is signed.</p> <p>There is documentary evidence that the price is reduced.</p>
Letters of intent and letter contracts.	Normally, no amount is obligated.	The letter is signed.
However, IF the letters constitute binding	The maximum amount indicated in the letter that	



<b>Contracts with...</b>	<b>Amount obligated is...</b>	<b>At the time ...</b>
agreements under which the contractor is authorized to proceed.	the contractor is authorized to incur to cover expenses prior to the execution of a definitive contract.	
Contracts for variable quantities.  The contracts are usually followed by "purchase orders" that do obligate the Government.	Normally, no amount is obligated.  The amount of actual orders.	The contract is signed.  The order is issued.
Orders where a law "requires" that you to place orders with another Federal Government account.	The amount of the order.	The order is issued.
Voluntary orders with other Federal Government accounts:	The amount of the order.	
If the order is for common-use standard stock item the supplier has on hand or on order at published prices.		That you issue the order to the supplier.
If the order is for stock items other than the above.		You receive a formal notification that the items are on hand or on order.
If the order involves execution of a specific contract.		The supplying agency notifies you that it has entered into the contract.

(d) *Land and structures.*

Contracts for lands and structures generally follow the same rules as for contracts specified above with the following exceptions.

<b>Contracts with...</b>	<b>Amount obligated is...</b>	<b>At the time ...</b>
Condemnation proceedings.	The estimated amount for the price of the land, adjusted to the amount of the payment to be held in escrow where there is a declaration of taking.	When you ask the Attorney General to start condemnation proceedings.
Lease-purchases and capital leases covered by the score keeping rules developed under the Budget Enforcement Act.	The present value of the lease payments, discounted using the Treasury interest rate used in calculating the budget	The contract is signed.

<b>Contracts with...</b>	<b>Amount obligated is...</b>	<b>At the time ...</b>
	authority provided for the purchase.	
	The imputed interest costs (that is, the financing costs Treasury would have incurred if it had issued the debt to acquire the asset)	During the lease period.

(e) *Grants and fixed charges.*

Discretionary grants will be obligated after the amounts are determined administratively and recorded at the time the grant award is signed. The grant award is normally the documentary evidence that the grant has been awarded. Letters of credit are issued after the grant awards are made and generally are not obligating documents.

For grants and fixed charges with formulas in law that automatically fix the amount of the charges, record the amount determined by the formula or, if there is an appropriation, then record the amount appropriated, whichever is smaller. The obligation is reported at the time the grantee is awarded the grant and is liquidated when the payment is made to the grantee. To the extent that a grant is no longer valid, you will record a recovery of prior year obligations.

The exceptions follow:

<b>Grants or fixed charges..</b>	<b>Amount obligated is...</b>	<b>At the time ...</b>
In lieu of taxes.	The amount appropriated.	The taxes are due.
Interest.	The amount owed.	The interest is payable.
Dividends.	The amount declared.	The dividend is declared.

(f) *Federal credit programs.*

Obligations in Federal credit programs generally follow the same rules as for "personnel compensation and benefits" and "contracts" specified above with the following exceptions.

<b>The amount is..</b>	<b>Amount obligated is...</b>	<b>At the time ...</b>
Subsidy in direct loan program account	The portion of the subsidy cost for the direct loan contract that you are signing	You sign the direct loan contract and incur the direct loan obligation in the credit financing account.
Subsidy in guaranteed loan program account.	The portion of the subsidy cost for the binding agreement to make a loan guarantee.	You make the loan guarantee commitment, that is, when you enter into a binding agreement to make a loan guarantee when special conditions are fulfilled by the

The amount is..	Amount obligated is...	At the time ...
		borrower, the lender, or any other party to the guarantee agreement.

## 20.6 What do I need to know about outlays?

Outlay means a payment to liquidate an obligation (other than the repayment to the Treasury of debt principal). Outlays are a measure of Government spending. As required by law, the budget presents some outlays as "on-budget" and some as "off-budget". Total outlays for the Federal Government include both on-budget and off-budget outlays. Government-wide outlay totals are stated net of refunds, offsetting collections, and offsetting receipts. Function, subfunction, and agency outlay totals are stated net of related refunds, offsetting collections, and offsetting receipts for most budget presentations. (Offsetting receipts from a few sources do not offset any specific function, subfunction, or agency but only offset Governmentwide outlay 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.

The Government usually makes payments in the form of cash (currency, checks, or electronic fund transfers), and you normally record outlays equal to the disbursement at the time of the disbursement. Normally the amount of cash disbursed appropriately measures the value of the transaction. In other cases, however, the cash disbursed does not accurately measure the value of the transactions. In these cases, we require you to record the cash-equivalent value of the transactions (see section 20.8).

Not every disbursement is an outlay, because not every disbursement liquidates an obligation. You don't record outlays for the following:

- Repayment of debt principal, because we treat borrowing and the repayment of debt principal as a means of financing.
- Disbursements to the public by Federal credit programs for direct loan obligations and loan guarantee commitments made in fiscal year 1992 or later (and those made prior to that year if they have been modified), because we treat the cash flows to and from the Government for credit programs as a means of financing. We record outlays equal to the subsidy cost of direct loans and loan guarantees when the underlying direct or guaranteed loans are disbursed. Disbursements from liquidating accounts for direct loan obligations and loan guarantee commitments made prior to fiscal year 1992 are treated as outlays (see [section 185](#)).
- Disbursements from deposit funds, because these funds are on deposit with the Government but are not owned by the Government and are therefore excluded from the budget (see [section 20.7](#)).
- Refunds of receipts that result from overpayments, because they are recorded as decreases in receipts, rather than as increases in outlays (see [section 20.10](#)).

The timing for recording outlays for interest payments varies. Treasury records outlays for the interest on the public issues of Treasury debt securities as the interest accrues, not when it pays the cash. However, most Treasury debt securities held by Government accounts are in the Government account series. Treasury normally records the interest payments on these securities when it pays the cash. (And you normally record an offsetting collection or receipt on a cash basis.) Four trust funds in the Department of Defense, the Military retirement trust fund, the Education benefits trust fund, the Defense cooperation

fund, and the Medicare-eligible health care fund, routinely have relatively large differences between purchase price and par. For these funds, we've instructed the Department to record the holdings of debt at par but record the differences between purchase price and par as adjustments to the assets of the funds that are amortized over the life of the security. The Department records interest as the amortization occurs. We discuss the budget treatment of investment transactions in [section 113](#).

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 in prior years. The ratio of the outlays resulting from budget authority enacted in any year to the amount of that budget authority is referred to as the spendout rate for that year.

Outlays for the past year must agree with amounts reported in the Treasury Combined Statement, unless OMB approves an exception.

## **20.7 What do I need to know about receipts, offsetting collections, and offsetting receipts?**

### **(a) Overview.**

We use the term collections for the universe of money collected by the Federal Government and its accounts. Collections result from the following transactions:

- Sovereign power - collections from the public that result primarily from the Government's exercise of its sovereign power to tax or otherwise compel payment and from gifts of money.
- Business-type transactions with the public - collections from the public in exchange for goods and services.
- Intragovernmental transactions - collections from other Federal Government accounts.

The universe of money collected also includes the proceeds of borrowing and the other means of financing which are not treated as collections in the budget. Means of financing are discussed in [section 20.7 \(h\)](#).

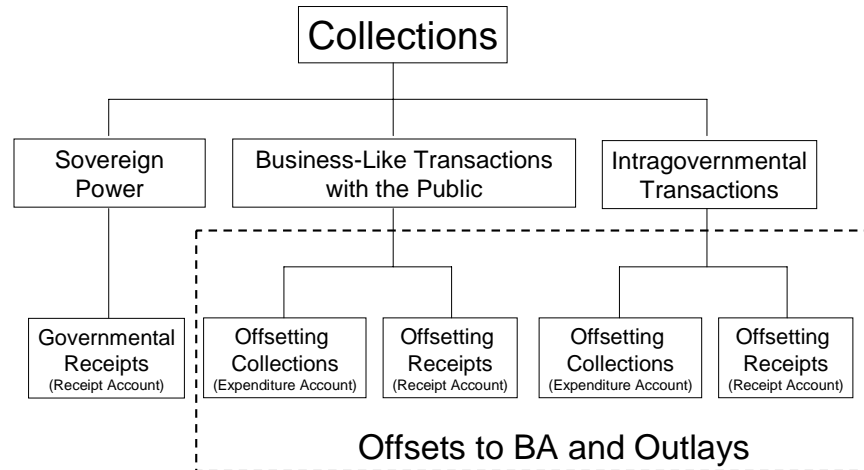
The Federal Government normally receives collections in the form of cash and normally records collections equal to the amount of cash received at the time of collection. Usually the amount of cash collected appropriately measures the value of the transaction. In some cases, the cash collected does not accurately measure the value of the transaction. In these cases, you record the cash equivalent value of the transactions (see [section 20.8](#)).

As recommended by the 1967 President's Commission on Budget Concepts, the budget records money 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 receipts) in calculating the surplus or deficit; or

**Offsetting collections** or **offsetting receipts**, which are deducted from gross outlays to produce net outlay figures.

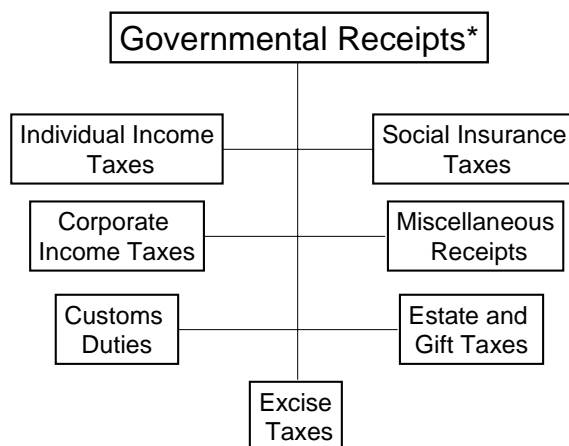
## Sources of Collections



(b) *Governmental receipts.*

Governmental receipts are collections that result from the Government's exercise of its sovereign power to tax or otherwise compel payment and gifts of money to the Government. Sometimes they are called receipts or Federal receipts. They consist mostly of individual and corporation income taxes and social insurance taxes, but also include excise taxes, compulsory user charges, regulatory fees, custom duties, court fines, certain license fees, and deposits of earning by the Federal Reserve System. Governmental receipts are deposited in receipt accounts. See section 20.11 for more detail on receipt accounts.

The types of governmental receipts are summarized in the diagram below. Total receipts for the Federal Government include both on-budget and off-budget receipts.



\* Sometimes called "receipts" or "Federal receipts."

For more information on collections, see [chapter 16](#), "Federal Receipts" in the *Analytical Perspectives* volume of the 2005 Budget.

(c) *General information about offsetting collections and offsetting receipts.*

Offsetting collections and offsetting receipts are recorded as offsets to spending, not as additions to the receipt side of the budget. They are recorded as offsets to spending so that the budget totals represent governmental rather than market activity and to prevent double counting from intragovernmental transactions. This ensures that the Budget totals measure the transactions of the Government with the public. They are recorded in the budget 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 to be credited to expenditure accounts. Otherwise, they are deposited in receipt accounts and called offsetting receipts. See [section 20.7\(f\)](#) for more detail on receipt and expenditure accounts.

Offsetting collections and offsetting receipts are classified according to the type and source of the money collected and how it is treated in the budget. Offsetting collections and offsetting receipts result from one of the following types of transactions:

***Business-like transactions or market-oriented activities with the public***—collections from the public in exchange for good or services. The budget records these amounts as *offsetting collections from non-Federal resources* for offsetting collections or as *proprietary receipts* for offsetting receipts. The amounts are deducted from gross budget authority and gross outlays, rather than added to receipts. This produces budget totals for receipts, budget authority, and outlays 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. The amounts are deducted from gross budget authority and gross outlays so that the budget totals measure the transactions of the Government with the public.

***Offsetting governmental transactions***—collections from the public that are governmental in nature (e.g., tax receipts, regulatory fees, compulsory user charges) 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.

(d) *Offsetting collections.*

Some laws authorize agencies to credit collections directly to the account from which they will be spent. Most revolving funds operate with such authority. 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 budget are net of offsetting collections.

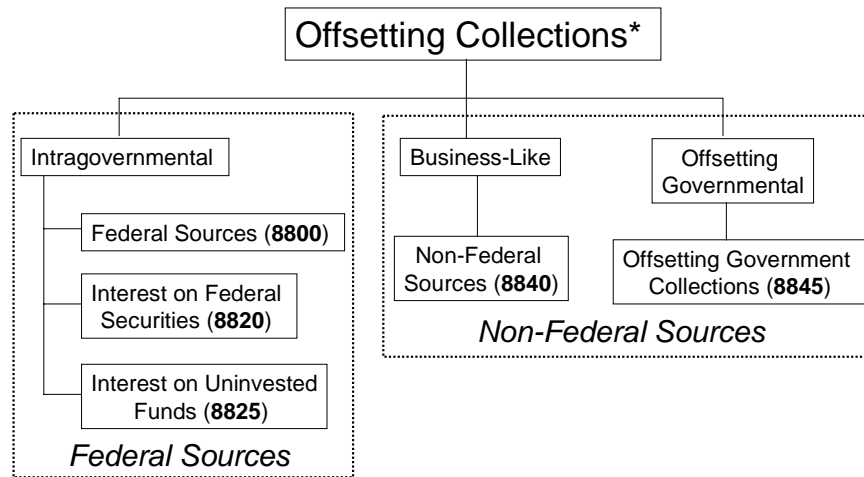
Line codes are used to identify the source of the collections in OMB's budget database. See the table on "Offsets" in [section 82.6](#) for the offsetting collection line entries and the definitions. The lines are presented in the program and financing (schedule P) in the Appendix to the President's Budget.

The following chart summarizes the coding used in MAX schedule P:



## Budget Classification of Offsetting Collections

(Offsetting collection line number in bold face)



\*Normally offsets budget authority and outlays at the expenditure account level.

(e) *Offsetting receipts.*

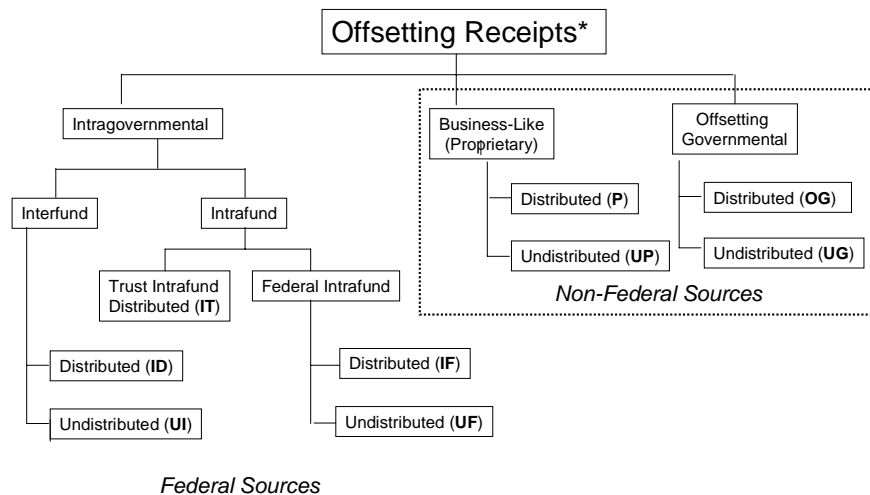
Collections that are offset against gross outlays but are not authorized to be credited to expenditure accounts are credited to receipt accounts and are called offsetting receipts. They are deducted from budget authority and outlays in arriving at total budget authority and outlays. However, unlike offsetting collections that are credited to expenditure accounts, offsetting receipts do not offset budget authority and outlays at the account level. Most offsetting receipts deposited in receipt accounts are offset at the agency and subfunction levels. We call these *distributed* offsetting receipts. A few offsetting receipts are offset at government-wide totals. We call these *undistributed* offsetting receipts. For more information on the magnitude of undistributed offsetting receipts see [Table 4](#), Undistributed Offsetting Receipts, in the Object Class Analysis report that accompanies the President's annual budget.

Within OMB's budget database, offsetting receipts are coded to identify the types of offsetting receipt (e.g., governmental, proprietary, intragovernmental) and to identify how they are treated (e.g., offset at the agency and function level). Each offsetting receipt type also has a number of unique and associated source category codes that enable MAX to produce tables needed for the Budget. These are assigned by OMB when the account is established.

The following chart summarizes the receipt types, with associated receipt type codes in parentheses, for the various types of offsetting receipts.

## Budget Classification of Offsetting Receipts

(Receipt type codes in bold face)



\* Normally offsets budget authority and outlays at the agency level.

(f) *Receipt accounts and expenditure accounts.*

The placement of collections in receipt accounts or expenditure accounts is based on the interpretation of laws and long-standing budget concepts and practice.

**Receipt accounts.**—A general law requires that, except as provided by another law, an official or agent of the Government who receives money for the Federal Government from any source shall *deposit* the money in the Treasury as soon as practicable. This law is generally referred to as the "Miscellaneous Receipts Act". The Department of the Treasury, in consultation with OMB, interprets this law as requiring all collections to be deposited in *general fund* receipt accounts, which as a group comprise part of "the general fund."

Some laws  *earmark* collections from a certain source for a specific purpose. Depending on the legal requirements, Treasury deposits these collections in *special fund* receipt accounts, *trust fund* receipt accounts, or credits the collections directly to expenditure accounts, including revolving fund accounts. The legislation also specifies whether the earmarked receipts are (i) *available* for obligation and outlay without further appropriations action by Congress (i.e., available), or (ii) *not available* for obligation or outlay until Congress makes the amounts available in annual appropriations or other acts (i.e., unavailable). However, in some cases, receipts are considered to be unavailable because a benefit formula or limitation precludes their use. These amounts of receipts may become available subsequently without appropriations action. See [section 20.4\(b\) \(4\)](#) for more information about amounts precluded from obligation.

When the collections in the receipt accounts are available for obligation and outlay, the amounts are appropriated to general fund, special fund, trust fund, or other expenditure accounts, as discussed below.

**Expenditure accounts.**—Some laws override the requirement to first deposit collections in receipt accounts. These collections are *credited directly to expenditure accounts*, where the collections are generally available for obligation and outlay without further action by Congress. These collections are called *offsetting collections*. Most revolving funds operate under such authority. These include public enterprise, intragovernmental, and trust revolving funds. In addition, the Economy Act allows Federal

agencies or bureaus within agencies to do work for each other. When one account reimburses another account for this work, the Act authorizes the collections to be credited directly to the expenditure account that provided the goods and services.

(g) *User charges.*

User charge means a fee, charge, or assessment the Government levies on a class of the public directly benefiting from, or subject to regulation by, a Government program or activity. We record user charges as governmental receipts, offsetting collections, or offsetting receipts using the criteria described above. The authorizing law must limit the payers of the charges to those benefiting from, or subject to regulation by, the program or activity.

User charges include:

- Collections from non-Federal sources for goods and services provided (for example, the proceeds from the sale of goods by defense commissaries, electricity by power marketing administrations, stamps by the Postal Service; fees charged to enter national parks; and premiums charged for flood and health insurance);
- Voluntary payments to social insurance programs, such as Medicare Part B insurance premiums;
- Miscellaneous customs fees (for example, United States Customs Service merchandise processing fees);
- Proceeds from asset sales (property, plant, and equipment);
- Proceeds from the sale of natural resources (such as timber, oil, and minerals);
- Outer Continental Shelf receipts;
- Spectrum auction proceeds;
- Many fees for permits, and regulatory and judicial services; and
- Specific taxes and duties on an exception basis.

User charges do not include:

- Collections from other Federal accounts;
- Collections associated with credit programs;
- Realizations upon loans and investments;
- Interest, dividends, and other earnings;
- Payments to social insurance programs required by law;
- Excise taxes;
- Customs duties;
- Fines, penalties, and forfeitures;
- Cost-sharing contributions; and
- Federal Reserve System deposits of earnings.

(h) *Means of financing.*

These are monies received or paid by the Government that are not counted in the budget totals as either collections (governmental receipts, offsetting collections, or offsetting receipts) or outgo (outlays). Borrowing and the repayment of debt are the primary means of financing. Others are listed below. These monies finance outlays when there is a deficit—that is, when outlays (net of offsetting collections and offsetting receipts) exceed receipts. When there is a surplus—that is, when receipts exceed outlays (net of offsetting collections and offsetting receipts)—the means of financing may be used, together with the surplus, to retire debt.

Most of the individual means of financing represent changes in assets or liabilities and therefore can either be a source of financing for the Government or require financing themselves. For example, if the disbursements from credit financing accounts exceed their collections, which are normal, the difference must be financed by receipts or the other means of financing. The means of financing other than borrowing and repayment of debt include:

- Net financing disbursements by direct loan and guaranteed loan financing accounts.
- Seigniorage (the profit from coining money) and profits on the sale of gold (a monetary asset).
- Certain exchanges of cash, such as deposits by the U.S. in the International Monetary Fund.
- Changes in Treasury's operating cash balance, compensating balances, uninvested deposit fund balances, and checks outstanding.
- Treasury debt buyback premiums and discounts (see [section 113](#)).

For more information on how the budget treats collections and the reasons for their treatment, see the section on "Receipts, Offsetting Collections, and Offsetting Receipts" in Chapter 25 on "[Budget System and Concepts and Glossary](#)" in the *Analytical Perspectives* volume of the President's Budget.

## **20.8 What do I need to know about cash-equivalent transactions?**

Normally the amount of cash disbursed or collected is the appropriate measure of the value of the transaction, and you record outlays or collections equal to the cash that changes hands. In other cases, however, the cash disbursed or collected doesn't accurately measure the value of the transactions. In these cases, you should record the cash-equivalent value of the transactions in the budget. The following are some examples of cash-equivalent transactions:

- *Federal employee salaries.* You record an outlay for the full amount of an employee's salary, even though the cash disbursement is net of Federal and state income taxes, retirement contributions, life and health insurance premiums, and other deductions. We record collections for the deductions that are payments to the Government.
- *Debt instruments.* When the Government receives or makes payments in the form of debt instruments (such as bonds, debentures, monetary credits, or notes) in lieu of cash, we record collections or outlays in the budget on a cash-equivalent basis. The Government can borrow from the public to raise cash and then outlay the cash proceeds to liquidate an obligation, or, if authorized in law, it may liquidate the obligation by issuing securities in lieu of the cash. The latter method combines two transactions into one—borrowing and an outlay. Combining these transactions into one does not change the nature of the transactions. Since the two methods of payment are equivalent, we require you to record the same amount of outlays for both cases.

Similarly, when the Government accepts securities in lieu of cash from the public in payment of an obligation owed to the Government, we record collections. In one program, for example, a Government agency may choose whether to pay default claims against it in cash or by issuing debentures in lieu of cash; the agency records the same amount of outlays in either case. In turn, a recipient of these debentures may choose to pay the fees that it owes to the Government either in cash or by returning debentures of equivalent value that it holds. The agency records the same amount of collections in either case.

- *Lease-purchases.* We require you to record an outlay for the acquisition of physical assets through certain types of lease-purchase arrangements as though the transaction was an outright purchase or direct Federal construction. Lease-purchase transactions in which the Government assumes substantial risk are equivalent to the Government raising cash by borrowing from the public and purchasing the asset directly by disbursing the cash proceeds. You must report outlays over the period that the contractor constructs, manufactures, or purchases the asset that will be leased to the Government, not when the Government disburses cash to the developer for lease payments. Because the Government pays no cash up front to the nominal owner of the asset, the transaction creates a Government debt. In such cases, we treat the subsequent cash lease payments as the equivalent of interest outlays on that debt and principal repayments. (See [Appendix B](#)).

The scorekeeping effect of cash-equivalent transactions applies to budget authority, as well as to outlays and collections. You record the authority to incur obligations that will be liquidated through cash-equivalent payments as budget authority.

The use of cash-equivalents often results in an increase or decrease in Federal debt. In the previous example of the Government using debentures to pay claims, we record the issuance of a debenture as an increase in debt, and we record the Government's acceptance of a debenture for payment of fees as a decrease in debt. We also record an increase in debt as the means of financing the cash-equivalent outlays of lease-purchase arrangements in which the Government assumes substantial risk.

## 20.9 What do I need to know about discretionary spending, mandatory spending, and PAYGO?

### (a) *Overview.*

The Budget Enforcement Act (BEA), first enacted in 1990 and extended in 1993 and 1997, significantly amended the laws pertaining to the budget process. The BEA expired at the end of 2002. The Administration proposes to extend the BEA's mechanisms for limiting discretionary spending and to establish mandatory spending controls, and, even though the BEA has expired, we continue to apply many of the concepts and scorekeeping principles embodied in it in our review of legislation. This section describes some of the key requirements of the BEA. Chapter 24, "Budget System and Concepts and Glossary," in the [Analytical Perspectives](#) volume of the 2004 Budget, discusses the Budget Enforcement Act in more detail.

The Act divided spending into two types—discretionary and mandatory:

1. *Discretionary spending* means the budget authority controlled by annual appropriations acts and the outlays that result from that budget authority. For example, the budget authority and outlays for the salaries and other operating expenses of Government agencies are usually controlled by annual appropriations acts and, therefore, are usually discretionary. Where obligation limitations set in appropriations acts limit permanent budget authority, except trust fund accounts in the Department of Transportation, we define the budget authority for the account as discretionary in an amount equal to the limit. For the Transportation trust funds, the budget authority remains mandatory, although the funds' outlays are discretionary.

2. *Mandatory spending* means budget authority and outlays controlled by permanent laws. For example, permanent laws authorize payments for Medicare and Medicaid, unemployment insurance benefits, and farm price supports, so the budget authority and outlays for these programs are mandatory. In addition, budget authority provided in annual appropriations acts for certain programs is treated as mandatory because the authorizing legislation entitles beneficiaries to receive payment or otherwise obligates the Government to make payment. Congress controls the size of the Government's obligation by changing the authorizing legislation, not by funding provided in subsequent appropriation. Also, the BEA specifically defines funding for the Food Stamp program as mandatory spending, even though annual appropriations acts provide funding for the program, and the authorizing legislation doesn't create an entitlement. Mandatory spending is the term commonly used for this kind of spending, although the BEA calls it "direct spending".

The Joint Explanatory Statement of the Committee of Conference for the Balanced Budget Act of 1997 classified all accounts under the Appropriations Committee's jurisdiction at the time as discretionary or mandatory. The "scorekeepers" (House and Senate Budget Committees, CBO, and OMB) consult on the classification of new accounts and may reclassify an existing account. While mandatory and discretionary classifications were used for measuring compliance with the BEA, they do not determine whether a program provides legal entitlement to a payment or benefit or the availability of funding. You should address questions about BEA classifications and legal entitlements to your OMB representative.

The BEA applied one set of rules to discretionary spending and another to mandatory spending and receipts. The rules for receipts were the same as for mandatory spending, because receipts are generally controlled by permanent laws. The Explanatory Statement referred to in the previous paragraph provided scorekeeping guidelines that the scorekeepers used in interpreting the rules. The BEA authorized the scorekeepers to revise the guidelines if all agree on the revision. [Appendix A](#) contains the most recent guidelines, which OMB, the budget committees, and CBO continue to apply even though the BEA has expired.

(b) *Discretionary spending caps.*

The BEA defined categories of discretionary spending and specified dollar limits known as "caps" on the amount of spending in each category. The categories varied from year to year. If the amount of budget authority or outlays provided in appropriations acts for a given year exceeded the cap for that category, the BEA required a procedure, called sequestration, for reducing the spending in the category. The President was required to issue a sequestration order reducing most programs in the category by a uniform percentage. Special rules applied in reducing some programs, and the BEA exempted some programs from sequestration.

The BEA required OMB to adjust the caps for appropriations for emergencies—any appropriation designated as emergency spending by both the Congress and the President—and for certain other specified purposes. Thus, these appropriations could not trigger a sequestration. The BEA also required OMB, in consultation with Congress, to adjust the caps for the effects of conceptual changes. If the Congress and the President designated an appropriation as an emergency requirement, we scored the appropriations act for the budget authority and estimated outlays when it is enacted, and we increased the discretionary caps by the same amounts in the next sequestration report.

The BEA required that substantive changes to or restrictions on entitlement law or other mandatory spending law in specified in appropriations laws (including changes in offsetting receipts or collections) be treated as changes in discretionary spending for the purposes of scoring those appropriations laws. However, in the subsequent budget, OMB could decide to reclassify such changes, especially in accounts

that are generally mandatory, and make a compensating adjustment to the discretionary caps. This was sometimes referred to as “rebasing”.

(c) *Pay-as-you-go (PAYGO) requirements.*

The BEA did not cap mandatory spending. Instead, it required all laws that affected mandatory spending or receipts to be enacted on a "pay-as-you-go" (PAYGO) basis. That means that if such a law increased the deficit or decreased the surplus in the budget year or any of the four following years, another law had to be enacted with an offsetting reduction in spending or increase in receipts for each year that was affected. Otherwise, a sequestration would be triggered in the fiscal year the deficit would be increased. The BEA sequestration procedures required a uniform reduction of mandatory spending programs that were neither exempt nor subject to special rules.

The PAYGO rules didn't apply to increases in mandatory spending or decreases in receipts that didn't result from new laws. For example, mandatory spending for benefit programs, such as unemployment insurance, rises when the population of eligible beneficiaries rises, and many benefit payments are automatically increased for inflation under existing laws. Also, if both the Congress and the President designated a provision of mandatory spending or receipts legislation as an emergency requirement, we did not score the effect of the provision as PAYGO.

## 20.10 What do I need to know about refunds?

You might think that you should record refunds received as collections and refunds paid as outlays, but that isn't always the case. The following table explains how to record refunds *received*. (We cover refunds *paid* after the table.)

<b>If you...</b>	<b>And the appropriation against which the obligation was incurred...</b>	<b>You...</b>
(1) receive a refund of funds that were obligated and outlayed in that year	remains available (usually the case)	reduce the total amount of obligations and outlays recorded for the year in the budget schedules.
(2) receive a refund of funds that were obligated and outlayed in a previous year	remains available for new obligations	record the refund as an offsetting collection, increasing spending authority from offsetting collections.
(3) receive a refund of funds that were obligated and outlayed in a previous year	has expired but is not yet canceled	record the refund as an offsetting collection and as a portion of cash collections credited to expired accounts (line 8896 of the P&F schedule). These offsetting collections are not reported as new spending authority from offsetting collections (part of gross budget authority), and the amount on line 8896 reduces the offset applied to gross budget authority.
(4) receive a refund of funds that were obligated in a previous year	has been canceled	deposit the refund miscellaneous receipts of the Treasury.



Record refunds *paid* as follows:

- Record refunds paid by an expenditure account as an obligation and an outlay of the account.
- Record refunds of receipts that result from overpayments (such as income taxes withheld in excess of a taxpayer's income tax liability) as reductions of receipts, rather than as outlays. This does not include payments to a taxpayer for credits (such as an earned income tax credit) that exceed the taxpayer's income tax liability. Record these as outlays, not as refunds.

### **20.11 What do I need to know about accounts and fund types?**

(a) *Accounts.*

An *account* may mean a "receipt" account or an "expenditure" account. The term may refer to a "Treasury" account or a "budget" account.

For receipt accounts, the budget accounts generally are coterminous with Treasury accounts.

For expenditure accounts (which includes both "appropriations" and "fund" accounts), Treasury establishes separate Treasury appropriation fund symbol (TAFS) accounts for each appropriation title based on the availability of the resources in the account. Treasury establishes separate TAFS accounts for each annual, multi-year, or no-year amount appropriated.

In budget execution, the term "account" normally refers to the TAFS.

The budget accounts are based on actual and proposed accounts. Normally a budget account in the MAX database is a consolidation of all the Treasury accounts with the same appropriation title, for example, "Salaries and expenses". As an illustration, the FY 2004 column of the program and financing schedule for "Salaries and expenses" in the budget Appendix would cover outlays made in FY 2004 from the unexpired FY 2004 annual appropriation, the FY 2002–2004 multi-year appropriation, the no-year appropriation, and the five expired annual appropriations (FY 1999 through FY 2003).

For more information on account identification codes see [section 79.2](#).

(b) *Overview of fund types.*

Agency activities are financed through general funds, special funds, and revolving funds (public enterprise revolving funds, intragovernmental revolving funds, credit financing accounts), which constitute the Federal funds group, and trust funds and trust revolving funds, which constitute the trust funds group. General, special, and trust fund collections and disbursements may be held *temporarily* in clearing accounts pending clearance to the applicable account. In some cases, agencies account for amounts that are not Government funds in deposit funds. The following table summarizes the characteristics of these funds. The text following the table discusses the types of funds in more depth.

## CHARACTERISTICS OF FUND TYPES AND THEIR ACCOUNTS

Fund Type/Account	What is the purpose of the account?	Are receipt accounts and expenditure accounts linked?	Are these funds included in the budget?
Federal funds:			
General fund receipt accounts (0000–3899)	Record unearmarked receipts.	No.	Yes.
General fund expenditure accounts (0000–3899)	Record budget authority, obligations, and outlays of general fund receipts and borrowing. Record offsetting collections authorized by law, such as the Economy Act, and associated budget authority, obligations, and outlays.	No, general fund appropriations draw from general fund receipts collectively.	Yes.
Special fund receipt accounts (5000–5999)	Record receipts earmarked by law for a specific purpose (other than business-like activity).	Yes.	Yes.
Special fund expenditure accounts (5000–5999)	Record budget authority, obligations, and outlays of special fund receipts. Record offsetting collections authorized by law, such as the Economy Act, and associated budget authority, obligations, and outlays	Yes.	Yes.
Public enterprise revolving funds (4000–4499)	Record offsetting collections earmarked by law for a specific purpose and associated budget authority, obligations, and outlays for a business-like activity conducted primarily with the public.	Not applicable. Collections are credited to the expenditure account.	Yes. <sup>1</sup>
Intragovernmental revolving funds (including working capital funds) (4500–4999)	Record offsetting collections earmarked by law for a specific purpose and associated budget authority, obligations, and outlays for a business-like activity conducted primarily within the Government.	Not applicable. Collections credited to the expenditure account.	Yes.

**SECTION 20—TERMS AND CONCEPTS**

<b>Fund Type/Account</b>	<b>What is the purpose of the account?</b>	<b>Are receipt accounts and expenditure accounts linked?</b>	<b>Are these funds included in the budget?</b>
Trust funds:			
Trust fund receipt accounts  (8000–8399 and 8500–8999)	Record receipts earmarked by law for a specific purpose (other than a business-like activity).	Yes.	Yes. <sup>1</sup>
Trust fund expenditure accounts  (8000–8399 and 8500–8999)	Record budget authority, obligations, and outlays of trust fund receipts. Record offsetting collections authorized by law, such as the Economy Act, and associated budget authority, obligations, and outlays.	Yes.	Yes. <sup>1</sup>
Trust revolving funds (8400–8499)	Record offsetting collections earmarked by law for a specific purpose and associated budget authority, obligations, and outlays for a business-like activity conducted primarily with the public.	Not applicable. Collections credited to the expenditure account.	Yes.
Other: (non-budgetary)			
Clearing accounts (F3800–F3885)	Temporarily hold general, special, or trust fund Federal Government collections or disbursements pending clearance to the applicable receipt or expenditure accounts.	Not applicable. Deposits and disbursements are recorded in the same account.	Yes, once they are posted to either a receipt or expenditure account.
Deposit funds (6000–6999)	Record deposits and disbursements of monies not owned by the Government or not donated to the Government (amounts donated to the Government are deposited in a special or trust fund account).	Not applicable. Deposits and disbursements are recorded in the same account.	No.

<sup>1</sup> By law, the budget authority and the outlays (net of offsetting collections) of the Postal Service Fund (a revolving fund), and the receipts, budget authority, and outlays of the two social security trust funds (the Old-Age and Survivors Insurance Trust Fund and the Disability Insurance Trust Fund) are excluded from the budget totals. The budget documents present these amounts as "off-budget" and adds them to the budget totals to show totals for the Federal Government (sometimes called unified budget totals).

(c) *Federal funds.*

Federal funds comprise several types of accounts or funds. A *general fund receipt account* records receipts not earmarked by law for a specific purpose, such as individual income tax receipts. A *general fund expenditure account* records appropriations from the general fund and the associated transactions, such as obligations and outlays. General fund appropriations draw from general fund receipts collectively and, therefore, are not specifically linked to receipt accounts.

The Federal funds group also includes *special funds* and *revolving funds*, both of which earmark collections for spending on specific purposes. We establish a special fund where the law requires us to earmark collections from a specified source to finance a particular program, and the law neither authorizes the fund to conduct a cycle of business-type operations (making it a revolving fund) nor designates it as a trust fund. For example, a law established the Land and water conservation fund, earmarking a portion of rents and royalties from Outer Continental Shelf lands and other receipts to be used for land acquisition, conservation, and recreation programs. The receipts earmarked to a fund are recorded in one or more *special fund receipt accounts*. More than one receipt account may be necessary to distinguish different types of receipts (governmental, proprietary, etc.) and receipts from significantly different types of transactions (registration fees vs. fines and penalties, for example). The fund's appropriations and associated transactions are recorded in a *special fund expenditure account*. Most funds have only one expenditure account, even if they have multiple receipt accounts. However, a large fund, especially one with appropriations to more than one agency (such as the Land and water conservation fund), may have more than one expenditure account. The majority of special fund collections are derived from the Government's power to impose taxes, fines, and other compulsory payments, and they must be appropriated before they can be obligated and spent.

Revolving funds conduct continuing cycles of business-like activity. They charge for the sale of products or services and use the proceeds to finance their spending. Instead of recording the collections in receipt accounts (as offsetting receipts), the budget records the collections and the outlays of revolving funds in the same account. The laws that establish revolving funds authorize the collections to be obligated and outlayed for the purposes of the fund without further appropriation. The law of supply and demand is expected to regulate such funds. However, in some cases, Congress enacts obligation limitations on the funds in appropriations acts as a way of controlling their expenditures (for example, a limitation on administrative expenses). There are two types 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.

(d) *Trust funds.*

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 agreement where the Nation is the beneficiary (such as any of several trust funds for gifts and donations for specific purposes). Like special funds and revolving funds, trust funds earmark collections for spending on specific purposes. Many of the larger trust funds finance social insurance payments for individuals, such as Social Security, Medicare, and unemployment compensation. Other major trust funds finance military and Federal civilian employees' retirement, highway and mass transit construction, and airport and airway development.

A trust fund normally consists of one or more receipt accounts to record receipts and an expenditure account to record the appropriation of the receipts and associated transactions. Some trust funds have

multiple receipt accounts for the same reasons that special funds have them. Also, like special funds, large trust funds (such as the Highway Trust Fund) may have multiple expenditure accounts. A few trust funds, such as the Veterans Special Life Insurance fund and the Employees Life Insurance Fund, are established by law as revolving funds. These funds operate the same way as revolving funds in the Federal funds group, and we call them *trust revolving funds*. They conduct a cycle of business-type operations. The collections are credited to the expenditure account as offsetting collections and their outlays are displayed net of collections in a single expenditure account.

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 these trust funds and special funds or between trust revolving funds and public enterprise 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 are financed by earmarked fees paid by veterans and both provide life insurance payments to veterans' beneficiaries. There are a few Federal trust funds that are managed pursuant to a trust agreement. These are identified in the budget as "gift funds". In addition, the Government does act as a true trustee on behalf of some entities outside of the Government where it makes no decisions about the amount of these deposits or how they are spent. 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 (see the section after next).

(e) *Clearing accounts.*

You use clearing accounts to temporarily account for transactions that you *know belong to the Government* while you wait for information that will allow you to match the transaction to a specific receipt or expenditure account. For example:

- To temporarily credit unclassified transactions from the public when there is a reasonable presumption that the amounts belong to a Federal Government account other than miscellaneous receipts in the Treasury.
- To temporarily credit unclassified transactions between Federal agencies, including On-line Payment and Collection (OPAC) transactions.

You should not use clearing accounts to mask an overobligation or overexpenditure of an expenditure account.

(f) *Deposit funds.*

You use deposit funds to account for monies that *do not belong to the Government*. This includes monies held temporarily by the Government 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 and local income taxes withheld from Federal employees' salaries and not yet paid to the State or local government). We exclude deposit fund transactions, as such, from the budget totals because the funds are not owned by the Government. Therefore, the budget records transactions between deposit funds and budgetary accounts as transactions with the public. For example, when the mineral leasing process has been completed, the winning bidder's earnest money is transferred from the deposit fund to the appropriate receipt account and the budget records a receipt. Similarly, outlays are recorded in an

agency's salaries and expense account when a Federal employee is paid, even though some of the amount is transferred to a deposit fund for State and local income taxes withheld and paid later to the State and local government. Deposits and associated disbursements are recorded in the same account.

## 20.12 What do I need to know about spending authority from offsetting collections?

### (a) *Spending authority from offsetting collections.*

*Spending authority from offsetting collections* is the budget authority that is financed by payments and repayments authorized by law to be credited to an appropriation or fund account. See [section 20.7 \(d\)](#) for information on the sources of offsetting collections. Offsetting collections consist of:

- Advances and reimbursements,
- Refunds, and
- Other income.

You may not retain collections unless you are authorized by a law. This prohibition is in [31 U.S.C. 3302\(b\)](#). If you do not have statutory authority to accept collections, they must be deposited in the Miscellaneous Receipt account in the Treasury.

You may not disburse an account into a negative position (see [section 145.2](#) on Antideficiency Act violations). Reimbursable agreements with other Federal accounts establish obligational authority only. When the reimbursable agreement with other Federal accounts is accompanied by a cash advance, you may disburse against the advance.

### (b) *Advances.*

Advances are amounts of money prepaid to a Federal Government account for the later receipt of goods, services, or other assets, or as matching funds.

When an advance is required, the budgetary resource provided by the order is denominated by the cash accompanying the order. The advance, per se, is not available for obligation. If both the order and the advance were to be available for obligation, budgetary resources would be double-counted.

Deposit advances *with orders* in the appropriate appropriation/fund or receipt account.

Deposit advances *without orders* as follows:

<b>If the advance is from...</b>	<b>Deposit the advance in...</b>
A non-Federal source	Deposit fund account (6500)
A Federal source	An intragovernmental clearing account (F3885)

### (c) *Refunds.*

Refunds are the repayments of excess payments. The amounts are directly related to previous obligations incurred and outlays made against the appropriation. Deposit refunds to the credit of the appropriation or fund account charged with the original obligation as follows:

- Refunds collected by unexpired annual and multi-year appropriations and uncanceled no-year appropriations:
  - ▶ Net refunds received in the same fiscal year as the obligations are incurred against Obligations incurred (line 8 of the SF 133) without further identification. These amounts have already been apportioned to the current year.
  - ▶ Enter refunds of prior year obligations on line 3A1 when collected. These amounts must be reapportioned before being reobligated.
  - ▶ Refunds receivable usually are not budgetary resources available for obligation until the refund is collected.
- Refunds collected by expired annual and multi-year appropriations are available for upward adjustments of valid obligations incurred during the unexpired period but not recorded.
- Deposit refunds to canceled annual, multi-year, or no-year appropriations in miscellaneous receipts in the Treasury. For information about specific miscellaneous receipt accounts reference Part 1 of Treasury's Federal Account Symbols and Titles [\(FAST\)](#) Book.

(d) *Advances or reimbursements collected in return for providing others with goods and services.*

The types of laws that allow you to use advances or reimbursements for providing goods and services are:

- Laws that establish revolving funds, including franchise funds and working capital funds;
- The Economy Act ([31 U.S.C. 1535](#)); and
- Provisions in your appropriations act, your authorizing legislation, or other substantive laws that allow you to use the amounts that you collect.

(e) *Revolving fund.*

You may use a revolving fund when a law establishes the revolving funds and authorizes you to credit payments to the revolving fund that performs the work. Revolving funds operate on a reimbursable basis when working capital (undisbursed cash) is available. Otherwise, advance payments must accompany orders. You may *not* disburse revolving funds into a negative cash position in anticipation of Federal or non-Federal reimbursements because of the Antideficiency Act.

(f) *Economy Act.*

The Act authorizes the head of an agency or major organizational unit within an agency to place an order with a major organizational unit within the same agency or another Federal agency for goods or services provided that:

- The ordering agency has enough money to pay for the order.
- The head of the ordering agency or unit decides the order is in the best interest of the United States Government.
- The agency or unit to fill the order is able to provide or get by contract the ordered goods or services.



- The head of the ordering agency decides that the ordered goods or services cannot be provided by contract as conveniently or cheaply by a commercial enterprise.
- Transactions authorized by the Economy Act are limited by the statutory requirement that the amount obligated by the ordering appropriation is required to be deobligated to the extent that the agency or unit filling the order has not incurred obligations before the end of the period of availability of the ordering appropriation.

Under the Economy Act, payment (via expenditure transfer) may be made in advance or reimbursements may be made. Advances and reimbursements from other Federal Government appropriations are available for obligation when the ordering appropriation records a valid obligation to cover the order.

(g) *Reimbursable work with Federal agencies under the Economy Act.*

When you anticipate but have not yet received an order, whether or not you received an advance, enter the amount on line 3C of the SF 133, "Anticipated for rest of year without advance."

When you receive the order, move the amount of the order from line 3C to line 3B2, "Change in unfilled customer orders: Without advance from Federal sources." If the order is accompanied or preceded by an advance payment, move the advance payment (up to the amount of the order) to line 3B1, "Change in unfilled customers' orders: Advance received."

If you do not record valid obligations to cover all or part of an order before the period of availability to make obligations of the ordering account expires, then you may not fill that part of the order. You must send back any cash advances not covered by obligations back to the ordering account. If you are the ordering agency, deobligate funds not covered by obligations by the performing account and record the corresponding adjustments. Use line 4A of the SF 133, "Recoveries of prior year obligations, actual", for obligations incurred in prior fiscal years. For obligations incurred in the current fiscal year, net the amount against the appropriate line 8, "Obligations incurred". If a cash advance accompanied the order, use line 3A1 when you collect the refund. These will be start of year unobligated balances available for adjustments but not new obligations in the expired years.

When you fill the order, move the amounts earned and collected to line 3A1, "Earned: Collected". Move the amounts earned but *not* collected to line 3A2, "Earned: Receivable from Federal sources".

If you receive payment for a filled order *after* the period of obligational authority of the performing appropriation has *expired*, credit the payment to the expired appropriation, unless the law expressly prescribes other procedures.

If you receive payment *after* your performing account has been *cancelled*, you must send the amounts to miscellaneous receipts in the Treasury.

If the period of disbursement for your account is canceled before you reimburse the appropriation that performed the work, you can only make the repayment from an unexpired appropriation that is available for the same purpose as the closed account.

When the performing and ordering agency accounts have different periods of availability, the performing account may need to establish new TAFS, as described in the following table:

## ECONOMY ACT ACTIVITIES BETWEEN FEDERAL ENTITIES

If the ordering agency account has...	And the performing agency account...	Then the performing agency account must...	Should the performing agency account TAFS show unobligated balances on the September 30th SF 133?
Annual TAFS	Has annual TAFS	Use existing annual TAFS	No.
	Does not have annual account but has multi-year and no-year TAFS	Ask Treasury to establish annual TAFS	No.
Multi-year TAFS	Multi-year TAFS	Use existing multi-year TAFS	<p>It depends.</p> <p><b>Yes</b>, for any year prior to the last year of the multi-year TAFS unless otherwise specified in the unfilled customer order. The amount will become part of SF 133 line 2A in the next fiscal year.</p> <p><b>No</b>, for the last year of the multi-year TAFS.</p>
	Does not have multi-year account but has annual and no-year TAFS	Use existing annual TAFS	<p><b>No</b>, however, for the amount of unfilled customer order not obligated, agency would show new anticipated spending authority from offsetting collections on SF 133 line 3C in its annual year TAFS established for the next fiscal year.</p>
	Does not have multi-year account and annual but has no-year TAFS	Ask Treasury to establish annual TAFS	<p><b>No</b>, however, for the amount of unfilled customer order not obligated, agency would show new anticipated spending authority from offsetting collections on SF 133 line 3C in its annual year TAFS established for the next fiscal year.</p>
No-year TAFS	Has no-year TAFS	Use existing no-year TAFS	<p><b>Yes</b>, unless otherwise specified in the unfilled customer order. The amount will become part of SF 133 line 2A in the next fiscal year.</p>
	Does not have no-year account but has annual and multi-year TAFS	Use existing annual or multi-year TAFS	<p>It depends.</p> <p><b>No</b>, for an annual or the last year of a multi-year TAFS. However, for the amount of unfilled customer order not obligated, agency would show new anticipated spending authority from offsetting collections on SF 133 line 3C in its annual year TAFS established for the next fiscal year unless otherwise specified in the unfilled customer order.</p> <p><b>Yes</b>, for any year prior to the last year of the multi-year TAFS unless otherwise specified in the unfilled customer order. The amount will become part of SF 133 line 2A in the next fiscal year.</p>

(h) *Payments from the public.*

If the law authorizes an expenditure account to perform work for the public and to credit collections from the public as spending authority, you may cover obligations incurred by the account by:

- Advances collected up to the amount of accompanying orders. (You must deposit amounts greater than accompanying orders in a deposit fund. The expenditure account may *not* incur obligations against amounts *greater than* the order.)
- Working capital that is available for this purpose.

### Transfers<sup>1</sup> of Budgetary Resources Among Federal Government Accounts

TYPE OF TRANSACTION	NATURE OF TRANSACTION	TREASURY ACCOUNTING TREATMENT	BUDGET TREATMENT
<b>I. NONEXPENDITURE TRANSFERS</b>			
A. TRANSFER OF AUTHORITY TO OBLIGATE	Transfers to carry out the purposes of the RECEIVING ACCOUNT, for example, to shift resources from one purpose to another or to reflect a reorganization.	TRANSFER via S.F. 1151	The TRANSFERRING ACCOUNT reports a transfer out of budget authority or balances. THE RECEIVING ACCOUNT reports a transfer in.
B. ALLOCATION OF AUTHORITY TO OBLIGATE i.e., transfers to transfer appropriation accounts	Transfers to carry out the purposes of the PARENT ACCOUNT.	TRANSFER via S.F. 1151	Obligations and outlays are reported by the PARENT ACCOUNT.
<b>II. EXPENDITURE TRANSFERS</b>			
A. EXPENDITURE TRANSFER PAYMENTS BETWEEN TWO FEDERAL FUNDS OR BETWEEN TWO TRUST FUNDS	Payments to carry out the purposes of the PAYING ACCOUNT, such as payments in return for goods and services authorized under the Economy Act.  Payments that represent financial interchanges between Federal government accounts that are not in exchange for goods and services.	PAYMENTS via S.F. 224 or electronic funds transfer. <sup>2</sup>	Obligations and outlays are reported by the PAYING account. Offsetting collections are reported by the RECEIVING account. The collections are (1) ADVANCES or (2) REPAYMENTS in the form of REIMBURSEMENTS or REFUNDS.
B. EXPENDITURE TRANSFER PAYMENTS BETWEEN FEDERAL AND TRUST FUNDS	All transfers between the two fund groups are expenditure transfers.	PAYMENTS via S.F. 224 or electronic funds transfer.	Same as above.
<p><sup>1</sup> A transfer is distinguished from a reprogramming in that a reprogramming is the shifting of budgetary resources within an Treasury account whereas a transfer is the shifting of budgetary resource between two Treasury accounts.</p> <p><sup>2</sup> For non-Treasury disbursing offices, the equivalent of the SF 224 is the SF 1219, Statement of Accountability, and SF 1220, Statement of Transactions.</p>			