

HISTORICAL BUDGET RECORDS
CONVERTED TO THE PRESENT
FUNCTIONAL CATEGORIZATION
WITH ACTUAL RESULTS FOR
FY 1947-2008

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FOREWORD

GENERAL: This codebook and data set are the latest result of fifteen years research into the national budget. They use the *Budget of the United States Government* (hereafter the *Budget*) for fiscal year (FY) 2010 to update previous budget authority data sets with actual results through FY 2008. Part I of this codebook contains detailed descriptions of the functions and subfunctions used in the modern *Budget*. Budget functions and subfunctions represent the long-term purposes these budgets were meant to serve. Part I also contains notes on the adjustments made to each contemporary subfunction in order to insure comparability across the entire time period of the series. Part II contains information on the data sources used to produce the categorizations and budget data used in the project. Part III contains a glossary that lists and explains budget terminology, and it also provides details on the analyses that underlie this budget authority data set.

USAGE: This data set was designed for analysts interested in a comprehensive budget data set that covers a long period of time. Its subfunctional budget data begin with FY 1947 (July 1, 1946 – June 30, 1947) and end with FY 2008 (October 1, 2007– September 30, 2008). All fiscal year periods contain data for twelve months. Figures have been eliminated for the three-month transition quarter before fiscal year 1977. Analysts may also be interested in the *Historical Tables* of the FY 2010 *Budget*, which provide subfunctional outlay data beginning with FY 1962 and subfunctional budget authority data beginning with FY 1976. However, as is explained in Part III of this codebook, analysts who use the data in the historical tables should take care with what we call *financial subfunctions* as well as with the various treatments of trust fund figures over the years. For more on using these budget data along with a wide variety of other policy data bases, see www.policyagendas.org.

HOMELAND SECURITY: Funding for homeland security is becoming more transparent, yet it has not become a separate function or subfunction in the *Budget*. After the September 11, 2001, terrorist attacks on the United States, Congress passed the Homeland Security Act of 2002, which made many changes affecting budget records. Further details may be found below in part I in the discussion of subfunction 751, in Part III under *homeland security spending*, and in a worksheet entitled “Homeland Security Details” in the data set workbook.

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PART I: EXPLANATIONS OF BUDGET FUNCTIONS AND SUBFUNCTIONS USED IN THIS PROJECT

GENERAL: These functional analyses and resulting data set provide an authoritative source of actual budget results from Fiscal Year (FY) 1947 through FY 2008 organized by the major purpose that the budget authority (BA) was meant to serve. These budget functions and subfunctions were produced by the Office of Management and Budget (OMB) and used in the *Budget of the United States Government* (referred to herein as the *Budget*). Three advantages of using these OMB classifications are that all *budget authority* in the *Budget* is represented, that double counting is minimized, and that project data are based on published budget figures from authoritative contemporary sources.

Definitions of terms appear in Part III, “Explanations of Budget Terminology and Data Collection Used in this Project,” which may be found at the end of this paper. Information on the present additions and adjustments to the data appear under each pertinent subfunction in Part I. Information on sources appears in Part II, “Data Sources Used in this Project,” which appears immediately after these function and subfunction explanations.

Aids to Analysis: A few techniques will aid analysts in understanding the national budget. They include understanding the differences between budget authority and outlays, functions and subfunctions, programmatic and financial subfunctions, and mandatory and discretionary spending.

Budget Authority and Outlays: *Budget Authority* is the legal authority to incur financial *obligations* that will result in *outlays*. Outlays are cash payments or cash-equivalent payments to liquidate obligations. Obligations are actions or instruments that obligate the government to make present or future payments. (Note: more detailed definitions of terms that appear in italics may be found in Part III of this codebook.) Annual budget authority is analogous to authority to contract for a new house this year. Outlays are analogous to the house payments that will pay off that contract over the next twenty or thirty years. See also *Budget Authority-Outlay Differences* in Part III.

Government Functions and Subfunctions: Functional categorization portrays spending according to its purpose, rather than the object that it purchased or the agency that spent it. The major purposes or functions have been further divided into subfunctions for greater detail. For example, function 350, Agriculture, consists of subfunction 351, Farm Income Stabilization, and subfunction 352, Agricultural Research and Services. See also *Functions* and *Subfunctions* explanations in Part III.

Programmatic and Financial Subfunctions: The spending records for what we term financial subfunctions are not suitable for most analyses. Consequently, most analysts will want to concentrate on the 60 subfunctions that are programmatic or non-financial. The spending records for the programmatic subfunctions remain closely tied with the programs they contain. In contrast, the spending records for the financial subfunctions are erratic. The financial functions of “Net Interest”, “Allowances”, and “Undistributed Off-setting Receipts” and the sixteen financial subfunctions listed below consist mainly of net amounts, rather than complete transactions. Because large amounts of offsets create an erratic financial record, the appropriateness of these subfunctions for programmatic budget analysis is questionable. Project analysis indicates that the following subfunctions should be considered financial: International Financial Programs (155); Energy Supply (271); Mortgage Credit (371); Postal Service (372);

Deposit Insurance (373); Veterans Housing (704); Deductions for Off-setting Receipts (809); Interest Received by On-budget Trust Funds (902); Interest Received by Off-budget Trust Funds (903); Other Interest (908); Other Investment Income (909); Employer Share, Employee Retirement (on-budget) (951); Employer Share, Employee Retirement (off-budget) (952); Rents and Royalties on the Outer Continental Shelf (953); Sale of Major Assets (954); and Other Undistributed Offsetting Receipts (959). The function of “Allowances” (920) is also excluded from project data because it consists of projected future spending that is expected to affect budget totals but which has not yet been allocated to another function or subfunction. Since project data consist of actual reported data rather than projected data, no project figures are provided for the Allowances function. Details appear in the subfunction details in Part I and in the Part III glossary, *s.v. programmatic subfunctions* and *financial subfunctions*.

Mandatory and Discretionary Spending: Another major analytical step was project classification of subfunctions into mandatory and discretionary spending. *Mandatory spending* is typically concerned with an entitlement that is governed by program law, rather than annual appropriations. Discretionary spending consists of *domestic discretionary spending* and *national security spending*. It is governed by annual appropriations, loans, and contract authority that are governed by the annual Congressional appropriations process. Changes in mandatory spending programs typically redirect the slope of an historical spending trajectory while changes in discretionary spending programs typically raise or lower the level of annual appropriations. Details appear in the subfunction details in Part I and in the Part III glossary, *s.v. domestic discretionary spending, mandatory spending, and national security spending*.

BACKGROUND: Functional classifications emphasize the purpose of the spending, rather than the agency involved or the object purchased. Historically, the current OMB functional classification scheme began with a major overall revision of categories after World War II as is explained in the FY 1948 *Budget*. Since that time, functional classifications have undergone various changes, many of which are explained in the budget analysis sections of annual *Budgets*. The Congressional Budget and Impoundment Control Act of 1974 placed new emphasis on functional categorizations by requiring that the concurrent budget resolution set levels for budget authority and outlays, both in total and by functional category. The original classification scheme used for this project was the one published in the Fiscal Year 1995 *Budget of the United States Government*, its appendices, and *historical tables*.

EXPLANATION OF FORMAT: Each of the OMB functions and subfunctions is described separately below. Explanations include historical notes about previous classifications and remarks concerning project adjustments to contemporary budget records. Our purpose in making these modifications was to align past records with the present OMB functions and subfunctions.

The functions and explanations follow this format:

Function Code and Name

Subfunction Codes and Names

Explanation of Function

Subfunction Names and Explanatory Details

Major Agencies Involved in this function

050 National defense

- 051 Department of Defense-Military:
 - Military Personnel (MilPers)
 - Operation and Maintenance (O&M)
 - Procurement
 - Research, Development, Test, and Evaluation (RDT&E)
 - Military Construction (MilCon)
 - Family Housing (MFH)
 - Other
- 053 Atomic energy defense activities
- 054 Defense-related activities

This function develops, maintains, and equips the military forces of the U.S. under the Department of Defense (DOD). This function also includes the financing of defense-related activities of the Department of Energy and others. The DOD was established by the National Security Act of 1947. Budget authority and outlays before that time may be found elsewhere separately under the War Department and the Navy Department. The goals of this function are the common defense and national security of the United States. It includes funds for raising, equipping, and maintaining the armed forces; for developing and employing weapons systems; and for operating related programs such as the Selective Service System and national intelligence activities. Homeland security has not yet been categorized as a separate function or subfunction of the budget. Most *homeland security spending* has appeared in subfunctions 751, Federal Law Enforcement Activities, and 402, Air Transportation; but after FY 2001 smaller amounts of budget authority for atomic energy inspection and investigation and other activities appeared under the Department of Homeland Security categorized as part of subfunction 054, "Defense-related activities". Veterans' benefits will be found under function 700.

Department of Defense-Military: Almost all funding in the NATIONAL DEFENSE function appears in the military subfunction (051). All U.S. military forces are included in this subfunction. The military subfunction is unique in that it is further subdivided into classifications that parallel appropriations categories (e.g., Military Personnel, Operations & Maintenance, etc.). Historical budget authority data are available for each subdivision from FY 1957 to the present. The sources of these data are as follow: from FY 1957 through FY 1966, using historical data from Table 20, "New Obligational Authority for Administrative Budget Funds by Function, 1957-1968" from the FY 1968 *Budget of the United States Government*. Subdivision BA data for FY 1967 through FY 2008 are taken from contemporary *Budgets* as described in greater detail below.

Major policy changes from the first Gulf War (1991), from the 9/11 attacks (2001), and the Global War on Terrorism (2002 to present) create special problems with contemporary recording of budget data. Project analysis adjusted to the difficulties in the following manner. BA data for FY 1967-1975 were taken from contemporary *Budgets*. BA data for 051-Military Personnel for FY 1976-2008 were taken from historical tables in the FY 2008 - 2010 *Budgets*. BA data for 051 Operations and Maintenance from FY 1967-1980 were taken from historical tables in the FY 2003 *Budget* and for FY 1981-2008 from historical tables in the FY 2010 *Budget*. BA data for all other subdivisions of 051 were taken from historical Table 20 in the FY 1968 *Budget* for FY 1957-1968, from contemporary *Budgets* for FY 1969-1975, from historical table 5.1 in the FY 2003 *Budget* for BA data for FY 1976-1980, and from the FY 2010 *Budget* for FY 1981-2008. Thus contemporary budgets provide the starting point for project data in the subfunction; however, when contemporary *Budgets* indicated potential inaccuracies, BA data were taken from historical tables compiled a few years thereafter. Yet some specific anomalies remain to challenge policy analysts of U.S. defense spending.

Aspects of defense spending of special interest to analysts include the first Gulf War and the Global War on Terrorism, including the wars in Iraq and Afghanistan. The first Gulf War was largely

financed by the Persian Gulf Defense Fund in FY 1990-1992. The Persian Gulf Defense Fund provided DOD with funds from other nations (principally Kuwait, Saudi Arabia, and Japan) for the prosecution of the war (1990-1992). These funds appear as credits or negative expenditures in DOD budget details for subfunction 051-Other. Analysts who desire to portray military spending that includes these outside sources as programmatic spending can calculate approximate total defense spending by removing the negative budget authority and outlays reported in DOD-Other for those years. That removal adds the following current year amounts to subfunction 051 and function 050 budget authority: FY 1990 (\$393 million); FY 1991 (\$41,656 million); and FY 1992 (\$1,378 million), and it adds the following current year amounts to 051 and 050 outlays: FY 1990 (\$218 million); FY 1991 (\$46,229 million); and FY 1992 (\$3,318 million).

Other interesting aspects of defense spending concern funding for the Global War on Terrorism (GWOT). Almost all of its financing from FY 2002 through FY 2009 was done through supplemental appropriations that are outside of the regular budget cycle. Project data capture this budget authority after the fact by using the figures reported in the historical tables as “actual” since OMB includes both regular and supplemental appropriations in the “actual” column of the annual *Budget* tables. For example, the FY 2006 figures in the FY 2008 *Budget* include regularly enacted as well as supplemental budget authority and outlays, and the annual figures in this data set include regular and supplemental funding as well. The GWOT has produced another wrinkle in defense spending of interest to analysts. The Iraq Security Forces Fund and the Afghanistan Security Forces Fund finance training and outfitting of Iraqi and Afghani security forces, respectively; and the *Budget* classifies these funds under subfunction 051, DOD-Military. On the other hand, the Iraq Relief and Reconstruction Fund has been classified under subfunction 151, International Development and Humanitarian Assistance.

The FY 2008 and 2009 *Budgets* reported a surprise \$60 billion increase in BA for DOD-Military, but the FY 2010 *Budget* retroactively removed this increase, explaining that it was a previous error in Defense Working Capital funds. The surprise increase was not anticipated in the FY 2006 or 2007 *Budgets*. The FY 2006 *Budget* estimated 051-Other BA of \$1,945 million for FY 2006; the FY 2007 *Budget* estimated 051-Other BA of \$3,374 million in FY 2006; and the FY 2008 and FY 2009 *Budgets* reported actual BA of \$59,579 million for 051-Other in FY 2006. The DOD *Financial Summary Tables for Fiscal Year 2008*, released in February 2007, included BA of \$62,040 million within 051-Other for Revolving and Management Funds for FY 2006. It further allocated that figure to the Army (\$10,430 million), the Navy (\$6,112 million), the Air Force (\$10,227 million), and to defense-wide Revolving and Management Funds (\$35,271 million). However, the “Historical Tables” section of the FY 2010 *Budget* (Introduction, pg. 2) announced that FY 2006 amount for 051 had been reduced by \$60,865 million due to corrections in Defense Working Capital Fund accounts.

Another aspect of defense spending concerns retirement financing for military retirees. Changes in military retirement funding have been complicated, and they have had varying impacts on the budget authority totals for military personnel and on other related subfunctions. Before the FY 1985 *Budget*, subfunction 051 included direct compensation and benefits paid to active DOD military and civilian personnel as well as payments to retired military personnel. In accordance with Public Law 98-94 and beginning with the FY 1985 *Budget*, DOD financing of military retirements changed from financing payments for past retirees to financing the future retirement benefits of the current active forces through accrual charges, which are paid into the military retirement trust fund. (A much smaller accrual charge for military personnel retirement is also charged to subfunction 301 for military personnel assigned to the Corps of Engineers.) The military retirement trust fund receives these accruals for future retirees and makes payments to present retirees under subfunction 602, “Federal Employees Retirement and Disability”, as is the case for DOD civilian retirements (see the discussion for subfunction 602 for additional details). Since these payments will appear in budget records both as a charge to the agency and a charge to the retirement trust funds, they are also offset against total government outlays under subfunction 951, Employer Share, Employee Retirement. Some budget authority for DOD employer payments to the Social Security and Health Insurance

trust funds appear under subfunction 054, Defense-related activities. See the explanations for that subfunction below.

The immediate impact of the DOD shift from directly financing the retirement payments for former military members to financing an accrual for the future retirement of present members was a minor one insofar as the BA record is concerned. The difference between the accrual system and the former direct payments has been accommodated by using recent historical tables for BA data from FY 1981 onward. The creation of the military retirement trust fund also made relatively large changes in the reported figures for subfunction 602 and subfunction 951. The government initiated the present accrual system with the FY 1985 *Budget*; however, project data series are based on the accrual system from FY 1981 onward. A lack of details in the FY 1984 and FY 1985 *Budgets* necessitated the use of historical tables for project data for FY 1981 onward. In sum, project figures report budget authority from FY 1981 onward according to the present accrual system, and the shift from old to new systems for retirement payments did not have a marked impact on budget authority in the subfunction for DOD-Military although it had relatively larger impacts on subfunctions 602 and 951.

In earlier budgets, Military Assistance appeared as part of subfunction 051 or as its own subfunction under 050. However, the present arrangement classifies most foreign military assistance as International Security Assistance in subfunction 152 under INTERNATIONAL AFFAIRS, and project analyses follow the present functional arrangement although OMB sometimes makes exceptions. For example some funds to train and equip Iraqi and Afghan security forces were classified under subfunction 051 (See pp. 43-45 in the DOD chapter in the FY 2008 *Budget* or Table 27-1, "Federal Programs by Agency and Account" in a current *Budget*). One might expect that training and equipping these forces would be categorized under subfunction 152, International Security Assistance; however, that has not been the case in the FY 2008, FY 2009, and FY 2010 *Budgets*. Nonetheless, unless otherwise noted, budget authority for Military Assistance in this data set appears in subfunction 152.

Atomic energy defense activities: Subfunction 053 contains Department of Energy nuclear military activities (e.g., nuclear materials support, U S Naval ship reactors, nuclear weapons, and treaty verification and control technology) as well as the Defense Nuclear Energy Safety Board and the National Nuclear Security Administration. Beginning with the FY 1976 *Budget* (and budget data for FY 1974), nuclear physical and life sciences research were transferred out of national defense and into general science, and civilian nuclear energy development and production activities were transferred out of defense and into energy. Before the FY 1976 *Budget*, this subfunction was called "Atomic Energy" or "Development and control of atomic energy" and contained both civilian and military nuclear energy activities. Before the FY 1954 *Budget*, "Development and control of atomic energy" was part of the NATURAL RESOURCES function. Actual project budget data from FY 1947 through FY 1973 have both civilian and defense nuclear activities under this subfunction. Project data for FY 1974 and thereafter have the military part of nuclear energy programs in this subfunction, and the civilian parts in either subfunction 271, Energy Supply, or subfunction 251, General Science and Basic Research.

Defense-related activities: Subfunction 054 contains the funding for various national intelligence activities, the Selective Service System, and some stockpiles of defense materials. More recently, this subfunction has also included defense-related activities of the Federal Bureau of Investigation and atomic energy inspection and investigation under the Department of Homeland Security (DHS) as well as payments under the Radiation Exposure Compensation Act. Funding for the Central Intelligence Agency is not explicitly delineated in the *Budget of the United States Government*; however, publically budgeted Intelligence activities include the Central Intelligence Agency Retirement and Disability Fund and the Community Management Account (previously called the Community Management Staff and the Intelligence Community Staff), which funds the intelligence community management efforts of the Director of National Intelligence (previously the Director of Central Intelligence).

Defense stockpiles outside of the Department of Defense (051) or Department of Energy (053) are also classified under subfunction 054. For example, the General Services Administration's purchase, sale, and maintenance of strategic and critical materials to be used in the event of war are recorded in this subfunction. Contemporary budget authority and outlay records for this subfunction have contained net credit entries that require some explanation. From FY 1974 through FY 1977, offsetting receipts in this subfunction exceeded new authority and outlays because of GSA sale of stockpiled materials. Consequently, negative budget authority and outlays (credit) are recorded for those years. This subfunction also reflects mandatory DOD employer payments to Social Security and Medicare trust funds for military personnel. Other activities that could be considered defense-related appear in other subfunctions. Government funding for the Strategic Petroleum Reserve is categorized under subfunction 274, "Emergency Energy Preparedness". The net results of the foreign military sales trust fund are classified in subfunction 155, "International Financial Programs", rather than this subfunction.

As discussed above, the establishment of the Department of Homeland Security resulted in a transfer of some BA formerly categorized as defense atomic energy activities and retroactive OMB adjustments to historical budget tables. The re-categorization consisted of funding for atomic energy inspection and investigation under the control of the Department of Homeland Security. In this data set this atomic energy activity is reflected in subfunction 053. In addition, over the years, funding for various intelligence activities appear to be sometimes reflected in subfunction 054 and sometimes reflected in sub-subfunction 051-Other DOD Military and perhaps in 051-Operations and Maintenance. That appearance cannot be confirmed because funding for the activities of the Defense Intelligence Agency, the National Security Agency, and the Central Intelligence Agency are not explicitly stated in the *Budget*.

Agencies: Department of Defense
Department of the Air Force
Department of the Army
Department of the Navy
Department of Energy
Department of Homeland Security
Federal Emergency Management Agency (FEMA)
Selective Service System
Federal Bureau of Investigation

150 International affairs

151 International development and humanitarian assistance
152 International security assistance
153 Conduct of foreign affairs
154 Foreign information and exchange activities
155 International financial programs

This function represents the U.S. foreign affairs establishment, including embassies and other diplomatic missions abroad, loans and technical assistance to other countries, security assistance to other governments, foreign military sales (FMS) made through the FMS trust fund, and U.S. contributions to international financial institutions and international organizations. Its purposes are to maintain peaceful relations and commerce between the U.S. and the rest of the world and to promote international security and economic development abroad. General programs have included foreign affairs, foreign aid, Food for Peace, and export promotion. The function of export promotion also appears in other functional areas as discussed below. Foreign aid *per se* consists of subfunction 151 and subfunction 152.

International development and humanitarian assistance: Subfunction 151 includes the United States Agency for International Development (USAID), multilateral development banks, food aid,

refugee programs, funds to fight HIV/AIDS and other diseases, international disaster and famine assistance, some counter-drug and narcotic control initiatives, the Trade and Development Agency, and the Peace Corps. From FY 1963 through its discontinuance in FY 1973, the Food for Peace (also called Food for Freedom) program was also a part of this subfunction. This subfunction has also been called “Foreign Economic and Financial Assistance” and “Foreign Economic Development.” This subfunction includes voluntary contributions to international organizations. See subfunction 153 for assessed contributions to international organizations. This subfunction includes U.S. support for multilateral development banks; but see subfunction 155 for support of the Export-Import Bank. BA data beginning with FY 2003 also reflect funding for Iraq relief and reconstruction in this subfunction, including operating expenses for the Coalition Provisional Authority.

The separation between development assistance and security assistance has not always been clearly made in contemporary budgets, and project analysts had to make several categorization decisions. Funds for the European Recovery Program (Marshall Plan) are reflected under subfunction 152 in project data series. Funds for “Philippine war damage and rehabilitation” are reflected under this subfunction. The difficulty in making a clear distinction between development assistance and security assistance continues into the most recent *Budgets*. For example, the Iraq Relief and Reconstruction Fund has been classified under this subfunction 151, International Development and Humanitarian Assistance, while the Iraq Security Forces fund and the Afghan Security Forces Fund have been classified under subfunction 051, DOD-Military. Project BA data and OMB BA data reflect these security force training funds under 051 and the Iraq Relief and Reconstruction Fund under subfunction 151.

International security assistance: Subfunction 152 presently includes non-proliferation and disarmament, foreign military financing grants and loans, some peacekeeping operations, anti-terrorism and de-mining programs, international military education and training, and the economic support fund. The foreign military sales (FMS) trust fund is not included in subfunction 151; the net results of the FMS trust fund appear under International Financial Programs (subfunction 155).

The military and economic assistance components of this subfunction have not always been treated consistently over the years, appearing separately and together under both the DEFENSE and INTERNATIONAL AFFAIRS functions. The subfunction was first called International Security Assistance in the FY 1983 *Budget*. From the FY 1979 through the FY 1982 *Budgets*, economic security assistance was treated separately from military security assistance. Economic security assistance was classified as a subfunction called, “Foreign Economic and Financial Assistance”; military security assistance was classified as a subfunction called, “Military assistance.” From FY 1955 through FY 1978, military security assistance (including the transfer of defense articles and services) appeared under NATIONAL DEFENSE as the Military Assistance subfunction or the Mutual Military program. Before the FY 1955 *Budget*, military security assistance and defense aid were included in the “Military and economic assistance” subfunction under the function INTERNATIONAL SECURITY AND FOREIGN RELATIONS. Before the FY 1951 *Budget*, this aid appeared in subfunctions of “International reconstruction, development, and monetary stabilization” and “Foreign relief” (for post-World War II Department of the Army civil functions) under the INTERNATIONAL AFFAIRS AND FINANCE function. Unless otherwise noted, project data series for the entire period reflect all such historical budget activities for security assistance under present subfunction 152 including the economic and military assistance programs of the European Recovery Program (Marshall Plan). Foreign military grants and loans and economic support to other nations make up the bulk of the funds in this subfunction.

Conduct of foreign affairs: Subfunction 153 includes State Department operations as well as assessed (non-voluntary) organizational and security contributions to the United Nations and funding for the U.S. Arms Control and Disarmament Agency (ACDA). Note that ACDA was organizationally integrated into the Department of State in 2000, and its funding remained categorized in this subfunction. These tasks are currently the responsibility of the Undersecretary of State for Arms Control and International Security. As discussed in other subfunction explanations

under INTERNATIONAL AFFAIRS, various components of other current subfunctions have appeared as part of this subfunction at one time or another. Before the FY 1951 *Budget*, funding in this subfunction was separated into two subfunctions, which were called “Foreign Relations” and “Membership in Various International Organizations.” This subfunction includes the diplomatic and consular operations of the Department of State as well as funding for assessed contributions to international organizations and assessed contributions to international peacekeeping. It also includes construction and maintenance expenses for embassy security. The Homeland Security Act of 2002 required a budgetary analysis, and the FY 2007 – 2010 *Budgets* report Department of State expenditures to enhance border and transportation security for homeland security.

Foreign information and exchange activities: The U.S. Information Agency (USIA) and the Broadcasting Board of Governors appeared in subfunction 154. Note that the USIA (excluding its broadcast activities) was integrated into the Department of State in 2000; funding for these information activities still appears in this subfunction. Before the FY 1955 *Budget*, the Foreign-information-and-exchange-activities subfunction did not exist. Its funding was included as part of the subfunction, “Conduct of Foreign Affairs”. This subfunction includes educational and cultural exchange programs as well as international broadcasting operations such as Voice of America, Radio Free Europe/Radio Liberty, Radio Free Asia, and Radio Marti.

International financial programs: Subfunction 155 includes the Export-Import Bank, International Monetary Fund (IMF), and the costs of international commodity agreements as well as support for foreign military sales. This subfunction was created with the FY 1977 *Budget* to show the Export-Import Bank separately from subfunction 151, which was then called “Foreign Economic and Financial Assistance” or earlier called “Economic and technical development” under the INTERNATIONAL AFFAIRS AND FINANCE function. Project data before FY 1975 consist largely of net budget authority figures for the Export-Import Bank. Analysts should understand that the reported BA consists of net figures that have had income and re-estimates subtracted from them.

Subfunction 155 also includes the net budget authority and outlays of the Foreign Military Sales (FMS) Trust Fund. The purpose of the FMS trust fund is to facilitate government-to-government sales of defense articles and services. It was designed to be self-supporting by charging foreign governments for the articles and services that are provided. Consequently, it can be anticipated to have zero requirement for national subsidies and zero net financial impact on the *Budget*. However, there are often annual net differences that are reported. For example, in FY 1993 the FMS trust fund reported new orders for sales of \$33.2 billion, actual income from sales of \$13.2 billion, and actual outgo from the fund of \$13.2 billion. All that is captured in the subfunctional budget total for FMS in FY 1993 is \$87 million. Project analysis classified this as a *financial subfunction*. For further information on *financial subfunctions* or on general *trust fund* activities, see the terminology section at the end of this paper.

In addition to the export promotion efforts related to the Export-Import Bank and the IMF in this subfunction, export promotion is a government task that appears in several other OMB subfunctions. The Trade Development Program of Commerce’s International Trade Administration appears under subfunction 376, Other Advancement of Commerce; the International (Foreign) Agricultural Aid Service appears under subfunction 352, Agricultural Research and Services; and funding for the U.S. Trade Representative appears under subfunction 802, Executive Direction and Management, along with that for other Presidential assistants.

Agencies: Department of State
Department of Defense
Department of the Treasury
Department of Agriculture
Agency for International Development
Export-Import Bank of the United States

250 General science, space and technology

- 251 General science and basic research
- 252 Space flight, research, and supporting activities

This function includes space research and technology, general science, and basic research not covered specifically by other functions such as health, national defense, or energy. Two specific examples of basic research conducted under other functions would be weather research and forecasting conducted by the National Oceanic and Atmospheric Agency (NOAA), which may be found in subfunction 306, "Other Natural Resources," and military advanced technology research conducted by DOD and found in subfunction 051, DOD-Military. The GENERAL SCIENCE, SPACE, AND TECHNOLOGY function was established with the FY 1976 *Budget*. Before that, SPACE RESEARCH AND TECHNOLOGY was a separate function, and some general science funding appeared in sub-function 606, "General Science", or in subfunction 605, "Science Education and Basic Research." This BA has all been collected under subfunction 251 in this data set.

General science and basic research: Programs in the 251 subfunction included the National Science Foundation and the high energy, nuclear physics, and biological/environmental research efforts of the Energy Department for science programs such as alternative renewable energy sources (and previously the Superconducting Super Collider).

Before the FY 1976 *Budget* (budget data for FY 1974), nuclear physical and life sciences research were categorized as part of national defense atomic energy activities, but thereafter civilian nuclear research was categorized in this subfunction. Project data for FY 1952 through FY 1956 consist solely of budget authority for the National Science Foundation (NSF). Data for this subfunction for FY 1957-1960 consist of the NSF part of the contemporary promotion of education subfunction and all of the contemporary subfunction for general purpose research, libraries, and museums. For FY 1961-2006, it consists of its own contemporary subfunction variously called "Science education and basic research" or "General science and basic research".

Establishing the Department of Homeland Security resulted in some retroactive adjustments to historical OMB BA tables that affected this subfunction. The FY 2004 *Budget* BA reduced the FY 2002 figures for this subfunction by \$5 million for the transfer of the National Infrastructure Simulation and Analysis Center and the Chemical, Biological, Radiological, and Nuclear Countermeasures program from the Dept. of Energy to DHS (FY 2004 *Budget, Department of Homeland Security*, pg. 143). The FY 2005 *Budget* made the reductions for this transfer retroactive to FY 1978. Project data, however, reflect contemporary *Budgets* from FY 1947 through FY 2001 and the historical OMB adjustments for homeland security for FY 2002 and thereafter. See the discussion for subfunction 751, Federal Law Enforcement Activities, and *homeland security spending* in Part III for more details on the budget effects of the Homeland Security Act of 2002.

Space flight, research, and supporting activities: Space programs and aeronautical programs of the National Aeronautics and Space Administration (NASA) appear in subfunction 252. Space programs include human space flight, the International Space Station, mission support, flight control, facility construction, and research and development programs. From FY 1976 through FY 1991, this present subfunction was composed of three separate subfunctions, one each for space flight; space science, applications, and technology; and supporting space activities. Project data have combined those previous subfunctions to reflect the present categorization. In earlier budgets, the funding in this subfunction consisted of national government support for the National Advisory Committee on Aeronautics (NACA).

Agencies: Department of Energy
National Science Foundation
National Aeronautics and Space Administration

270 Energy

- 271 Energy supply
- 272 Energy conservation
- 274 Emergency energy preparedness
- 276 Energy information, policy, and regulation

This function consolidates almost all national government energy and energy-related programs, such as energy research, development, and demonstration; Strategic Petroleum Reserve; nuclear regulation; Tennessee Valley Authority (TVA) power program; synthetic fuels; the long-standing rural electrification and telephone programs and energy information, policy, and regulation. Defense-related nuclear energy activities are excluded from this function and may be found under subfunction 054. From FY 1976 to FY 1978, contemporary budgets portrayed ENERGY as a separate subfunction in NATURAL RESOURCES AND ENVIRONMENT function, and in FY 1979 energy programs were consolidated into a separate function. Project data portray energy spending according to the modern categorizations shown above.

Energy supply: Almost all energy activities appear in subfunction 271, but substantial changes in how funds are accounted in this subfunction have created problems in analyzing it. Included in this subfunction are energy supply activities (including rural electric and telephone lines, Naval petroleum reserves operations, and federal power marketing), research and development activities for alternative energy sources, uranium enrichment, and the nuclear wastes program. Alternative energy source activities have included the U.S. Synthetic Fuels Corporation and the Geothermal Resources Development Fund and research and development efforts for emergency energy supplies, for solar and renewable energy sources, and for the Fossil Energy Research and Development Program.

Project data for subfunction 271 includes budget authority and outlays for rural electrification and telephone, the Tennessee Valley Authority (TVA), and the Federal Power Commission (FPC) from FY 1947 to FY 2001, as well as funds for the Bonneville Power Administration. The TVA and FPC funds appeared in contemporary *Budgets* as part of Conservation and Development of Land and Water Resources, Not Primarily Agricultural. They later appeared in Land and Water Resources or Water Resources and Power subfunctions under NATURAL RESOURCES until FY 1976. The FPC funds were moved into the newly created Energy subfunction in FY 1976, and the TVA and Bonneville funds were moved in FY 1978. Since FY 1977, the FPC is known as Federal Energy Regulatory Commission (FERC).

The financing of TVA is complicated, and so is its budget record. Most of the funding for the TVA derives from offsetting collections (e.g., sale of power) and from indefinite authority to borrow (PL 96-97). The modern definition of budget authority includes loan authority; however, budget records before FY 1967 often did not include these loans; so the early budget authority record for TVA may be incomplete. Outlays for TVA typically are net of offsetting collections, portraying the net amounts after the gross figures have been reduced by offsetting collections; so outlay records may portray only part of the expenditure picture for TVA.

The analytical picture for energy supplies was further clouded by (a) the transfer of civilian nuclear energy programs and (b) by the establishment of the Rural Electric and Telephone Liquidation Accounts. Civilian nuclear energy programs were reclassified from subfunction 053, "Atomic Energy Defense Activities," to this subfunction beginning with actual FY 1974 data. Before the FY 1976 *Budget*, civilian nuclear energy development and production activities were categorized as part of national defense atomic energy activities. With the establishment of the Nuclear Regulatory Commission, these activities were re-categorized under the contemporary Energy subfunction in NATURAL RESOURCES from FY 1978 to FY 1979.

The spending record for this subfunction is further complicated by REA liquidation accounts. The Federal Credit Reform Act of 1990 (FCRA) moved federal direct loans and loan guarantees off budget, but it grand-fathered loans and guarantees made prior to FY 1992. Subsequent FCRA effects on this subfunction present historical analysts with serious difficulties. After 1991, all of the cash flows from direct loan obligations or loan guarantee commitments are reported in off-budget financing accounts, and the only on-budget figures are for the loan and loan guarantee subsidy costs that are reported in credit program accounts. Pre-1992 cash flows are reported in on-budget liquidating accounts. The Rural Electric and Telephone Liquidating Account has reported a substantial positive cash flow (negative outlay and BA) that in some years more than offsets other energy supply expenses.

As a consequence of these many changes, this subfunction has been re-classified as a financial subfunction, rather than a programmatic one. Project data for this subfunction have different sources for several different periods, and the year-to-year comparability of the reported figures is questionable. Project data accurately reflect government budget records; however, implementing the changes discussed above and complying with FCRA requirements have produced post-1991 government figures for this subfunction that are not really comparable with the pre-1992 figures. Project analysis classified this as a *financial subfunction*. For further information on *financial subfunctions* activities, see the terminology section at the end of this paper.

Energy conservation: Subfunction 272 contained various programs for advancing energy conservation technologies. Data for this series begin with its creation in the FY 1979 *Budget* (actual data for FY 1977).

Emergency energy preparedness: Subfunction 274, Emergency Energy Preparedness, contains the funding for developing and maintaining energy stockpiles, including the Strategic Petroleum Reserve (SPR). It also includes a small staff and consulting services for contingency planning related to U.S. energy vulnerability. Contemporary data for this series began with the creation of the subfunction in the FY 1979 *Budget* (actual data for FY 1977), but historical tables have been used to provide budget figures for this subfunction for FY 1976. Although this subfunction reflects the direct government funding for the acquisition, transportation, and injection of petroleum into the SPR, direct funding accounts for only a part of the financial picture. The FY 2005 *Budget Appendix* reports that the Department of Energy began filling the SPR in 2002 principally using royalty oil from federal off-shore leases. The *Budget* reported that DOE anticipated completing filling the SPR to its capacity of 700 million barrels in 2005, apparently still without indicating the dollar value of these payments in kind from offshore oil leases. The FY 2007 *Budget Appendix* (pg. 397) reported that DOE had filled the SPR to 700 million barrels in 2005, principally using royalty oil from federal offshore leases. However, in September 2005, DOE loaned 9.8 million barrels (MB) to refiners and sold 11 million barrels in response to oil production problems following Hurricanes Katrina and Rita. The FY2007 *Budget Appendix* assumed that DOE would restore the SPR to 700 million barrels in 2006. The FY 2008 *Budget Appendix* (pg. 367-8) reported that it had done so primarily from royalty oil from offshore leases. It also reported the government's receipt of \$620 million for sale of SPR oil in 2006. The 2008 *Appendix* reported that the present size of the SPR was 691 MB, and the *Budget* proposed new construction to expand the capacity of oil storage facilities from 727 MB to 1,500 MB. The 2009 *Appendix* for the Dept. of Energy confirmed the expansion proposal, reported the current size of the SPR as 695 MB, and anticipated using royalty oil to fill the SPR to its current capacity of 727 MB in FY 2009. The 2010 *Appendix* anticipated using available fund balances and royalty oil to reach the 727 MB capacity in early 2010.

Energy information, policy, and regulation: Subfunction 276 includes the Nuclear Regulatory Commission (NRC) and other energy information, policy, and regulation activities as well as fees and recoveries from the Federal Energy Regulatory Commission. Data for this series begin with its creation in the FY 1979 *Budget* (actual data for FY 1977), but contemporary and historical *Budgets* were used to construct the BA data series for this subfunction from FY 1976 through FY 2001. The

FY 2005 and subsequent *Budgets* were used to provide BA figures for FY 2002-2008 because these later *Budgets* reflect adjustments following the Homeland Security Act of 2002.

Agencies: Department of Energy
Nuclear Regulatory Commission
Rural Utility Service (formerly Rural Electrification Administration)
Tennessee Valley Authority (TVA)
Federal Energy Regulatory Commission (FERC)
Alaskan Power Administration
Southeastern Power Administration
Southwestern Power Administration
Bonneville Power Administration

300 Natural resources and environment

301 Water resources
302 Conservation and land management
303 Recreational resources
304 Pollution control and abatement
306 Other natural resources

This function focuses on developing, managing, and maintaining national natural resources and environments, including water, mineral, timber, wildlife, fish, and other resources. It also provides for pollution control and abatement as well as national weather observation and forecasting. Its programs include fostering conservation on public and private lands; operating the National Parks; providing sewerage treatment plant construction grants; developing, regulating, and conserving mineral resources; managing and preserving public lands; and directing national environmental programs. Rents and royalties from the outer continental shelf presented a special problem for this function in the *Budgets* for FY 1964 through FY 1975. Its explanation and project corrective actions appear in the discussion for subfunction 302 below.

Water resources: Subfunction 301 includes the activities of the Army Corps of Engineers and the Bureau of Reclamation of the Interior Department as well as some activities of the Department of Agriculture and the Department of State. The Corps of Engineers is charged with conducting studies, investigating, maintaining, and constructing projects for U.S. rivers, harbors, flood control, shore protection (beach erosion), and related areas. The Bureau of Reclamation plans, constructs, and operates facilities to irrigate lands, furnish domestic water supplies, and develop related hydroelectric power and flood control in 17 western states and Alaska. Department of Agriculture is involved through the national watershed rehabilitation program as well as watershed and flood prevention operations. The Dept. of State portion is for the International Boundary and Water Commission.

Before the FY 1970 *Budget of the United States Government* (actual data for FY 1968), this subfunction was part of the subfunction called "Land and Water Resources." The analytical steps taken to create separate water and land budget authority series are described below by period:

In FY 1947-1967, BA figures for project subfunction 301 consist of new obligational authority for the Army Corps of Engineers, Dept. of State water projects, the Water Resources Council, the Bureau of Reclamation's part of Dept. of Interior spending in contemporary subfunction, "Conservation and Development of Land and Water Resources", Soil Conservation Service spending in the Dept. of Agriculture recorded in contemporary subfunction, "Conservation and Development of Land and Water Resources", and government spending for river basin projects such as the St. Lawrence Seaway Development Corporation.

In FY 1968-1976, BA figures for project subfunction 301 consist of budget authority from contemporary *Budgets* for “Water and Power Resources,” less BA allocations for the Federal Power Commission, Tennessee Valley Authority, and the Bonneville Power Administration, which were assigned to subfunction 271, “Energy supply”.

In FY 1977-1981, BA figures were from contemporary *Budgets* for subfunction “Water resources”.

In FY 1982-2001, BA figures consist of budget authority from the historical tables of the FY 2003 *Budget*.

In FY 2002-2008, BA figures consist of budget authority from the historical tables of the FY 2005-2010 *Budgets*. Funding in this subfunction is largely for the Army Corps of Engineers and the Bureau of Reclamation.

Conservation and land management: Subfunction 302 includes most U.S. Forest Service (USFS) and Bureau of Land Management (BLM) activities. The modern BLM manages natural resources on 270 million acres of public lands and supervises mineral leasing and operations on additional acres of Federal mineral estates that underlie other surface ownerships. Prior to the FY 1970 *Budget* (actual data for FY 1968), contemporary *Budgets* consisted of a variety of subfunctions, but they did not separate spending for land and water resources. Project data series before that time consist of a compilation of contemporary subfunctions less those portions that went into modern subfunction 301 as described above. The compiled contemporary subfunctions include “Conservation and Development of Agricultural Land and Water Resources”, “Conservation and Development of Land and Water Resources Not Primarily Agricultural”, “Conservation and Development of Forest Resources”, and “Conservation and Development of Mineral Resources”.

Analytically, creating a consistent data series for this subfunction required overcoming five obstacles. Those obstacles were overcome by (1) separating its funding from water resource spending, (2) consistently assigning funding for conservation of agricultural land to either this subfunction 302 or subfunction 352 depending upon the primary purpose, (3) consistently assigning funding for conservation of marine mammals to this subfunction, (4) consistently assigning rents and royalties from the outer continental shelf to subfunction 953, and (5) consistently assigning funding for the U.S. Fish and Wildlife Service to subfunction 303. As noted above, modern historical tables and contemporary historical tables did not provide separate land and water outlay data for the earliest years; and, on those years when they provide separate data, the sources do not agree on the reported amounts. However, modern historical tables (when available) show spending for this subfunction that is less than project data. Analysts interested in the early years of federal funding for water resources and land conservation can employ one of three strategies: (a) accept project data series with the understanding that recorded budget authority for conservation and land management may be overstated from FY 1947 through FY 1967; (b) combine the land and water (subfunctions 302 and 301) for the period when they were combined in contemporary budgets (FY 1947-67); or (c) use modern historical tables and ignore years before FY 1962 for outlays and FY 1976 for budget authority.

The budget picture for the conservation and land management subfunction was further complicated by contemporary handling of conservation efforts for agricultural lands and by categorizing support of the conservation of marine mammals as part of this subfunction. Project data series maintain a consistent categorization by assigning agricultural conservation to either subfunction 302, “Conservation and Land Management”, or 352, “Agricultural Research and Services”, depending upon whether the effort primarily emphasized conservation or research. Subfunction 302 contains both the Conservation Reserve Program and some modern activities of the Natural Resource Conservation Service (formerly the Soil Conservation Service) of the Department of Agriculture, although project analysts have assigned SCS funding before FY 1968 to modern subfunction 301 as

primarily a water resource. The purposes of the Conservation Reserve Program are to help farmers control critical soil erosion and to decrease production of some surplus agricultural commodities by converting environmentally sensitive acreage to long-term resource-conserving cover. State and local committees under the general direction of the Secretary of Agriculture administer this program through the Commodity Credit Corporation. On the other hand, expenses for cooperative forestry and agricultural experimental stations with land-grant universities appear in subfunction 352 under the Cooperative State Research Service of the Department of Agriculture, and expenses for agricultural soil and water conservation research appear in subfunction 352 as part of the Agricultural Research Service. In addition, conservation efforts for whales and marine mammals appear in this subfunction 302 while fish hatcheries and sport fish restoration programs appear in subfunction 303. The International Whaling Commission and the Marine Mammal Commission are categorized as part of subfunction 302.

Rents and royalties from the outer continental shelf presented a special problem in analyzing this subfunction as well as this function as a whole. In the contemporary *Budgets* for FY 1964 through 1968 (contemporary actual data for FY 1962-1966), budget authority in this subfunction was reduced by the amounts of the offsetting receipts from the outer continental shelf. *Budgets* for FY 1969 through FY 1975 took that offsetting reduction at the function level for NATURAL RESOURCES AND ENVIRONMENT without separately affecting this subfunction. *Budgets* from FY 1976 onward took these rents and royalties outside of this function altogether and categorized them as subfunction 953, under the function called UNDISTRIBUTED OFFSETTING RECEIPTS. Project analyses have removed rents and royalties from both this subfunction and this function for data from FY 1962 through FY 1975 and placed them in subfunction 953. Before that time, data for outer continental shelf receipts were not available; however, the FY 1962 amount of \$14 million suggests that earlier amounts may not have been large.

In the FY 2003 *Budget*, OMB re-categorized funding for the U.S. Fish and Wildlife Service (USFWS) out of the Recreational Resources subfunction (303) and into the Conservation and Land Management subfunction (302). However, the BA figures in this data set have assigned USFWS funding to subfunction 303 in order to maintain comparable figures across the entire time period of the series from FY 1947 to the present. See subfunction 303 below for additional discussion on categorizing the activities of the U.S. Fish and Wildlife Service.

Recreational resources: Subfunction 303 includes the management and acquisition of National Parks under the National Park Service and fish and wildlife protection under the United States Fish and Wildlife Service. This subfunction also finances grants to states for planning, acquiring, and developing park and recreation areas, including urban parks and some historic preservations as well as grants to the states in support of endangered species and sport fish restoration. Reported budget authority figures are net, *i.e.*, program budget authority less collections or offsetting receipts.

The FY 2003 *Budget* recategorized the U.S. Fish and Wildlife Service from this subfunction into subfunction 302, Conservation and Land Management; however, project analysis restored USFWS budget authority to this subfunction so that the data series would be comparable across all the years of the data set. The amounts of BA allocated for the USFWS by year were FY 2001, \$1,232 million; FY 2002, \$1,135M; FY 2003, \$1,184M; FY 2004, \$1,222M; FY 2005, \$1,202M; FY 2006, \$1,356M; FY 2007, \$1,331M; and FY 2008, \$1,184M. The Fish and Wildlife Service is responsible for conservation, management, protection, and utilization of fishery and wildlife resources (except whales, seals, and sea lions which are found under subfunction 302 above). Its activities include the construction and rehabilitation of refuges and hatcheries as well as the repair of hazardous dams and bridges and assessment of natural resource damages. Natural resource damage assessments provide a basis for claims against those found responsible. An example would be the Prince William Sound Restoration Program following the Exxon Valdez oil spill in Alaskan waters. This subfunction also finances land acquisitions and grants in support of the Endangered Species Act, the Fish and Wildlife Act, and the Emergency Wetlands Resources Act.

Pollution control and abatement: The Environmental Protection Agency, the Hazardous Substance Superfund, oil pollution funds, water infrastructure financing (sewerage or waste water treatment plants), hazardous waste management programs, and the environmental restoration and compliance activities of the Coast Guard appear in subfunction 304, "Pollution control and abatement." This subfunction first appeared in the FY 1973 *Budget of the United States Government* as subfunction 404, "Pollution control and abatement," under the major function of NATURAL RESOURCES AND ENVIRONMENT. In the FY 1972 *Budget*, funding for the Environmental Protection Agency was classified as part of subfunction 401, "Water resources and power" and part of subfunction 653, "Prevention and control of health problems." National government support for sewerage treatment plants began in the 1930s, but budgets before 1970 did not consistently provide identifiable budget authority figures in the subfunction details. Reporting changed after the National Environmental Protection Act of 1969. Consequently, project data series for "Pollution Control and Abatement" begin with actual data for FY 1970.

Other natural resources: Subfunction 306 funds programs within the National Oceanic and Atmospheric Administration (NOAA), U.S. Geological Survey (USGS), and U.S. Bureau of Mines. NOAA programs include weather forecasting and warning as well as building sustainable U.S. fisheries. USGS programs include geologic and mineral survey and mapping programs and the national mapping, geography, and survey program. The Bureau of Mines helium program is also included in this subfunction. Earlier budgets called this subfunction, "General Resource Surveys and Administration," under the Department of the Interior. (The FY 2010 *Budget, Historical Tables*, notes that payments to Alaska from oil and gas leasing in the Naval Petroleum Reserve were misclassified in the FY 2009 *Budget* with actual data for FY 2007, but the FY 2010 *Budget* corrected this mistake to show such payments as part of subfunction 806. This data set reflects the payments in 806 for FYs 2007 and 2008.)

Current national government support for weather forecasting and other services of NOAA appear in this subfunction. In the FY 1976 *Budget of the United States Government*, a portion of the present subfunction 306 was categorized as subfunction 252, "Earth sciences." Earlier references to civilian weather forecasting services were first categorized as a separate subfunction called "Civilian Weather Services" and later included as part of the physical environment subset of the subfunction "Advancement of Business." When civilian weather forecasting has been separately identified, it has been included in project analyses under this subfunction, Other Natural Resources.

Agencies: Department of the Interior
Department of Agriculture
Department of Commerce
U.S. Coast Guard
Army Corps of Engineers
Environmental Protection Agency (EPA)
National Oceanic & Atmospheric Admin (NOAA)
International Fisheries Commissions
Bureau of Land Management (BLM)
Bureau of Reclamation
U.S. Fish & Wildlife Service (USFWS)
U.S. Forest Service (USFS)
U.S. Geological Survey (USGS)

350 Agriculture

351 Farm income stabilization
352 Agricultural research and services

Programs in this function assist U.S. food producers through deficiency payments, disaster payments, product purchases, crop insurance, loans, agricultural extension services, and animal and plant health research. They also assist food purchasers, provide market information and services, and support food research. Research support goes to federal biological research facilities, to grants for state-supported facilities, and to the Department of Agriculture's economic research entities. The Food Stamp Program and the Supplemental Nutrition Program for Women, Infants, and Children (WIC) are not part of this function but will be found in subfunction 605, Food and Nutrition Assistance.

Farm income stabilization: Programs included in subfunction 351 include the Commodity Credit Corporation (CCC), the Agricultural Stabilization and Conservation Service (now called the Farm Service Agency), crop insurance, and agricultural credit insurance. Subfunction 351 includes the cost of acquisition and storage of agricultural commodity stockpiles, and it includes the cost of administration and the net outlays of CCC's Export Guarantee Financing Account.

Agricultural research and services: Subfunction 352 includes extension services, research programs, and the collection and evaluation of information on foreign and domestic food and agriculture (a practice referred to as economic intelligence). These services include the Agricultural Research Service, the Economic Research Service, the Extension Service, the Cooperative State Research Service, and the World Agricultural Outlook Board. Expenses for cooperative forestry and agricultural experimental stations with land-grant universities appear in subfunction 352 under the Cooperative State Research Service. Expenses for soil and water conservation research appear in subfunction 352 as part of the Agricultural Research Service; however, expenses for the Soil Conservation Service (Natural Resource Conservation Service) and the Conservation Reserve Program appear in subfunction 302. Expenses for the International (Foreign) Agricultural Aid Service also appear in subfunction 352. However, project analysis has placed the expenses for the Food for Peace program under modern subfunction 151, International development and humanitarian assistance.

Some rural activities were previously included with AGRICULTURE but are now classified outside of the AGRICULTURE budget function by both the current OMB coding and project coding of historical actual budget authorities. Administrative costs for the Farmers Home Administration (FmHA) and the Rural Development Administration appear in subfunction 452, "Area and regional development." Mortgage credit expenses for rural housing programs appear in subfunction 371, "Mortgage credit." Meat and poultry inspection by the Food Safety and Inspection Service of the Department of Agriculture is funded through subfunction 554, "Consumer and occupational health and safety."

In the historical tables of the FY 2005 *Budget*, from \$64 million to \$264 million were removed from the annual BA figures for this subfunction from FY 1976 through FY 2002. This step coincided with the transfer of the Agricultural Quarantine and Inspection Program and the Plum Island Animal Disease Center from the Department of Agriculture to the Department of Homeland Security. Project BA figures basically use contemporary *Budgets* and have retained funding for these programs in this subfunction from FY 1947 through FY 2001. Figures for FY 2002 and thereafter reflect the 2002 establishment of DHS by using historical data from the FY 2005-2010 *Budgets*. Funding for other research, extension, and animal and plant inspection programs remain in this subfunction.

Agencies: Department of Agriculture
Commodity Credit Corporation

370 Commerce and housing credit

371 Mortgage credit
372 Postal Service
373 Deposit insurance
376 Other advancement of commerce

The purpose of function 370 is to promote and regulate commerce, the housing credit industry, and the thrift industry. This function includes programs to aid business, unsubsidized housing programs, and other activities related to commerce and finance. Programs include mortgage insurance, secondary market support, rural housing programs, Section 202 Elderly and Handicapped Housing, small business loan and guarantee assistance, thrift and deposit insurance, and a variety of regulatory activities.

Mortgage credit: Subfunction 371 includes Federal Housing Administration (FHA) mortgage credit and rural housing programs. Project analysis classified this as a *financial subfunction*.

Subfunction 371 also includes the net financial transactions of the Government National Mortgage Association (Ginnie Mae) and some other government-owned or government sponsored financial entities. Ginnie Mae or GNMA is a government corporation, which finances itself primarily from fee collections, interest, and other income. Ginnie Mae guarantees the timely payment of principal and interest on privately issued securities that are backed by pools of FHA, VA and Rural Housing Service (formerly FmHA) mortgages. On the other hand, the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) are not government entities; they are privately owned, government-sponsored enterprises providing assistance to secondary mortgage markets. Their financial transactions are not considered to be on-budget although when their financial summaries are included in the Appendix to the Budget, they are functionally classified in subfunction 371, and both on-budget BA and outlay figures can be affected by these corporations in cases where Ginnie Mae is authorized to make loans to the nongovernmental enterprises.

Over the years, various segments of government mortgage credit have moved on-budget, off-budget, and back again---complicating analytical efforts at consistency through time. Trust fund budget authority and outlays for this sub function have been incorporated in project analyses across the entire period. From FY 1947 to FY 1962, trust fund expenditures are included in project analyses as the closest available analogue to trust fund budget authority for those years. Trust fund budget authority (or outlays) is used from FY 1963 through FY 2000 although the Budget Enforcement Act of 1990 changed the government definition of budget authority for trust funds, and the Federal Credit Reform Act (FCRA) of 1990 changed methods for capturing the “subsidy cost” of government loan programs. .

Prior to the FY 1976 *Budget of the United States*, the net financial activities in this subfunction were funded through subfunction 555, “Low and moderate income housing aids”; subfunction 556, “Maintenance of the housing mortgage market”; and subfunction 352, “Rural housing and public facilities” (formerly, “Financing farming and rural housing”). The expenditures for low and moderate income housing were assigned to modern subfunction 604, Housing Assistance, while the net lending figures the mortgage market and rural housing were assigned to this modern subfunction 371, Mortgage Credit. The FY 2005 *Budget* retroactively adjusted some of the BA data in this subfunction following the Homeland Security Act of 2002. Project data reflect contemporary *Budgets* through FY 2001 and the historical tables of the FY 2007-2009 *Budgets* thereafter. While the project BA series contains all appropriate net figures, analysts are reminded that this is a *financial subfunction*, the net figures for which present inconsistencies and special difficulties for any analysis.

Postal Service: By law, the Postal Service Fund must be excluded from current budget totals, although national government payments to the Postal Service Fund are recorded in the *Budget*. Consequently, Postal Service funding (subfunction 372) is usually presented in "on-budget" and "off-budget" subtotals in OMB historical tables. Project analyses are based on adjusted

contemporary budget authority, which have consistently included both on- and off-budget components; the reported figures are net, after substantial offsetting receipts have been subtracted. Consequently, this subfunction has been classified as a *financial subfunction*, rather than a programmatic one. The BA figures in the *Budget* represent only the tip of the iceberg in Postal Service funding. Information on *financial subfunctions* and *programmatic subfunctions* may be found in Part III of this codebook.

Deposit insurance: Subfunction 373, Deposit insurance, consists of the Resolution Trust Corporation (RTC), the Bank Insurance Fund of the Federal Deposit Insurance Corporation (FDIC), the Savings Association Insurance Fund, and the Federal Savings & Loan Insurance Corporation (FSLIC) Resolution Fund. Although FDIC was established in 1933, Deposit Insurance is new as a separate subfunction. It was added with the FY 1992 *Budget* from what previously were other accounts in function 370, primarily subfunction 371, "Mortgage credit." Contemporary budgets before FY 1992 do not reflect this subfunction; however, project figures from FY 1976 through FY 1994 are based on OMB historical tables, and figures from FY 1995 through FY 2001 are based on contemporary *Budgets*. The FY 2005 *Budget* retroactively adjusted some of the BA data in this subfunction following the Homeland Security Act of 2002. Project data reflect contemporary *Budgets* through FY 2001 and the historical tables of the FY 2007-20010 *Budgets* thereafter.

Thrift deposit insurance programs have transitioned from FSLIC to the RTC. Since August 1989, the RTC has had responsibility for the FSLIC's unresolved cases. FSLIC cases that had been resolved were dealt within the FSLIC Resolution Fund.

Financially, the FDIC is designed to be self-financing through asset recoveries and premium assessments. For that reason, it usually reports an annual net budget authority of zero, although the Bank Insurance Fund is authorized to borrow from Treasury when necessary. Project analysis classified this as a *financial subfunction* with inherent analytical difficulties.

Other advancement of commerce: Subfunction 376 includes a wide variety of activities. It includes Small Business Administration assistance to small and minority businesses; Bureau of Census activities such as economic and demographic statistics; payments to copyright owners; and some regulatory agencies such as the Federal Communications Commission (FCC), the Securities and Exchange Commission (SEC); the National Telecommunications and Information Agency (NTIA); and the Federal Trade Commission. It also includes some funding to promote international trade and exports; however, export promotion activities also appear in other subfunctions as well. For example, export promotion of agricultural products is supported through subfunction 352, "Agricultural Research and Services"; the Trade and Development Agency is funded under subfunction 151, "International development and humanitarian assistance"; and the Office of the United States Trade Representative is funded through subfunction 802, "Executive Direction and Management."

In early budgets, the programs in this current subfunction appeared in a variety of other subfunctions, including "Regulation of Transportation," "Other Services to Transportation," "Regulation of Communication," "Promotion or regulation of financial institutions," "Promotion or regulation of trade and industry," and "Business loans and guarantees." The on-budget, off-budget changes described above for subfunctions 371 and 373 appear to have had some effect on subfunction 376 from FY 1976 through FY 1980. Consequently, project BA figures for that period are taken from historical tables of FY 1995 *Budget*, and contemporary *Budgets* were used for the data from FY 1981 through FY 1983.

The Telecommunications Act of 1996 made some changes which affected the data series for this subfunction. From FY 1976 and through FY 2007, later historical tables were used in an effort to provide a consistent accounting for the Universal Service Fund of the Federal Communications Commission. The Universal Service Fund finances discounts for schools and libraries for telecommunication and information services as called for in the Telecommunications Act of 1996. In addition, beginning with the FY 1998 *Budget* (actual data for FY 1996), this subfunction also

contains the subsidy costs associated with the installment purchases of FCC licenses at the spectrum auction. Since installment purchase constitutes an extension of credit, this portrayal was necessary to comply with the provisions of the Federal Credit Reform Act of 1990 (FCRA). The payments made to the government from the spectrum auction appear in subfunction 959, Other Undistributed Offsetting Receipts. Project data reflect these retroactive adjustments.

The Homeland Security Act of 2002 also made changes affecting the data for subfunction 376. The FY 2005 *Budget*, removed \$3 to \$42 million from previous figures for FY 1999 through FY 2002. It appears that these adjustments were part of the many budget changes caused by the Homeland Security Act of 2002. The FY 2007 *Budget* reported some Department of Commerce budget authority for defending against catastrophic threats to homeland security, and the FY 2008 *Budget* retroactively adjusted the previous figures for 2001-2006. However, since the previously described telecommunications changes necessitated retroactive OMB and project data adjustments, these changes for homeland security were accommodated by using recent historical tables as the sources for data for FY 1976-2008.

Agencies: Department of Commerce
Federal Housing Administration (FHA)
Govt. National Mortgage Association (GNMA)
Farmers Home Administration (FmHA)
U.S. Postal Service
Small Business Administration (SBA)
Resolution Trust Corporation (RTC)
International Trade Administration
Federal Savings & Loan Insurance Corp. (FSLIC)
Federal Communications Commission (FCC)
Federal Deposit Insurance Corporation (FDIC)
Federal Trade Commission (FTC)
Securities and Exchange Commission (SEC)
Bureau of Census
National Telecommunications and Information Administration
US Travel and Tourism Administration
Export Administration

400 Transportation

401 Ground transportation
402 Air transportation
403 Water transportation
407 Other transportation

The transportation function assists transportation activities including highway construction and safety, mass transit, airways and airports, maritime subsidies, railroad assistance, and the Coast Guard. Function 400 has included regulatory activities directed specifically toward the transportation industry rather than toward commerce in general. In FY 1979, TRANSPORTATION became a function in its own right. Before that, ground, air, water, and other transportation were subfunctions under COMMERCE AND HOUSING CREDIT. Project data reflect the modern categorization from FY 1947 onward with the exception of subfunction 407, data for which begins with FY 1974.

Ground transportation: Funding for highways, mass transit, railroads, and the former Interstate Commerce Commission (ICC) appeared in subfunction 401. Both Federal and Trust funds are reported in this subfunction. For project data before the FY 1961 actual figures, highway trust fund expenditures or *outlays* have been combined with new obligational authority or *appropriations* in the historical subfunction, "Provision of highways," to produce the closest appropriate analogue to

budget authority for ground transportation. (Explanations of *trust funds*, *outlays*, and *appropriations* appear in the terminology section, which is Part III of this codebook.) However, analysts are cautioned that many commitments of the Highway Trust Fund are not shown in current depictions of budget authority in the *Budget*. Some idea of the magnitude of those commitments may be found in Table 16-4, “Income, Outgo, and Balances of Major Trust Funds”, in the Analytical Perspectives section of the FY 2004 *Budget*. Project BA data for FY 1961 through FY 1982 are taken from contemporary *Budgets* using both administrative and trust funds for both on- and off- budget entities. Because detailed BA data were not available in the FY 1985 and FY 1986 *Budgets*, project BA data from FY 1983 and subsequent years were taken from historical tables.

Air transportation: Administration of the Federal Aviation Administration (FAA), maintenance and operation of the air traffic control system, and the aircraft certification program appear in subfunction 402 (air transportation) as do grants for airport improvements through the Airport and Airway Trust Fund, some aeronautical research programs of NASA, and funds for the Transportation Security Administration of the Department of Homeland Security. The FY 2005 *Budget* retroactively adjusted some of the BA data in this subfunction following the Homeland Security Act of 2002. Project data reflect contemporary *Budgets* through FY 2001 and the historical tables of the FY 2007-2010 *Budgets* thereafter.

Water transportation: Subfunction 403 is largely concerned with marine safety and transportation, which consist of Coast Guard and Maritime Administration (MARAD) programs. Coast Guard programs in this subfunction include search and rescue, aids to navigation, marine environmental protection, marine law and treaty enforcement, and recreational boat safety. MARAD programs include merchant marine support and the Ready Reserve Fleet. The FY 2005 *Budget* retroactively adjusted some of the BA data in this subfunction following the Homeland Security Act of 2002. Project data reflect contemporary *Budgets* through FY 2001 and the historical tables of the FY 2007-2010 *Budgets* thereafter.

Other transportation: Subfunction 407 includes miscellaneous programs including funding for the National Transportation Safety Board and administration of the Department of Transportation. This subfunction first appeared in the FY 1976 *Budget* as part of the COMMERCE AND TRANSPORTATION function with funding for the National Transportation Safety Board. Project data for this subfunction begins with data for FY 1974. The FY 2005 *Budget* retroactively adjusted some of the BA data in this subfunction following the Homeland Security Act of 2002. Project data reflect contemporary *Budgets* through FY 2001 and the historical tables of the FY 2007-2010 *Budgets* thereafter.

Agencies: Department of Transportation
Department of Homeland Security
Department of Commerce
NASA (Aeronautical Research)
Federal Aviation Administration (FAA)
Coast Guard
Maritime Administration (MARAD)
Transportation Security Administration

450 Community and regional development

451 Community development
452 Area and regional development
453 Disaster relief and insurance

The community and regional development function includes a variety of small urban and rural development grants. Its purpose is broad-based community, regional, urban, and rural renewal and development.

Community development: Programs in subfunction 451 include community development block grants. The Department of Housing and Urban Development (HUD) usually administers these grants. In earlier budgets, this present subfunction was represented as subfunctions for “Provision of community facilities” for public works in Alaska and the Virgin Islands under the Department of Interior and for “Urban development and redevelopment” for slum clearance and urban redevelopment under the Housing and Home Finance Agency. Project data capture these activities under this subfunction.

Area and regional development: Subfunction 452 contains rural and depressed area development assistance, economic development assistance, Appalachian programs, and Native American programs. Its primary purpose is to reduce unemployment and increase family income in those areas of the nation that most seriously lag in economic development. Agencies such as Farmers Home Administration, Economic Development Administration, and the Bureau of Indian Affairs (rather than HUD) usually administer the programs in subfunction 452. Before FY 1976, funds for rural development were categorized as part of the AGRICULTURE function, and funds for disaster relief were categorized as part of this subfunction. Project data capture those rural development funds in this subfunction.

This subfunction first appeared separately in the *Budget of the United States Government* in the submission for FY 1963 with actual budget authority reported for FY 1961. It was called “Area redevelopment.” However, net funding of the Farmers Home Administration (FmHA) was included in this subfunction, and the net trust fund expenditures of FmHA constitute the funding history of this subfunction from FY 1947 through FY 1960 for the purposes of project analyses. Contemporary *Budgets* were used to produce the BA series from FY 1961 through FY 1981, and historical budget tables were used thereafter. Note that the current Rural Housing Service (RHS) was formed from the Rural Housing section of the Farmers Home Administration and the Community Facilities Division of the Rural Development Administration. Funding for the Community Facilities program appears in this subfunction; however, most other programs of the RHS appear in subfunction 604, Housing Assistance.

Disaster relief and insurance: Disaster relief, SBA disaster loans, and flood insurance appear in subfunction 453. In the event of a presidentially declared emergency or major disaster, these funds are available to assist individuals, state and local governments, or to reimburse other federal agencies. Before the FY 1976 *Budget of the United States*, disaster relief and insurance was classified as a part of the “Area and regional development” subfunction. For data from FY 1951 through FY 1960, a funding history of budget authority for this current subfunction is provided to the President in the historical subfunction called, “Disaster Insurance, Loans, and Relief,” under the COMMERCE AND HOUSING function. For data from FY 1961 through FY 1973, BA was taken from “funds appropriated to the President” either as part of the contemporary subfunction, “Social and Individual Services” or as part of the contemporary subfunction “Regional and Community Development”. For data from FY 1974 through FY 1975, BA was taken from contemporary subfunction “Disaster Relief and Insurance”. For data from FY 1976 through FY 2001, BA was taken from OMB historical tables. After 2001, a major portion of the funding in this subfunction concerns grants for homeland security and other preparedness. The FY 2005 *Budget* retroactively adjusted some of the BA data in this subfunction following the Homeland Security Act of 2002. Funding for the salaries and administrative expenses of the National Protection and Programs Directorate of the Department of Homeland Security are included in this subfunction. Project data reflect BA data as described above through FY 2001 and the historical tables of the FY 2007-2009 *Budgets* thereafter.

Agencies: Department of Housing and Urban Development
Department of Agriculture (Rural Housing Service)

Department of Homeland Security (Federal Emergency
Management Agency)
Dept of Commerce
Bureau of Indian Affairs
Small Business Administration (SBA)
Economic Development Administration (EDA)

500 Education, training, employment, and social services

501 Elementary, secondary, and vocational education
502 Higher education
503 Research and general education aids
504 Training and employment
505 Other labor services
506 Social services

The education, training, employment, and social services function promotes the general extension of knowledge and skills to help individuals to become self-supporting. It includes child development, education, public service employment programs, and grants to the states for general social and rehabilitation services.

Elementary, secondary, and vocational education: Programs in subfunction 501 include financial assistance from the national government for elementary and secondary education; occupational, vocational, and adult education; education for the disadvantaged; special education; and Indian education programs. Impact aid is also included in this subfunction. Impact aid consists of national financial aid to local governments to offset the impact of federal facilities and programs which may bring children into a school system but which would be exempt from local and state property taxes.

Education funding appeared in a variety of earlier subfunctions. The steps taken to disaggregate contemporary BA records and to allocate appropriate portions to this current subfunction are described below:

In FY 1947-1954, project subfunction 501 BA consists of contemporary 301 “Promotion of Education” (less \$6 million in permanent authorization and appropriations for agricultural and mechanical (A&M) colleges that go to 502, Higher Education) plus the Department of Interior part of 302, “Educational Aid to Special Groups” (for public schools for Native Americans).

In FY 1955, project subfunction 501 BA consists of contemporary 214 “Promotion of Education”, less \$6 million for A&M colleges and \$4 million for Howard University that go to 502 Higher Education.

In FY 1956-1960, project subfunction 501 BA consists of contemporary 214 “Promotion of Education”, less a part of Dept. of Health, Education and Welfare line item that goes to 502 Higher Education. (The 502 shares vary from year to year based on details of funds for HEW.)

In FY 1961-1967, budget data for this subfunction consist of all of the contemporary subfunction “Assistance to elementary and secondary education”.

In FY 1968-1973, budget data consist of the combination of two contemporary subfunctions: “Elementary and secondary education” and “Vocational education”.

In FY 1974-2008, budget data were reported in this modern subfunction.

Higher education: Subfunction 502 includes student financial assistance for higher education, the family education loan program, and other higher education support. For example, the Student Loan Marketing Association or "Sallie Mae" and the College Construction Insurance Association or "Connie Lee" are government sponsored enterprises. As such, they are financed off-budget, rather than on-budget; but their government funding (when recorded) is functionally classified as part of subfunction 502. The national government operates two major student loan programs: the Federal Family Education Loan program and the William D. Ford Direct Loan program (See the FY 2009 *Budget*, Appendix, pp. 361-372, for details), and only the subsidy costs of these programs are reflected in budget totals. Pell grants are grants rather than loans, and they make up a large part of historical national spending for higher education. Technically, funding for Pell grants is largely discretionary; however, the program resembles an entitlement, and project data series for mandatory spending include the figures for this subfunction, a classification supported by the Obama administration (FY2010 *Budget*, pg. 61). See also *Mandatory Spending* in Part III. The steps taken to disaggregate contemporary BA records and to allocate appropriate portions to this current subfunction are described below:

In FY 1947-1954, project subfunction BA for 502 consists of 302 "Educational Aid to Special Groups," less Department of Interior budget authority that goes to subfunction 501 for public schools for Native Americans, plus \$6 million for permanent authorization and appropriations for colleges of A&M from contemporary subfunction 301, "Promotion of Education".

In FY 1955, project subfunction BA for 502 consists of \$10 million (\$6 million for permanent appropriations for colleges of A&M and \$4 million for Howard University) of HEW part of contemporary subfunction 214, "Promotion of Education".

In FY 1956-1958, project subfunction BA for 502 consists of permanent and annual appropriations for colleges of A&M and Howard University parts of HEW Dept. funds of contemporary subfunction 214, "Promotion of Education".

In FY 1959-1960, project subfunction BA for 502 consists of Defense Education Activities in addition to appropriations for colleges of A&M and Howard University from contemporary subfunction 214, "Promotion of Education". Beginning with FY 1959, budget data also includes funding for defense education programs as those activities were built up under National Defense Education Act of 1958. Note that the Department of Interior Part of 214 is assigned to current subfunction 501.

In FY 1961-2008, subfunction BA was recorded under the present subfunction and includes federal grants and the subsidy costs of loans to students and families to encourage higher education.

Research and general education aids: Subfunction 503 includes funding for research and general education aids, the Smithsonian Institute, the Library of Congress, the Institute of Education Sciences, public broadcasting, and state formula grants for libraries. In earlier budgets, funding for this present subfunction may be found in the subfunction called, "Library and Museum Services," and in part of the subfunction called, "General-purpose Research." The FY 2008 *Budget* adjusted previous data by \$1 to \$41 million in budget authority retroactive to FY 1981. This data set includes those adjustments since they are contained within the 1976-2006 period of the historical table. As a

consequence, project budget series rely on contemporary *Budgets* for data from FY 1947-1980 and on recent historical tables thereafter.

Training and employment: Subfunction 504 includes training and employment services, payments to states under the Job Training Partnership Act (JTPA), the Comprehensive Employment and Training Act (CETA), or the Workforce Investment Act of 1998 (WIA) for programs such as federally-funded state employment services, adult and youth training grants, dislocated worker training grants, and the Job Corps. This subfunction also finances part-time public service employment for older workers under the Older Americans Act. In previous budgets, this subfunction has been named “Manpower training”, and it focused on financing employment training for disadvantaged groups through the Office of Economic Opportunity, the Department of Labor, and the Department of Health, Education, and Welfare. Subfunction 504 does not include unemployment compensation, which is found in subfunction 603. In earlier budgets, funding under this subfunction was found under three subfunctions: “Labor Standards and Training,” “Labor Information, Statistics, and General Administration,” and “Defense Production Activities” of the Department of Labor. Project data include this earlier funding within the present subfunction of Training and Employment.

Other labor services: Subfunction 505 has the purposes of aiding or regulating the labor market. It includes the Bureau of Labor Statistics, the Employment Standards Administration, Labor-Management Standards (Office of the American Workplace), and some Department of Labor administration. This subfunction also includes labor-related independent agencies like the National Labor Relations Board, the Federal Mediation and Conciliation Service, and the Committee for Purchase from People Who Are Blind or Severely Disabled. In earlier budgets, funding for this subfunction was found under the subfunction, “Mediation and Regulation of Labor Relations,” or in the Independent offices portion of “Labor and Manpower” minus funding for the Selective Service System, which is categorized in this project under subfunction 054, “Defense-related Activities.”

Social Services: Subfunction 506 includes block grants for social services and community services, rehabilitation services, aging services programs, and children and family services programs. This subfunction also includes funding for operating domestic volunteer programs. There is some conceptual overlap between the programs in this subfunction and governmental assistance for low income home energy assistance, payments to states for day-care assistance, aid to families with dependent children (now Temporary Assistance for Needy Families), and supplemental security income (SSI)---all of which are financed through subfunction 609, Other Security Income. In earlier budgets, funding for this subfunction appeared in subfunctions named “Public Assistance (excluding medical care for the aged)” and “Economic Opportunity Programs,” less the Department of Agriculture part, which in this classification will be found under subfunction 605, Food and Nutrition Assistance.

The FY 2003 *Budget* recategorized funding for the foster care and adoption assistance program out of this subfunction and into subfunction 609. Project BA series include this re-categorization by using contemporary *Budgets* for BA from FY 1949 (the first year for which subfunctional funding was identified) through FY 1980 (the last year apparently not affected by the Foster Care transfer). From FY 1981 through FY 2008, historical tables from the FY 2005-2020 *Budgets* were the sources of project BA for this subfunction. Consequently, project data reflect the present classification of this program as part of subfunction 609. For analysts who would prefer a different method for dealing with this OMB re-categorization, the BA amounts for the Foster Care and Adoption Assistance grants by year were FY 2001, \$6,401 million; FY 2002, \$6,622 million; FY 2003, \$6,609 million; FY 2004, \$6,814 million; FY 2005, \$6,806 million; FY 2006, \$6,620 million; FY 2007, \$6,855 million; and FY 2008, \$6,877 million (Source: Table 27-1 in recent *Budgets*).

Agencies: Department of Education
 Department of Health and Human Services
 Department of Labor

National Labor Relations Board
Office of Personnel Management (before 1978
the Civil Service Commission)
Community Service Administration/ACTION
Bureau of Indian Affairs
National Endowment for Children's
Educational Television

550 Health

551 Health care services
552 Health research and training
554 Consumer and occupational health and safety

The HEALTH function seeks to promote the physical and mental health of the population including the prevention of illness and accidents. It finances medical care for poor persons under the Medicaid program. (See also function 570, MEDICARE for medical care for the aged). Before the FY 1971 *Budget of the United States Government*, all of the health subfunctions were combined in subfunction 651, Health (sometimes entitled Health services and research), under the function of HEALTH AND WELFARE or under the function of HEALTH, LABOR, AND WELFARE. The present HEALTH function includes the promotion of consumer and occupational health and safety. Several steps were necessary to re-categorize contemporary funding into consistent data series organized in the current subfunctions.

Health care services: Subfunction 551 programs provide health care for certain groups, such as Native Americans, coal mine retirees, and merchant seamen; programs for substance abuse and mental health services; block grants for maternal and child health; grants for Human Immunodeficiency Virus (HIV) prevention through the Centers for Disease Control and Prevention; public health preparedness under the Dept. of Homeland Security and Dept. of Health and Human Services; Project BioShield (which seeks countermeasures against biological threats to homeland security sometimes called Biodefense); and Medicaid grants to states, localities, and community groups for health services programs. The largest single item in subfunction 551 is Medicaid grants. The Medicaid program assists states in providing medical care to their low-income population by granting federal-matching payments to states with approved plans. Mandatory national funding for the State Children Health Insurance Fund is also part of this subfunction. Because earlier contemporary budget records combined this subfunction with research and training, several steps were necessary to reconstruct funding Health Care Services (551) and Health Research and Training (552) as described below:

In FY 1947-1949, project BA for subfunction 551 consists of actual appropriations recorded in subfunction 206, "Promotion of Public Health". This aggregation may include an undetermined amount of funding for the National Institutes of Health that, if identified, would now properly belong in current subfunction 552, "Health Research and Training".

In FY 1950-1959, project BA for this subfunction consists of actual new obligational authority (NOA) for contemporary subfunction 206, "Promotion of Public Health". This aggregation probably includes some amount of funding for the National Institutes of Health that would now properly belong in current subfunction 552, "Health Research and Training".

In FY 1960-1961, project BA for this subfunction consists of actual NOA for contemporary subfunction 651, "Health Services and Research" minus \$400 million in FY 1960 and \$578 million in FY 1961 for NOA for the National Institutes for Health.

In FY 1962-1964, project BA for this subfunction consists of actual NOA for contemporary subfunction 651, "Health Service and Research" minus historical outlays for current subfunction

552, “Health Research and Training” as well as minus historical outlays for current subfunction 554, “Consumer and Occupational Health and Safety”.

In FY 1965, this subfunction consists of actual NOA for administrative budget funds and trust funds for contemporary subfunction 651, “Health Services and Research” minus historical outlays for modern subfunction 552, “Health Research and Training” and minus historical outlays for modern subfunction 554, “Consumer and Occupational Health and Safety”. Note actual NOA for trust funds in this subfunction was recorded as less than \$500 thousand in FY 1965.

In FY 1966-1967, this subfunction consists of actual budget authority for both federal funds and trust funds for contemporary subfunction 651, “Health Services and Research”, minus the following: historical outlays for modern subfunction 552, “Health Research and Training”; historical outlays for modern subfunction 554, “Consumer and Occupational Health and Safety”; and project budget authority for subfunction 571, “Medicare”.

In FY 1968, this subfunction consists of actual budget authority (new obligational authority plus loan authority) for contemporary subfunction 651, “Health”, minus the following: historical outlays for modern subfunction 552, Health Research and Training; historical outlays for modern subfunction 554, Consumer and Occupational Health and Safety; and project budget authority for subfunction 571, Medicare.

In FY 1969, this subfunction consists of actual budget authority for contemporary function 650, “Health” minus the following: contemporary budget authority for subfunction 651, “Development of Health Resources”; historical outlays for modern subfunction 554, Consumer and Occupational Health and Safety; and project budget authority for subfunction 571, Medicare.

In FY 1970, this subfunction consists of actual budget authority for contemporary function 650, “Health” minus the following: \$117 million in contemporary budget authority for the Environmental Protection Agency; contemporary budget authority for subfunction 651 “Development of Health Resources”; historical outlays for modern subfunction 554, Consumer and Occupational Health and Safety; and project budget authority for subfunction 571, Medicare.

In FY 1971-1973, the subfunction consists of actual budget authority for contemporary function 650, “Health” minus the following: contemporary budget authority for subfunction 651 “Development of Health Resources”; historical outlays for modern subfunction 554, Consumer and Occupational Health and Safety; and project budget authority for subfunction 571, Medicare.

In FY 1974-1975, the subfunction consists of actual budget authority for contemporary function 550, “Health” minus the following: project budget authority for modern subfunction 552, “Health Research and Training”; historical outlays for modern subfunction 554, Consumer and Occupational Health and Safety; and project budget authority for subfunction 571, Medicare.

In FY 1976-2008, the subfunction consists of historical actual budget authority for modern subfunction 551, “Health Care Services”. Note BioShield and BioDefense in this subfunction refer to HHS and DHS efforts to prepare countermeasures against biological threats to homeland security.

Health research and training: The purposes of subfunction 552, Health Research and Training, are to finance basic and applied programs in health and medical research and the education and training of some health care providers. Most of the research into the causes and cures of diseases in subfunction 552 is under the auspices of the National Institutes for Health (NIH).

The history of this subfunction has been varied. Before the FY 1993 *Budget*, this subfunction was divided into two: 552, Health Research, and 553, Education and training of health care work force. Before the FY 1979 *Budget*, this subfunction was called Health research and education. Project data series have this subfunction combined with subfunction 551 for data from FY 1947 through FY 1959 because we have not discovered the details to separate them in these earliest years. The adjustments made to produce a separate BA series for this subfunction after FY 1959 were as follows:

In FY 1960-1961, project BA for subfunction 552 consists of NOA for the National Institutes of Health from contemporary *Budgets*.

In FY 1962-1968, this subfunction consists of historical outlays for modern subfunction 552, Health Research and Training.

In FY 1969-1973, this subfunction consists of contemporary budget authority for subfunction 651, “Development of Health Resources”.

In FY 1974-1975, this subfunction consists of contemporary budget authority for subfunctions 552, “Health Research and Education”, and 553, “Prevention and Control of Health Problems”, minus inappropriate parts of contemporary subfunction 553, *i.e.* BA for Department of Agriculture (current subfunction 605), the Consumer Products Safety Commission, and the Occupational Safety and Health Review Commission (current subfunction 554).

In 1976-2008, this subfunction consists of historical budget authority for modern subfunction 552, Health Research and Education.

Consumer and occupational health and safety: Inspection of meat and poultry, inspection of food and drugs, consumer product safety, and occupational health and safety are funded under subfunction 554. The Food and Drug Administration (FDA), the Food Safety and Inspection Service of the Department of Agriculture, the Consumer Product Safety Commission, and the Occupational Safety and Health Administration (OSHA) conduct these activities. This subfunction was first established with the FY 1979 *Budget* (actual data for FY 1977); however, earlier funding for consumer products safety and occupational health and safety can be traced from OMB historical outlays records. From FY 1971 to FY 1976, funding for some OSHA-like activity was reported under the Occupational Safety and Health Review Commission. Currently, both OSHA and the Mine Safety and Health Administration of the Department of Labor are funded through this subfunction. Pollution control is not a part of consumer health and safety, and funding for the pollution control activities of the Environmental Protection Agency will be found in subfunction 304, Pollution Control and Abatement.

The programs in the consumer and occupational health and safety subfunction have been variously categorized in past budgets, and various adjustments have been necessary to produce an adequate data series. The current OMB classification calls for food inspection to be a part of this subfunction; however, the Department of Agriculture program for the “inspection and grading of farm products” was separately identified in early trust fund budgets under the AGRICULTURE AND AGRICULTURAL RESOURCES function. In project analyses, trust fund expenses for “inspection and grading of farm products” are classified under this subfunction (554) for the period FY 1947 through FY 1961. Before the FY 1976 *Budget*, consumer safety was combined with communicable disease control in subfunction 553, “Prevention and control of health problems,”

under the HEALTH function. Comparisons between FY 1976, FY 1996, and FY 2003 OMB historical tables indicate that other contemporary HEALTH figures were reduced when an historical record for this new subfunction was created. Consequently, project analyses for the period FY 1962 through FY 1975 used historical outlay records to reduce contemporary budget authority and outlays for contemporary subfunction 553 (current subfunction 552) in order to create a comparable historical record for current subfunction 554, which did not exist at that time. In sum, the funding record for this subfunction consists of Department of Agriculture trust fund activities for farm product inspection and grading from FY 1947 through FY 1961; of reconstructed consumer and occupational health and safety activities from FY 1962 through FY 1975; and of historical consumer and occupational health and safety activities thereafter.

Agencies: Department of Health and Human Services
Department of Agriculture
Department of Labor
National Institutes of Health
Office of Personnel Management
Food and Drug Administration
Occupational Safety and Health Administration
Mine Safety and Health Administration
Consumer Product Safety Commission

570 Medicare

571 Medicare: This function (and single subfunction) contains Medicare programs including: Part A, Hospital Insurance (HI); Part B, Supplementary Medical Insurance (SMI); Medicare Prescription Drugs (often called Part D); and administrative costs as authorized by the Social Security Act, as amended. Medicare is primarily for individuals aged 65 and over. Government payments and premium payments are made to the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund where expenses are partially offset by some Medicare premiums and collections. Administrative expenses for the Medicare prescription drug program are also included in this subfunction.

The analytical picture for Medicare is clouded by a legislated change in the definition of budget authority for the Medical Trust Funds and by the use of offsetting receipts. Citizen payments for SMI are taken as offsetting receipts, but citizen payments for HI are not. Taxes and contributions to HI have been deemed to represent payments to government acting in its sovereign role as a tax collector. As such, these taxes are not taken as offsetting receipts but are shown as revenue. Premium payments for SMI participants (also called Part B participants) have been deemed to represent voluntary payments to government acting in an economic role. They are taken as offsetting receipts, *i.e.*, total outlays are reduced by the amount of offsetting receipts. Reported budget totals are the net result of subtracting offsetting receipts from authority or outlays. Before the Budget Enforcement Act of 1990 was implemented, trust funds with permanent appropriations were authorized to obligate all of their receipts. New obligating authority or budget authority consisted of all receipts for a given fiscal year. After the BEA of 1990 was implemented, trust funds were precluded from showing more BA than the amount of expected expenditures (outlays) for a given fiscal year. The method for constructing comparable project data series for Medicare is discussed below.

Although Congress passed Medicare in 1965, it was not separately categorized before the FY 1985 *Budget of the United States Government*. The updated project data set provides Medicare budget authority figures from its inception in FY 1966 through FY 2008 in the following manner. Budget authority figures consist of cash income to HI and SMI minus the offsetting premiums paid into SMI. Outlay figures consist of the cash outgo from HI and SMI minus the offsetting premiums paid into SMI. Historical Table 13-1, "Cash Income, Outgo, and Balances of the Social Security and Medical Trust Funds" from the FY 2002 through FY 2010 *Budgets* are the sources for these data.

Note this methodology differs from that used to construct current historical tables in the *Budget*. Current *Budgets* follow the BEA 1990 definition of BA as anticipated annual outlays for a trust fund. Since the income from the trust funds was acquired to cover obligations for future expenditures, it appears reasonable to use income as the appropriate definition of trust fund budget authority, and doing so makes this data series comparable across all the portrayed fiscal years. The project definition is consistent with the trust fund BA definition before BEA 1990; however, using a consistent income definition does produce a significant difference with the figures from the annual-expense definition used now by OMB. For example, project annual-income definition produces Medicare budget authority of \$377,572 million for FY 2006 while the annual-expense definition produces Medicare budget authority of \$365,371 million for that year, the figure found in current *Budget* BA tables. Figures for both the income and outgo methods of accounting as well as the *Budget* historical table data appear in the “Medicare Details” worksheet in the “BA472008.xls” spreadsheet that accompanies this code book.

Agency: Department of Health and Human Services

600 Income security

- 601 General retirement and disability insurance (excluding social security)
- 602 Federal employee retirement and disability
- 603 Unemployment compensation
- 604 Housing assistance
- 605 Food and nutrition assistance
- 609 Other income security

This function provides cash and in-kind benefits to individuals on a permanent or temporary basis. Much of the financial activity in this function occurred in *trust funds*, *i.e.*, accounts designated by law for receipts for use in carrying out specific purposes or programs. Under a unified budget concept, trust fund activities are reported along with the financial activities in other national government accounts. In the FY 1995 OMB classification and in the budget classifications used in this project, some level of financial activities is reported for all funds whether government-owned or held in trust. Before the 1964 *Budget*, budget authority or new obligational authority figures are not available for most trust funds. From FY 1949 through FY 1963 *Budgets*, trust fund expenditure figures by function or subfunction were recorded in lieu of the missing budget authority figures. See *trust funds* in Part III for additional information.

General retirement and disability insurance (excluding social security): Subfunction 601 consists largely of railroad worker retirement, special benefits for disabled coal miners, and the net transactions of the Pension Benefit Guaranty Corporation (PBGC). PBGC is a wholly-government-owned corporation whose purpose is to insure benefits promised under private defined-benefit pension plans. When a sponsor cannot maintain its plan, PBGC pays benefits subject to guarantee limits. PBGC finances itself with interest and premium income. Its expected net budget authority is zero, and its outlays could be positive or negative depending on the net of payments and collections each year. However, the FY 2007 *Budget* reported that at the end of FY 2005 PBGC’s liabilities exceeded its assets by \$23 billion. Congress then passed the Pension Protection Act that reformed the retirement system structure. The FY 2010 *Budget* (Analytical Perspectives, Table 13-1, Government Assets and Liabilities) reported that total government liability (not net liability) for Pension Benefit Guarantee to be \$89 billion at the end of FY 2005, \$78 billion at the end of FY 2006, \$85 billion at the end of FY 2007, and \$74 billion at the end of FY 2008. Some possibility remains that this subfunction with the PBGC will undergo the kind of problems found earlier in subfunction 373, Deposit Insurance, from excess liabilities in the Federal Savings & Loan Insurance Corporation.

Before the FY 1984 *Budget of the United States Government*, social security was categorized under this subfunction; however, thereafter, social security was categorized separately as subfunction 651.

Social Security budget authority appears in subfunction 651 in project figures for all years, and general retirement and disability budget authority appears in this subfunction. Budget authority data before FY 1962 in subfunction 601 consist of appropriated administrative funds and trust fund expenditures for the Railroad Retirement fund. Data from FY 1962 through FY 1989 consist of new obligating authority or budget authority for the Railroad Retirement trust fund. Data from FY 1990 through FY 2008 consist of budget authority from historical table 5-1 of the FY 2005-2010 *Budgets*, which use the trust fund budget authority definition from the Budget Enforcement Act of 1990. Budget data in this subfunction from FY 1999 onward also include the District of Columbia Federal Pension Liability Trust Fund that was established by the National Capital Revitalization and Self-Government Act of 1997.

Federal employee retirement and disability: Subfunction 602 contains federal employee and disability programs including military retirement payments; however, before the FY 1985 *Budget*, government spending for military retirement was categorized solely under the DOD-Military subfunction (051). And there have been some categorization changes in the history of this subfunction. Before the FY 1976 *Budget*, funding for this subfunction appeared as the Civil Service Commission part of the “Retirement and social insurance” subfunction or the “Income security payments” subfunction. Subfunction 602 also includes government employer contributions for workers’ compensation under the Federal Employees Compensation Act (FECA).

Three major changes affecting this subfunction were the inclusion of military retirement payments, the transition from the Civil Service Retirement System (CSRS) to the Federal Employee Retirement System (FERS), and implementing the Budget Enforcement Act of 1990. Actual budget authority figures for this subfunction reflect both the inclusion of military retirement payments and the transition from CSRS to FERS. Basically, CSRS governs federal government employees hired prior to 1984 and has no Social Security component. FERS covers employees hired after 1983 and consists of a three-tiered pension program. FERS uses Social Security as a base, provides an additional basic benefit, and includes a thrift savings plan. The military retirement trust fund was established in 1985 to bring military retirement more in line with its civilian counterparts. Project budget authority figures captured the inclusion of military retirement beginning with the FY 1982 figures, and the inclusion caused a sharp increase in this series. FERS was enacted in 1986 for employees hired after January 1, 1984; and the transition from CSRS to FERS may have influenced some of the fluctuations budget authority in this subfunction. Beginning with the FY 1998 *Budget*, the historical tables for this subfunction were retroactively adjusted for a consistent treatment from FY 1976 through FY 1996; however, the project data set reflects annual authority for this subfunction as it appeared in contemporary budgets from FY 1947 through FY 1990. Data for FY 1991 through FY 2008 were taken from the FY 2002-2010 historical tables and reflect the redefinition of trust fund budget authority contained in the Budget Enforcement Act of 1990.

The Military Retirement Fund receives payments from three sources: DOD military personnel accounts (accruals for future retirees); interest on investments of the fund; and payments from the Treasury. The Treasury payments cover (1) part of the accrued unfunded liability for those who earned benefits before the 1985 implementation of the new system and (2) the government liability incurred when the 2004 National Defense Authorization Act (P.L. 108-136) eliminated a previous offset in retirement payments for disability compensation paid by the Dept. of Veterans’ Affairs (see FY 2008 *Budget Appendix*, “Other Defense-Civil Programs”, pg. 939).

Unemployment compensation: Subfunction 603 consists of unemployment compensation and some trade adjustment assistance. Unemployment Insurance (UI) is a joint Federal-State program established by the Social Security Act of 1935. The national government conducts its activities concerning unemployment compensation through contracts or agreements with State agencies. The two main purposes of unemployment compensation are (1) to provide temporary and partial wage replacement for involuntarily unemployed workers and (2) to help stabilize the economy during recessions. From the FY 1958 through the FY 1974 *Budgets*, unemployment insurance was not separately identified but was included as part of the “Labor and manpower” subfunction under LABOR AND WELFARE or part of either the “Retirement and social insurance” subfunction or

the “Income security payments” subfunction under INCOME SECURITY. From the FY 1948 through the FY 1956 *Budgets*, unemployment compensation was a separate subfunction. Consequently, the project data series for this subfunction was constructed from several sources. It consists of appropriations or new obligating authority plus trust fund expenditures from FY 1947 through FY 1954, of trust fund expenditures from FY 1955 through FY 1961, and of new obligating authority or budget authority for both federal and trust funds from FY 1962 and thereafter. The Budget Enforcement Act of 1990 changed the definition of budget authority for this trust fund. Project data for FY 1990 through FY 2007 are taken from the historical tables of the FY 2005-2010 *Budgets*, which use the post-BEA definition. See the terminology section under *budget authority* and *trust funds* for additional information.

Housing assistance: Subfunction 604 includes subsidized housing, public housing, the home investment partnership program, and a variety of other housing assistance programs including Section 8 rental assistance. The Federal Home Loan Bank Act of 1932 authorized the creation of the Federal Home Loan Bank system. The 1989 Amendment to the Act (The Financial Institutions Reform, Recovery, and Enforcement Act) required each of the 12 Federal Home Loan Banks to operate an Affordable Housing Program. This fund receives mandatory contributions from each of the 12 Federal Home Loan Banks and uses these funds to subsidize owner-occupied and rental housing for low-income families and individuals. The FY 2007 *Budget* retroactively adjusted the BA data in this subfunction from FY 1990 to the present to accommodate the transactions of this program. From the FY 1976 through the FY 1981 *Budgets*, this subfunction was part of contemporary subfunction 604, “Public assistance and other income supplement”. Before FY 1974, project BA data consist of appropriations, new obligating authority, or budget authority for “public housing programs (subfunction 251 or 552) or “low and moderate income housing aids” (subfunction 555). BA data for FY 1975 through FY 1979 consist of the Housing and Urban Development Department portion of contemporary subfunction 604, “Public assistance and other income supplements”. Data for FY 1980 and thereafter reflect budget authority for the modern subfunction. The FY 1996 *Budget* proposed reinventing many of these programs by consolidating them into three new core funds; however, Congress did not act on this proposal until the FY 1997 HUD appropriations act. Instead of approving the proposal, the 1997 act implemented a major reconfiguration of the housing account structure. *Budgets* for FY 1996 and thereafter made retroactive adjustments to the FY 1991 – FY 1994 BA totals for this subfunction. The FY 2007 *Budget* retroactively included transactions for the Affordable Housing Fund for BA data from FY 1990 through FY 2005, and project data series reflect this reconfiguration as well as retroactive adjustments for FY 1990 data and thereafter. Note that the current Rural Housing Service (RHS) was formed from the Rural Housing section of the Farmers Home Administration and the Community Facilities Division of the Rural Development Administration. Funding for most programs of the RHS appear in this subfunction; however, BA for the Community Facilities program of RHS appears in subfunction 452, Area and Regional Development.

The mixture of program changes and accounting changes in this subfunction make accurate policy analysis difficult. Keith W. Smith correctly urged caution in using housing program financial records in his paper “The Perils of Measuring Punctuations”, presented at the 2008 meeting of the Midwest Political Science Association. When the rules governing the accounting of budget authority change, BA records may indicate a policy punctuation when there was little underlying policy change. Conversely, if the funding source for a program changes, the government funding record can show a minimal change when program results are significant. Smith points out an occurrence of the first problem when Congress passed the Federal Credit Reform Act in 1990, thereby requiring budget records to show the total net present value of a loan subsidy in the year it is first issued. He points out an occurrence of the second problem in 1986 when Congress passed the Low-Income Housing Tax Credit, thereby creating an important increase in program operations without increasing its direct funding, increasing what are called tax expenditures instead. There remains no substitute for careful research and policy analysis, yet these BA records can provide important indications of continuation and change in policies affecting government support of housing.

Food and nutrition assistance: Subfunction 605 includes Food Stamps and other food programs, such as supplemental funding for women, infants, and children (WIC) and child nutrition and special milk programs. From the FY 1969 through the FY 1981 *Budgets of the United States Government*, this subfunction was part of subfunction 604, “Public assistance and other income supplement”. Before the FY 1969 *Budget*, food assistance through the Department of Agriculture was combined with other HEW and Railroad Retirement Board payments in subfunction 659, “Other welfare services”. In addition, before FY 1976, the Section 32 commodity distribution part of this present subfunction was categorized as part of the AGRICULTURE function; however, that data has been captured in this subfunction for project analyses.

Other income security: Cash assistance in subfunction 609 includes Supplemental Security Income (SSI) and family support payments made through the states under the Temporary Assistance for Needy Families program (TANF). SSI was established by Title XVI of the Social Security Act to provide monthly cash benefits as a federally guaranteed minimum income for low-income, aged, blind, and disabled individuals. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 repealed the Aid to Families with Dependent Children program (AFDC) and replaced it with TANF, a work-oriented program with time limits. Other programs in subfunction 609 include earned income tax credit (EITC), refugee assistance, low income home energy assistance, and the Foster Care and Adoption Assistance program.

The programs in the “Other Income Security” subfunction have a long but varied history, and they have appeared in various places in different *Budgets*, requiring some recategorization to create comprehensive and comparable data series for this subfunction. Prior to FY 1994, the part of AFDC for payments to states for AFDC work programs was also classified under subfunction 609; however, since FY 1994 and in the historical tables used as our baseline, these work program payments (when they can be differentiated) are classified under subfunction 504, “Training and Employment”. Before the FY 1970 *Budget*, programs included in this present subfunction---such as governmental assistance to the aged, blind, disabled, and lower income families with dependent children---were found in the subfunction simply called “Public Assistance.” In 1974 the state-administered public assistance programs of Old-Age Assistance, Aid to the Blind, and Aid to the Permanently Disabled were replaced by the federally-administered Supplemental Security Income program. Funding for both the older forms of assistance and SSI will be found in the data series for this subfunction. The FY 2003 *Budget* recategorized funding for the Foster Care and Adoption Assistance program out of subfunction 506 and into subfunction 609. Project data series accepted this re-categorization using the methodology discussed below:

In FY 1947, project BA consists of appropriations in contemporary subfunction 203, “Assistance for the Aged and Other Special Groups,” minus Dept. of Agriculture appropriations for current subfunction 605.

In FY 1948-1949, project BA consists of appropriations or new obligating authority for the Federal Security Agency in contemporary subfunction 203, “Assistance for the Aged and Other Special Groups.”

In FY 1950-1953, project BA consists of new obligating authority for contemporary subfunction 202, “Public Assistance.”

In FY 1954, project BA consists of new obligating authority for contemporary subfunctions 202, “Public Assistance,” and 205, “Aid to Special Groups.”

In FY 1955-1960, project BA consists of new obligating authority for contemporary subfunction 212, “Public Assistance.”

In FY 1961-1968, project BA consists of new obligating authority or budget authority for contemporary subfunction 658, “Public Assistance.”

In FY 1969-1973, project BA consists of budget authority for contemporary subfunction 702, "Public Assistance," minus BA for the Dept. of Agriculture budget authority for current subfunction 605.

In FY 1974-1979, project BA consists of budget authority for contemporary subfunction 604, "Public Assistance and Other Income Supplements," minus Dept. of Agriculture BA for current subfunction 605, "Food and Nutrition Assistance," and Dept. of Housing and Urban Development BA for current subfunction 604, "Housing Assistance".

In FY 1980-2008, project BA consists of BA from the historical tables of the FY 2005-2010 *Budgets* which reflect the current re-categorization of the Foster Care and Adoption Assistance program from its former place in subfunction 506 and into subfunction 609. For analysts who would prefer a different method for dealing with this OMB re-categorization, subfunctional comparisons between the FY 2002 *Budget* and the FY 2003 *Budget* will provide the amounts changed from FY 1980 through FY 2001. The data for years before FY 1980 indicate they were not affected. The BA amounts for the Foster Care and Adoption Assistance grants by year after FY 2001 were FY 2002, \$6,622 million; FY 2003, \$6,609 million; FY 2004, \$6,814 million; FY 2005, \$6,806 million; FY 2006, \$6,620 million; FY 2007, \$6,855 million; and FY 2008, \$6,877 million.

Agencies: Dept of Agriculture (Food & Nutrition Services)
 Department of Health and Human Services
 Department of Housing and Urban Development
 Department of Labor
 Department of State
 Office of Personnel Management
 Railroad Retirement Board

650 Social security

651 Social security: This function (and single subfunction) contains the Old Age, Survivors Insurance (OASI), Disability Insurance (DI), and program administration. Social Security was created as part of the Social Security Act of 1935. Among other things, the 1935 Act established a completely Federal system of old-age benefits for retired workers. A 1956 Amendment to the Act established Disability Insurance to pay monthly benefits to disabled workers. Formerly, a part of the Department of Health and Human Services, the Social Security Administration became an independent agency under the Executive Branch on March 31, 1995, pursuant to PL 103-296. The Omnibus Budget Reconciliation Act of 1990 removed social security from deficit calculations and took it "off budget." Recent *Budgets* include "on budget" and "off budget" data. The data in this project includes budget authority for both. Prior to the FY 1984 *Budget of the United States Government*, this subfunction was combined with subfunction 601, General retirement and disability insurance. Prior to the FY 1964 *Budget*, the Federal Old-age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund were not portrayed as part of the budget; however, memo information on trust fund receipts and expenditures is available in separate sections or analyses. As discussed below, such information provides the basis for project BA information for this series.

The Budget Enforcement Act of 1990 redefined budget authority for Social Security and prohibited recording obligations in excess of anticipated annual expenditures. This accounting change made a substantial difference in the pre- and post-BEA totals for Social Security. In order to provide comparable figures across the entire series, the project data series for this subfunction consists of trust fund collections for OASI (FY 1947-2008) and DI (FY 1957-2008) using data from Historical Table 13-1, "Cash Income, Outgo, and Balances of the Social Security and Medical Trust Funds" from the FY 2002-2010 *Budgets*.

Note this methodology differs from that used to construct current historical tables in the *Budget*. Current *Budgets* follow the BEA 1990 definition of BA as anticipated annual outlays for a trust fund. Since the income from the trust funds was acquired to cover obligations for future expenditures, it appears reasonable to use income as the appropriate definition of trust fund budget authority. That is to say, that income is expected to be spent for trust fund purposes whether in this fiscal year or later ones, and thus a difference between budget authority and outlays is preserved. The project definition is consistent with the trust fund BA definition before BEA 1990, making the annual figures comparable across all years of the series; however, using a consistent income definition does produce large differences with the figures from the annual-expense definition used now by OMB. For example, our project annual-income definition produces Social Security budget authority of \$734,386 million for FY 2006 while the annual-expense definition produces Social Security budget authority of \$552,225 million for that year, the figure found in current *Budget* BA tables. See the “Social Security Details” worksheet in project Excel workbook, “BA472008.xls” for additional details on Social Security income and outgo.

Agency: Social Security Administration

700 Veterans benefits and services

- 701 Income security for veterans
- 702 Veterans education, training and rehabilitation
- 703 Hospital and medical care for veterans
- 704 Veterans housing
- 705 Other veterans benefits and services

Function 700 provides support for former members of the armed services, their survivors, and dependents. Benefits for active-duty military personnel are charged to NATIONAL DEFENSE (function 050); however, that is not the case with veterans’ benefits. Veterans’ care has a long budgetary history beginning with national government involvement in care for the veterans of the Grand Army of the Republic following the Civil War (for details, see Theda Skocpol, “Early U.S. Social Policies,” in Lawrence C. Dodd and Calvin Jillson, eds, *New Perspectives on American Politics*, CQ Press, 1994). Veterans’ benefits are related to prior military service, but the financing of veterans’ benefits is not categorized as part of the costs of national defense. Regular military retirement costs are not part of this function. DOD contributions to the military retirement trust fund are found under subfunction 051 and cover the accruing costs of future retirement benefits being earned to today’s service members. The costs for service members who are already retired are paid from the Military Retirement Trust Fund found under subfunction 602. Expenditures in function 700 are similar to those in the broader general-purpose functions (such as income security or health), but they are restricted to veterans, their dependents, and their survivors.

Income security for veterans: Current programs in subfunction 701 include disability compensation, the administration of veterans’ pensions, burial benefits, and life insurance including the national service life insurance trust fund. When appropriate, two earlier subfunctions (“Veterans’ compensation and pensions” and “Veterans’ insurance and servicemen’s indemnities”) have been combined to produce project budget authority data in this current subfunction.

Veterans education, training and rehabilitation: Under sub-function 702 one finds education and training readjustment under the GI Bill as well as vocational rehabilitation benefits. When appropriate, two earlier subfunctions (“Veterans’ education and training” and “Other veterans’ readjustment benefits”) were combined to produce project data for this current subfunction.

Hospital and medical care for veterans: Subfunction 703 contains medical care, medical research, and hospital services for veterans, including medical facility construction expenses.

Veterans housing: Subfunction 704 funds the guaranteed housing loan program for veterans. Before the FY 1971 *Budget*, funding for this subfunction was not separately identified. This subfunction has been classified as a *financial subfunction*.

Other veterans benefits and services: Veterans' cemeteries and some of the administrative expenses of the Department of Veterans Affairs (formerly the Veterans Administration) appear in subfunction 705. Beginning with the FY 1998 *Budget*, historical financial data for this subfunction were retroactively adjusted for the period FY 1976 through FY 1996 and updated through data for FY 2008 using the FY 2002-2010 *Budgets*.

Agency: Department of Veterans Affairs

750 Administration of justice

- 751 Federal law enforcement activities
- 752 Federal litigative and judicial activities
- 753 Federal correctional activities
- 754 Criminal justice assistance

Function 750 includes all major national government law enforcement activities, the Federal Court System, the Federal Prison System, assistance to non-federal justice programs, and some border and transportation security programs. Its purpose is to promote domestic order by providing judicial services (including provision of court-appointed counsel), police protection, law enforcement, and the rehabilitation and incarceration of criminals. The function of ADMINISTRATION OF JUSTICE was first reported in the FY 1976 *Budget of the United States Government*. Before that its subfunctions appeared under GENERAL GOVERNMENT as is discussed in the subfunction explanations below. The Homeland Security Act of 2002 resulted in substantial budgetary changes. Many of these changes affected subfunction 751, Federal Law Enforcement Activities. The FY 2003 *Budget* placed much of the supplemental funding for these transferred programs into subfunction 751; however, the FY 2004 *Budget* and subsequent *Budgets* re-categorized much of this budget authority into more appropriate subfunctions. The bases for project BA series are explained below under each subfunction.

Federal law enforcement activities: Subfunction 751 provides for criminal investigations by the Drug Enforcement Administration (DEA), the Federal Bureau of Investigations (FBI), the Department of Homeland Security (DHS), the Organized Crime Drug Enforcement (OCDE) Task Force, and the Financial Crimes Enforcement Network (FinCEN). It also includes investigations by the Bureau of Alcohol, Tobacco, and Firearms (ATF) and what were formerly the border control activities of the U.S. Customs Service, Immigration and Naturalization Service (now the Border and Transportation Security Directorate of the Dept. of Homeland Security), and the Coast Guard (partially offset by customs and immigration fees). Subfunction 751 also funds Secret Service protection of the President and the identifiable enforcement costs of civil rights activities. The Equal Employment and Opportunity Commission (EEOC) is categorized in this subfunction although it appeared in several labor-related subfunctions in earlier contemporary budgets. Before the FY 1976 *Budget*, this law enforcement subfunction was called "Protective services and alien control." It was classified under GENERAL GOVERNMENT, and it also included Federal correctional activities. National prison programs will be found now under subfunction 753, Federal Correctional Activities. Note that *Budget* BA and outlay figures have been reduced by the amounts of collections for immigration fees and customs fees. See *offsetting collections* in Part III of this codebook for additional information.

The Homeland Security Act of 2002 transferred many previous organizations and programs into the new Department, and funding within this subfunction was affected in several ways. The FY 2003

Budget aggregated much of *homeland security spending* under this subfunction; however, the FY 2004 *Budget* re-allocated some of this funding to other, apparently more appropriate, subfunctions. The FY 2005 *Budget* also retroactively added from \$101 million to \$969 million in annual budget authority to this subfunction from FY 1976 through FY 2002. Project data series adjusted to these changes as well as previous categorization inconsistencies in the following manner:

In FY 1947-1951, project BA consists of appropriations or new obligating authority for contemporary subfunction 207, "Crime Control and Corrections," minus funding for the Federal Prison System, which was assigned to subfunction 753.

In FY 1952- 1960, project BA consists of new obligating authority for contemporary subfunction 608, "Protective Services and Alien Control."

In FY 1961-1973, project BA consists of new obligating authority or budget authority for contemporary subfunction 908, "Protective Services and Alien Control" minus historical outlay amounts for current subfunction 753, "Federal Correctional Activities."

In FY 1974-1989, project BA consists of budget authority for contemporary subfunction 751, "Federal Law Enforcement and Protection," from contemporary *Budgets*.

In FY 1990-2000, project BA consists of budget authority for contemporary subfunction 751, "Federal Law Enforcement Activities," from historical tables of the FY 2003 *Budget*.

In FY 2001-2008, project BA consists of budget authority for contemporary subfunction 751, "Federal Law Enforcement Activities," from historical tables of the FY 2005 through 2010 *Budgets*.

Additional details on budgets for homeland security are available in the Department of Homeland Security section of recent *Budgets* and especially in the, *Analytical Perspectives, Crosscutting Programs: "Homeland Security Funding Analysis"* of recent *Budgets*. See also the definition of *homeland security spending* in Part III of this codebook and the "Homeland Security Details" worksheet in the accompanying Excel workbook "BA472008.xls".

Federal litigative and judicial activities: Subfunction 752 includes the operation of the Supreme Court and other federal district and appeals courts as well as the legal activities of the Department of Justice and Solicitor General. Subfunction 752 also supports free civil legal services for the poor through the Legal Services Corporation, which was established in 1974. Before the FY 1976 *Budget*, this subfunction was called "Judicial functions" and was classified under GENERAL GOVERNMENT. Contemporary *Budgets* were used to produce the BA series for this subfunction.

Federal correctional activities: Correctional activities in subfunction 753 consist primarily of the Federal Prison System. They include the costs of incarceration, supervision, parole, and rehabilitation of Federal prisoners. From the FY 1963 *Budget* to the FY 1976 *Budget*, this subfunction was called "Correctional programs," and it was included as part of the "Law Enforcement and justice" subfunction under GENERAL GOVERNMENT. Project data adjusted to these changes in the following manner:

In FY 1947-1951, project BA consists of outlays for the Federal Prison System.

In FY 1952-1953, project BA consists of new obligating authority for contemporary subfunction 207, "Prisons and Probation."

In FY 1954-1960, project BA consists of new obligating authority for contemporary subfunction 216, "Correctional and Penal Institutions."

In FY 1961-1973, project BA consists of historical outlays for current subfunction 753, “Federal Correctional Activities.”

In FY 1974-1976, project BA consists of budget authority from contemporary *Budgets* for contemporary subfunction, “Federal Correctional and Rehabilitative Activities.”

In FY 1977-2008, project BA consists of historical budget authority from the FY 2002-2010 *Budgets* for current subfunction 753, “Federal Correctional Activities.”

Criminal justice assistance: This subfunction was created when ADMINISTRATION OF JUSTICE became a separate function with the FY 1976 *Budget* with actual BA data beginning with FY 1974. Subfunction 754 covers the costs of grants to state and local governments to assist them in operating and improving their law enforcement and justice systems. Subfunction 754 includes National Institute of Corrections’ assistance to state and local organizations, juvenile delinquency prevention and other juvenile justice programs, the anti-drug abuse program, victims of child abuse programs, and the Violent Crime Reduction Trust Fund. Present administrative functions include the Office for Justice Programs of the Department of Justice. This subfunction also contains funds for community oriented policing services and the Counterdrug Technology Assessment Center. The FY 2003 *Budget* re-categorized the High Intensity Drug Trafficking Areas program from subfunction 802, “Executive direction and management” where it was part of federal drug control funding under the Executive Office of National Drug Control Policy to this subfunction. Project data series now reflect the drug trafficking program under this subfunction from its inclusion in the *Budget* in FY 1994 through FY 2008 using the historical tables from the FY 2003-2010 *Budgets*.

Agencies: Department of Justice
 Department of Treasury
 Department of Homeland Security
 Civil Rights Commission
 Drug Enforcement Administration
 Equal Employment and Opportunity Commission
 Federal Bureau of Investigation
 Legal Services Corporation
 Bureau of Customs & Border Protection
 Bureau of Immigration & Customs Enforcement

800 General government

801 Legislative functions
802 Executive direction and management
803 Central fiscal operations
804 General property and records management
805 Central personnel management
806 General purpose fiscal assistance
808 Other general government
809 Deductions for offsetting receipts

This function includes the central costs of national government operations that have not been allocated to other specific functions as well as assistance to some other governments. This function includes legislative and executive activities---such as the costs for Congress (801), the Executive Office of the President (802), and income tax administration by the Internal Revenue Service (IRS) (803). In earlier budgets, costs for the judiciary were included in this function; however, those costs are shown under subfunction 752 in the modern OMB categorization and in project BA series.

Legislative functions: Subfunction 801 provides for the operations of the House and Senate as well as Congressional Budget Office, the Architect of the Capital, the Government Accountability Office (once called the General Accounting Office), and the Office of Technology Assessment (until it was disestablished). Some parts of the Legislative Branch are excluded from this subfunction. The Library of Congress appears under subfunction 503, “Research and General Education Aids”. Note also that the Copyright Office is under subfunction 376, “Other Advancement of Commerce”, and the Government Printing Office (GPO) Revolving Fund will be found under subfunction 808, “Other General Government.”

Executive direction and management: Subfunction 802 includes the Executive Office of the President. It contains expenses for the executive residence and the White House office, the Council of Economic Advisors, the Council on Environmental Quality, Office of Policy Development, National Security Council, Office of Management and Budget, Office of National Drug Control Policy, Office of Science and Technology Policy, Office of the United States Trade Representative, and the President of the United States. The FY 2003 *Budget* re-categorized the High Intensity Drug Trafficking Areas program from this subfunction to subfunction 754, “Criminal Justice Assistance”, with retroactive adjustments to the historical figures from FY 1994 through FY 2001. Project data series accepted this re-categorization by using contemporary *Budgets* and historical tables prior to the FY 2003 *Budget* for data from FY 1947 through FY 1993, historical tables from the FY 2003 *Budget* for data from FY 1994 through FY 2000, and historical tables from the FY 2006-2010 *Budgets* for data from FY 2001 through FY 2008.

Central Fiscal Operations: Subfunction 803 includes the general tax collection and fiscal operations of the Treasury Department. This subfunction has been labeled “Federal Financial Management,” “Fiscal Operations,” and “Central Fiscal Operations”. The FY 2004 and FY 2005 *Budgets* removed from \$33 million to \$451 million from this subfunction as the OMB sought to depict the many changes stemming from the Homeland Security Act of 2002. These changes appear to reflect the transfer of the Office of Foreign Assets Control and IRS criminal investigations from fiscal operations to law enforcement (subfunction 751). Other changes may also be involved. Project BA data were created using the following methods:

In FY 1947-1960, project BA consists of appropriations or new obligating authority for contemporary subfunction 604, “Central Fiscal Operations”.

In FY 1961-1990, project BA consists of new obligating authority or budget authority for contemporary subfunctions 904 or 803, “Central Fiscal Operations”.

In FY 1991-2000, project BA consists of budget authority taken from the historical tables of the FY 2003 *Budget*.

In FY 2001, project BA consists of budget authority taken from the historical tables of the FY 2004 *Budget*.

In FY 2002-2008, project BA consists of budget authority taken from the historical tables of the FY 2006-2010 *Budgets*.

General Property and Records Management: Subfunction 804 includes the net budget effects of the real property activities of the General Services Administration (GSA). Most GSA property expenses are offset in the Federal Buildings Fund with rent assessments from building users. Before FY 1975, GSA directly bore the costs of providing office space and services to other government agencies. Thereafter, agencies paid for their own office space with rent assessments. This subfunction now contains most of the operations of the GSA net of reimbursements from other agencies (*i.e.*, after payments from supported agencies have been deducted from GSA spending).

In FY 1947-1948, project BA for this subfunction consists of appropriations for the Federal Works Agency part of contemporary subfunction 610, "Other general government".

In FY 1949-1954, project BA consists of new obligating authority for the General Services Administration (GSA) part of contemporary subfunction 605, "Other Central Services".

In FY 1955-1960, project BA consists of new obligating authority for contemporary subfunction 605, "General Property and Records Management".

In FY 1961-1981, project BA consists of new obligating authority or budget authority for contemporary subfunction 906, "Central Property and Records Management".

In FY 1982-1984, project BA consists of historical budget authority figures from the FY 1986 *Budget*.

In FY 1985-1989, project BA consists of BA figures from contemporary *Budgets* for this subfunction.

In FY 1990-2001, project BA consists of historical BA figures from the FY 2004 *Budget* for this subfunction.

In FY 2002-2008, project BA consists of historical BA figures from the FY 2005-2010 *Budgets* for this subfunction.

Central Personnel Management: Subfunction 805 includes the activities of the Office of Personnel Management (OPM), formerly the Civil Service Commission, and payments into the Civil Service Retirement and Disability Fund for the unfunded liabilities arising from new or increased annuity benefits.

In FY 1947-1948, project BA consists of appropriations for the Civil Service Commission part of contemporary subfunction 610, "Other General Government".

In FY 1949-1954, project BA consists of new obligating authority for contemporary subfunction 605, "Other Central Services," minus amounts for the General Services Administration that were assigned to current subfunction 804, "General Property and Records Management".

In FY 1955-1960, project BA consists of new obligating authority for contemporary subfunction 606, "Central Personnel Management and Employment Costs".

In FY 1961-1981, project BA consists of new obligating authority or budget authority for contemporary subfunction 906, "Central Personnel Management".

In FY 1982-1984, project BA consists of historical BA for this subfunction from the FY 1986 *Budget*.

In FY 1985-1989, project BA consists of BA for this subfunction from contemporary *Budgets*.

In FY 1990-2001, project BA consists of BA from the historical tables of the FY 2004 *Budget*.

In FY 2002-2008, project BA consists of BA from the historical tables of the FY 2005 through 2010 *Budgets*, which reflect the transfer of some information technology management programs from GSA to the Department of Homeland Security and the re-categorization of other programs.

General Purpose Fiscal Assistance: Subfunction 806 includes payments to the District of Columbia, national government aid to state, local, and territorial governments, and some payments in lieu of taxes and other charges shared with state and local governments. This subfunction was formerly function 850 GENERAL PURPOSE FISCAL ASSISTANCE. At that time it contained subfunctions for General Revenue Sharing and other fiscal assistance including the Federal payment to the District of Columbia. Even earlier, payments to DC were classified as subfunction 555, “The National Capital Region” and before the FY 1963 *Budget*, as subfunction 609, “Territories and possessions, and the District of Columbia.” The activities in these former classifications are now contained in subfunction 806 and are so reflected in project data series. This subfunction also includes those grants the stipulated purposes for which cross two or more major budgetary functions and the distribution between those functions is at the discretion of the recipient government. Customs duties and fees collected in Puerto Rico are returned to Puerto Rico (less administrative costs) via this subfunction.

Title VI of the Jobs Growth Tax Relief Reconciliation Act of 2003 (P.L. 108-27) provided for \$10 billion for temporary State fiscal relief to assist in providing essential government services. Half was disbursed in FY 2003, half was disbursed in FY 2004. The payments were distributed on a pro rata basis to the fifty states as well as the District of Columbia, Commonwealth of Puerto Rico, U.S. Virgin Islands, Guam, the Commonwealth of the Northern Mariana Islands, and American Samoa and appeared under this subfunction. (The FY 2010 *Budget, Historical Tables*, noted that payments to Alaska from oil and gas leasing in the Naval Petroleum Reserve were misclassified in the FY 2009 *Budget*, but the FY 2010 *Budget* corrected this mistake to show such payments as part of subfunction 806. This data set reflects the payments in 806 for FYs 2007 and 2008.)

Other General Government: Subfunction 808 funds a variety of small programs including treasury claims, the civil liberties public education fund, and the presidential election campaign fund. PL 95-26 authorized a permanent indefinite appropriation to pay certain judgments from the general funds of the Treasury. These payments have included court judgments and administratively adjudicated claims and interest for damages not chargeable to individual agencies as well as payments for private and public relief acts. Subfunction 808 also includes Department of the Interior programs for U.S. territories and ex-territories such as American Samoa, Guam, the Northern Marianas Islands, and the Virgin Islands as well as payments provided for in Compacts of Free Association with the former Trust Territories of the Pacific Islands (the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau). Before the FY 1963 *Budget*, budget authority and trust fund expenditures for territories and ex-territories appeared under subfunction 609, “Territories and possessions, and the District of Columbia.” Funds for programs for these territories and ex-territories have been classified under this subfunction in project budget analyses.

Deductions for Off-setting receipts: Technically, subfunction 809 is neither a function nor a subfunction, for it does not address an important and continuing national need. It is an account that contains off-setting receipts pertinent to the GENERAL GOVERNMENT function. The receipts appear to be for such things as sale of government publications. Before the FY 1976 *Budget*, this subfunction did not exist, and deductions for offsetting collections appear to have been taken as net changes in other subfunctions. Project BA data consist of contemporary data for FY 1974 through FY 1975, reported historical data from the FY 1992 *Budget* for FY 1976 through FY 1990, and reported historical data from the FY 2006-2010 *Budgets* for FY 1991 through FY 2008. This subfunction is classified as a *financial subfunction*, and it is not suitable for programmatic analysis.

Agencies: Congress and its Agencies

Executive Office of the President
Department of the Treasury
Department of the Interior
General Services Administration (GSA)
Internal Revenue Service (IRS)
Office of Personnel Management (OPM)

900 Net interest

901 Interest on the public debt
902 Interest received by on-budget trust funds
903 Interest received by off-budget trust funds
908 Other interest
909 Other investment income

The NET INTEREST function covers interest payments made to the public and to various trust funds and other government accounts. Interest is the cost of borrowing or lending money, rather than an objective in itself. The interest function includes interest on the public debt, on uninvested funds, and on refunds of receipts. Interest payments include national government payments for its debt outside of the government (901) and for other reasons, such as interest paid on income tax refunds (908).

Interest on the Public Debt: This subfunction consists of payments made or accrued for interest on the public debt of the national government. This subfunction contains the gross interest payments on Treasury securities. Where interest is paid to the public it is accounted for here on an accrual basis so that the charge for interest earned in a particular fiscal year is accrued against that period rather than against the fiscal year in which the bonds are finally redeemed. Other interest payments are on a cash basis. Since interest payments are based on a permanent authorization, historical budget authority figures will equal outlays for the same period. For additional information on the various treatments of interest payments, see the FY 1995 *Budget*, “The Budget System and Concepts,” pp. 15-16, or “The Budget System and Concepts and Glossary” section of any recent *Budget*.

Interest Received by On-budget Trust Funds: This subfunction consists of collections credited to on-budget trust funds such as those for civil service retirement, military retirement, and Medicare. The subfunction has been classified as a *financial subfunction*, not suitable for programmatic analysis.

Interest Received by Off-budget Trust Funds: This subfunction consists of collections received by off-budget trust funds such as Social Security. The subfunction has been classified as a *financial subfunction*, not suitable for programmatic analysis.

Other Interest: This subfunction consists of the net sum of a variety of collections and payments for interest. Collections include interest from the Federal Financing Bank, from direct loan financing accounts, and others. Interest payments include interest on refunds of tax collections, payments to the Resolution Funding Corporation (which was created to finance the Resolution Trust Corporation), payments to loan guarantee financing accounts, and other interest transactions. The subfunction has been classified as a *financial subfunction*, not suitable for programmatic analysis.

Other Investment Income: This subfunction consists of net purchases of non-Federal securities by the National Railroad Retirement Investment Trust. There is no actual BA recorded in this subfunction from FY 1947 through FY 2002. However, the Railroad Retirement and Survivors’ Improvement Act of 2001 (PL 107-90) requires purchases or sales of non-Federal assets by this trust to be treated as a means of financing in the budget. The Railroad Retirement Board invests in private securities. The actual return on those securities consists of interest, dividends, and capital

gains and losses on private equities and other securities. The actual BA for FY 2003 included a negative \$2.5 billion for this subfunction. For additional information, see the “Budget System and Concepts and Glossary” section of the FY 2004 *Budget*, page 471. The subfunction has been classified as a *financial subfunction*, not suitable for programmatic analysis.

Agency: Department of the Treasury

920 Allowances

Various Subfunctions

These allowances do not technically constitute a function of government in that they do not support a specific government purpose in society or address an important and continuing national need. Yet *Budgets* that include estimates of future budget authority and outlays often include data classified as allowances. Allowances are lump-sum amounts in out-year budget requests that are expected to increase or decrease budget authority, outlays, or receipts but that are not reflected in program and subfunction details elsewhere in the budget. Examples of past allowances include a forecast pay raise for civilian government employees and funding for executive proposals not included elsewhere, such as the Health Security Act in the FY 1995 *Budget*, the Bipartisan Economic Security Plan in the FY 2003 *Budget*, and an anticipated hurricane supplemental appropriation in the FY 2007 *Budget*. Since allowances portray proposed (not actual) funding, project data series of actual budget results do not include any figures for this function.

950 Undistributed offsetting receipts

- 951 Employer share, employee retirement (on-budget)
- 952 Employer share, employee retirement (off-budget)
- 953 Rents and royalties on the Outer Continental Shelf
- 954 Sale of Major Assets
- 959 Other Undistributed Offsetting Receipts

Undistributed offsetting receipts are financial collections or receipts that are deducted from budget authority and outlays of the government as a whole rather than being distributed to specific agencies or functions. Although this function does not fit the OMB definition of government activities addressing an important and continuing national need, it is included in the budget overall to prevent double-counting of some expenditures and to assign receipts from the outer continental shelf to the government overall. Some off-setting receipts will have already been deducted from budget totals at the function and sub-function level and will not appear in this overall function. For example, a permanent law authorizes the Postal Service to use collections from the sale of postage stamps to finance its operations without a requirement for annual *appropriations*, and those collections were deducted from postal function outlays and budget authority before the net figures were portrayed in the *Budget*. Other off-setting receipts are captured only in this “function” of the *Budget*, which consist of two groups of large intragovernmental transactions concerning employee retirement, one group of proprietary receipts from the public for rents and royalties from the outer continental shelf, and two groups for receipts from major sales. All of the subfunctions in this function have been classified as *financial subfunctions*, not suitable for programmatic analysis.

Employer share, employee retirement (on-budget): Subfunction 951 includes agency interfund transactions and receipts for employee retirement related to on-budget entities.

Employer share, employee retirement (off-budget): Subfunction 952 includes interfund transactions and receipts for employee retirement related to off-budget Federal entities.

Rents and Royalties from the Outer Continental Shelf: Subfunction 953 includes receipts derived from rents, royalties, and bonuses on Outer Continental Shelf land leases. From FY 1976 through the FY 1985 *Budget of the United States*, rents and royalties from the outer continental shelf were not a subfunction but were shown as a separate line prior to budget totals. Before FY 1976, the rents and royalties from the outer continental shelf were categorized as offsetting receipts under the function that was then called NATURAL RESOURCES AND ENVIRONMENT; however, project data series have been adjusted to reflect rents and royalties from the outer continental shelf in this subfunction from FY 1962 through FY 1994. Appropriate contra-adjustments have been made to the NATURAL RESOURCES AND ENVIRONMENT function. Analysts interested in this area should investigate payments in kind of oil from off-shore leases that, according the FY 2005 *Budget*, are being used to fill the Strategic Petroleum Reserve. See also the discussion about subfunction 274, "Emergency Energy Preparedness".

Sale of Major Assets: Subfunction 954 consists of a credit for receipts from the sale of major government assets that is applied to the budget as a whole rather than being distributed to any specific function or shown as general revenue. Beginning with the FY 1986 *Budget*, the Executive Branch proposed transactions in this subfunction for several years starting with the sale of ConRail; however, FY 1987 and FY 1998 are the only years in the data series showing any actual figures for this subfunction.

Other Undistributed Offsetting Receipts: Subfunction 959 began with the FY 1998 *Budget*. It contained a single item accounting for the sale of spectrum licenses by the Federal Communications Commission at spectrum auctions. These licenses are purchased on an installment basis, and the subsidy costs for extending this credit are portrayed in subfunction 376, "Other Advancement of Commerce," as the Spectrum Auction program of the FCC. The receipts for these license purchases appear in this subfunction. Note that, in accordance with the Commercial Spectrum Enhancement Act of 2004, some spectrum auction receipts are deposited to the Spectrum Relocation Fund to reimburse Federal agencies that must relocate wireless communications systems out of auctioned spectrum. Receipts deposited with this fund also appear in this subfunction.

PART II: DATA SOURCES USED IN THIS PROJECT

Annual Budget Authority: The primary sources of the budget authority data in this updated series are the annual budget publications of the national government. For FY 1947 through FY 1992 data, they generally are the *Budget of the United States Government* (serial, fiscal year 1949 through 1994, in print form published by the Government Printing Office, Washington DC. For FY 1993 through FY 2007, they generally are the fiscal year 1995 through 2009 *Budgets*, on compact disc-read only memory (CD-ROM). For FY 2008, the data are taken from downloads from www.whitehouse.gov/omb. in February through June, 2009, and from the *Analytical Perspectives, Budget of the U.S. Government, Fiscal Year 2010*. Secondary sources include the *Report of the President's Commission on Budget Concepts* (Washington: October 1967) and the "Budget System and Concepts" sections of contemporary budgets, which were used in defining the contents of the adjusted contemporary budget authority for project analyses. (See the definitions in Part III for additional details.) Various historical budget tables were sometimes required to fill data gaps in contemporary budgets, and contemporary budget subfunctions were sometimes disaggregated and recombined into modern subfunctions. Details on the construction of each series may be found in the subfunctional listings in Part I of this codebook. The result is sixty-two years of budget authority data organized by the purpose the BA was meant to accomplish.

Current and Constant Dollar Figures: Contemporary actual budget figures are reported in current year dollars, which also have been converted for project analyses to constant year dollars in order to remove the effects of inflation. The conversion was accomplished by using the chained price index for the U.S. gross domestic product. The source of this index was the FY 2010 *Budget*, Table 10-1, "Gross Domestic Product and Deflators Used in the Historical Tables: 1940-2013" transformed from base year 2000 to base year FY 2008. See John L. Mikesell, *Fiscal Administration*, 7th edition (Belmont CA: Thomson-Wadsworth, 2007):32-38, for details on using deflator indices to produce constant dollar amounts.

Functions and Subfunctions: The primary sources of the current function and subfunction categorization were the *Fiscal Year 1995 Budget* and OMB technical staff paper FAB 79-1, *The Functional Classification in the Budget*, dated February 22, 1979. Criteria for functional classification may be found in "The Budget System and Concepts of the United States Government" in the *FY 1995 Budget* and subsequent *Budgets*. Additional information was drawn from the *Budget of the United States Government* [serial, fiscal year 1948 through 2010] and from the *Report of the President's Commission on Budget Concepts*, U.S. Government Printing Office, October 1967.

Secondary sources include Stanley E. Collender, *The New Guide to the Federal Budget: Fiscal 1987*; Collender, *The Guide to the Federal Budget: Fiscal 1994*; Roy T. Meyers, *Strategic Budgeting*, University of Michigan Press, 1994; John L. Mikesell, *Fiscal Administration*, Brooks/Cole Publishing, 1991; Allen Schick, *The Federal Budget: Politics, Policy, Process*, The Brookings Institution, 1995/2000; James L. True, "Is the National Budget Controllable?" *Public Budgeting & Finance*, 15(1995):18-32; Christopher Wlezien, "The Political Economy of Supplemental Appropriations," *Legislative Studies Quarterly*, 18(1993):51-72; and Christopher Wlezien, "The Politics of Impoundments," *Political Research Quarterly*, 47(1994):59-84.

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PART III: EXPLANATIONS OF BUDGET TERMINOLOGY AND DATA COLLECTION USED IN THIS PROJECT

DEFINITIONS: This section contains definitions of terminology as used in project budget analyses and some additional explanations of the analytical adjustments made to contemporary budget records. Remarks about the analytical adjustments necessary to realign contemporary categories to current ones and to produce consistent series of budget authority may be found under *adjusted functional classifications* and *adjusted actual budget authority* below. Details about the adjustment made to specific subfunction series will be found in the subfunction explanations in Part I.

NOTE: These explanations are arranged alphabetically. Words or phrases that appear in *italics* in this paper will be found under their alphabetical listing herein.

Adjusted Actual Budget Authority: Actual *budget authority* (BA) figures from contemporary *Budgets* or subsequent historical tables that have been adjusted to conform to the current definition of *budget authority*, i.e., authority to obligate the government based on *appropriations*, *borrowing authority*, or *contract authority*. Project budget data consist of the first actual (not estimated) figures from contemporary annual *Budgets*. Thus the actual budget authority figures for FY 2000 are as reported in the FY 2002 *Budget* or in selected instances in subsequent *Budgets*. They are based on actual transactions and balances for a specific fiscal year as recorded in agency accounts and as summarized in the central financial reports prepared by the Treasury Department.

The current definition of *budget authority* has many advantages as well as some analytical shortcomings. First, the present definition is the most comprehensive to date and covers more forms of government financial activity than earlier definitions. It captures many forms of *backdoor spending* that were not captured for previous analyses.

Project budget authority figures include both *federal funds* and *trust funds* as well as loan authority for both on-budget and off-budget federal entities when that information is available in contemporary *Budgets* or in appropriate historical tables. Project budget data consist of time series of actual budget authority figures corrected for inflation and adjusted to fit the current definition (see *trust funds* below for an exception). They are composed of *appropriations*, *borrowing authority*, and *contract authority* for both on- and off-budget federal entities from FY 1976 through FY 2007; of appropriations, borrowing authority, and contracting authority for on-budget entities from FY 1967 through FY 1975; of administrative appropriations and trust fund budget authority from FY 1962 through FY 1966; of new obligating authority and trust fund expenses from FY 1950 through FY 1961; and of appropriations and trust fund expenses from FY 1947 through FY 1949. See the chart under *Budget Authority* for more details. The result is the most nearly comparable and comprehensive series of actual budget authority figures of which we are aware.

Yet the present definition and subfunctional arrangement has at least four shortcomings from an analytical perspective. They include a serious redefinition of *trust fund* budget authority (see the discussion under *trust funds* in this section as well as the subfunctional listings for Social Security and Medicare for details); they make extensive use of netting *offsetting collections*, rather than dealing more comprehensively with all revenues and receipts; and they display net figures for credit activities, rather than the credit and debit summaries that underlie the net figures. Finally, as is discussed above, the definition of budget authority has varied somewhat across the period of this study.

Creating consistent BA series over the longer time period necessitated several differences between project data and recent historical tables. The primary data sources for the early years of project data were contemporary *Budgets* from those periods. Two examples will illustrate the kinds of adjustments that were considered in producing consistent data series for the longer period. In its FY 2003 *Budget*, the Bush administration re-categorized the activities of the U.S. Fish and Wildlife Service (USFWS) from subfunction 303, “Recreational Resources” to subfunction 302, “Conservation and Land Management”. However, administration adjustment to previous spending histories did not cover the period before FY 1976 for BA or FY 1962 for outlays. Earlier contemporary *Budgets* did not consistently provide separate funding records for USFWS activities that had been recorded in the former subfunction. Consequently, the project data set reflects USFWS BA and outlays under subfunction 303 in order to remain consistent with the early records. On the other hand, the Bush administration’s FY 2003 *Budget* also re-categorized the High Intensity Drug Trafficking Areas (HIDTA) program from subfunction 802, “Executive Direction and Management” to subfunction 754, “Criminal Justice Assistance”. In this case, the spending records of the HIDTA program had no budget effect before FY 1994, and a consistent spending record could be produced from contemporary *Budgets* for the period FY 1947-1993 and recent historical tables could be used thereafter. Thus project data series reflect HIDTA BA and outlays under subfunction 754. In short, every effort has been made to produce consistent functional and subfunctional data series.

The current OMB definition of budget authority and the accounting practices that support it are as comprehensive as they can be and still comply with pertinent legislation. Project analysis has attempted to produce comparable annual figures across the entire project data set by restructuring contemporary budget records to fit the current definition; however, consistency has required varying from current definitions in several instances as are explained in the subfunctional details in Part I. Additional details appear below, *s.v. budget authority and trust funds*.

Adjusted Functional Classifications: Contemporary budget classifications which have been modified to conform to current OMB functional classifications. OMB functional classifications have changed considerably over time, and applying the current (FY 1995-2009) classifications to past *Budgets* required that the contemporary classifications be adjusted to reflect the current schema. Over the years, *functions* and subfunctions have been added, deleted, and re-aligned. Programs appear in one function in one annual budget, but they may appear in other functions in subsequent budgets.

Creating comparable classifications from FY 1947 through FY 2007 required that contemporary budget functions and subfunctions be modified. For example, the FY 1961 *Budget* includes contemporary subfunction 211, “Labor and Manpower” under the contemporary function of LABOR AND WELFARE, but that contemporary subfunction consists of parts of three current functions. Consequently those parts had to be disaggregated and re-allocated to appropriate current classifications. Project analysis indicated that the Labor, Treasury, and Interior portions of the FY 1961 subfunction 211 should be assigned to current subfunction 504, “Training and Employment,” while the independent office portion (including the National Labor Relations Board and National Mediation Board) should be assigned to current subfunction 505, “Other Labor Services.” Both of the preceding subfunctions are part of the present function (500) called, EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES. The last portion of FY 1961 subfunction 211 was for the Selective Service System, and that part has been assigned to the current subfunction 054, “Defense-related Activities” under the current function of NATIONAL DEFENSE (050). In summary, the OMB functional classifications used in contemporary budgets have been analyzed, and where appropriate subfunctions or parts of subfunctions have been disaggregated and realigned to coincide with current OMB functional classifications as reflected in the FY 1995 through FY 2009 *Budgets of the United States Government*.

Appropriations: Provisions of law (Congressional appropriations acts) that make funds available for obligation and expenditure. Appropriations are a part of *budget authority*. Appropriations are usually available for obligation for a single specific fiscal year; however, there are also permanent

appropriations (such as authorization to pay interest on government debt), and multiyear appropriations have also existed. Appropriations are counted as budget authority in the year in which they first become available for obligation. Additional provisions of law that extend the availability of unobligated amounts of previous budget authority are called reappropriations. Reappropriations are counted as new budget authority in the fiscal year in which the balances become newly available.

Authorization: An act of Congress that establishes or continues the operation of a federal program or agency. Authorization acts may establish a ceiling on the amount of budget authority that can be provided in an appropriation act, but an authorization is not budget authority, nor is it legal authority to obligate the government to make payments. Authorizations usually specify general goals and conduct and set ceilings for numbers of personnel (usually in terms of employees at the end of a fiscal period) and for amounts of budget authority and perhaps special restrictions on its use.

Backdoor Authority: Authority to make obligations and expend government funds without having to pass through the “front door” of recurring review and appropriation. This informal term formerly referred not only to programs with permanent authority to expend funds without appropriation but also to less scrutinized forms of authority such as *contract authority*, *borrowing authority*, and authority to spend *offsetting collections*. The Congressional Budget Act of 1974 reduced opportunities for new backdoor authority by requiring that new borrowing and contract authority be appropriated and that authority for new entitlements had to be referred to the Appropriations Committees. Earlier budget changes from appropriations to new obligating authority had given a measure of visibility to contract authority by showing aggregate numbers for new contract authorizations. The unified budget concept implemented in FY 1969 further closed the back door on contract authority by including it in the definition of *budget authority* (see *Report of the President's Commission on Budget Concepts*, Washington DC, October 1967, and the *Budget* for FY 1969 for additional details). Insofar as project budget data are concerned, contract authority (an earlier form of backdoor authority) is included throughout the entire period; it is captured as after-the-fact appropriations to liquidate contract obligations for data from FY 1947 through FY 1949 and as before-the-fact authority to make contract obligations thereafter.

Backdoor Spending: Authorized government spending which has avoided the appropriations process or other routine Congressional review and re-authorization. This informal term often referred to programs with permanent authority to spend funds without having to pass through the “front door” of appropriations; also called *direct spending* and *mandatory spending*. See *backdoor authority*.

Borrowing Authority: Authority granted to a Federal entity to borrow funds (through the issuance of promissory notes or monetary credits) and to obligate and expend those funds. Borrowing authority is usually authorized for business-like activities where the activity being financed is expected to produce future income to pay back the loan and interest amounts. An example of a business-like activity would be the Tennessee Valley Authority. Borrowing authority is one part of the current definition of *budget authority*.

Budget: A financial plan for allocating resources. In this case, the term refers to the *Budget of the United States Government*, referred to herein as the *Budget*. Two features of the national budget have non-obvious influences on these analyses: (1) its timing in reporting actual figures, rather than estimates; and (2) its combination of both operating and investment activities into the same accounts.

Each new *Budget* reports estimates for the year underway, the President's request for the coming budget year(s), and actual figures for the fiscal year just past. Supplemental appropriations, rescissions, and deferrals usually are underway as the new budget is being formulated. The result is that the *Budget* for any fiscal year contains these three sets of budget authority and outlays figures: (1) the President's proposal for allocations for coming budget year(s), (2) estimated (not actual) figures for the year prior to the budget year (*i.e.*, the fiscal year underway as the budget is

submitted), and (3) actual figures for the year two years prior to the budget year. For example, the FY 1996 *Budget* was delivered to Congress in February 1995. It contained actual figures for FY 1994, estimated figures for FY 1995, and proposed figures for FY 1996. Since FY 1976, the fiscal year for the national government has begun on 1 October and ended on 30 September. Project analyses are based upon the prior year figures reported as actual (*e.g.*, the FY 1994 actual figures as reported in the FY 1996 *Budget*).

Unlike other large budgets, the *Budget* does not clearly separate spending for operating activities from spending for investment activities. Operating authority, obligations, and outlays are those incurred in operating present real estate, physical plants and equipment. Investment authority, obligations, and outlays are those incurred to build or acquire new real estate, physical plant, or major equipment. OMB notes the major difference between budgeting for operating or investment spending: budgets for operating activities are usually the amounts estimated for the coming fiscal year while budgets for investment activities are usually made on a full funding basis. Full funding means that the amount estimated to complete the investment project is requested to be appropriated in the first year, even though it may be obligated over several years and expended over even more years. This budget policy is intended to avoid piecemeal funding of investment programs and projects that cannot be used until they have been completed (*FY 1995 Budget*, “The Budget System and Concepts,” p. 13).

Budgetary Resources: The total amount available for obligation and later expenditure. Budgetary resources include new *budget authority*, unobligated balances of previous *budget authority* still available for obligation, or direct spending authority (mandatory spending from *budget authority* not arising from *appropriations* or entitlement authority). Budgetary resources are a primary method for controlling *obligations* and subsequent *outlays*; however, they are not important to the historical analyses in this project. Project analyses are based on actual budget authority data. Therefore, they focus on the first year in which specific budget authority became available. These analyses are not, therefore, complicated by delays in obligating actions or the complex lags of later outlays.

Budget Authority: Legal authority to incur financial *obligations* that will result in *outlays*, usually provided in specific amounts and for specific periods. Government agencies legally may incur obligations only when they have been granted authority to do so by law. OMB definitions of budget authority have varied somewhat over time; however, basically budget authority was and is authority to obligate the government to make immediate or future payments or outlays. The current definition of budget authority includes *appropriations* and re-appropriations, *borrowing authority*, and *contract authority*. Although appropriations may be made for one year or for multiple years, budget authority is recorded in the year in which it first becomes available for obligation. When, unobligated balances of budget authority are legally available from previous years, they are not recorded as budget authority again in the subsequent years. These balances, however, do constitute a *budgetary resource*.

By using actual reported budget authority for the past year (rather than the current year or the budget year), project data series also capture *Direct Spending*, which has often been called “*Backdoor Spending*”. By using past year actual figures and adjusting them to reflect current functions and the current BA definition to the largest extent practical--project analysts have produced data series that are based both on authoritative contemporary records and the most nearly comprehensive measure of budget authority.

Project actual budget authority figures are based on the following categories of authority for the periods shown below:

<u>FISCAL YR</u>	<u>PROJECT ACTUAL BUDGET AUTHORITY CONSISTS OF:</u>
1947-1948	Appropriations and re-appropriations (including appropriations to liquidate contract obligations) and trust fund expenditures.

1949-1961 New Obligating Authority, which includes appropriations and re-appropriations (excluding appropriations to liquidate contract obligations), contract authorizations, and trust fund expenditures.

1962-1966 New Obligating Authority for Administrative and Trust Funds, which includes appropriations and re-appropriations (excluding appropriations to liquidate contract obligations) and contract authorizations minus some off-setting receipts.

1967-1975 Budget Authority, which includes appropriations (for both Federal Funds and Trust Funds excluding appropriations to liquidate contract obligations), Loan Authority (also called Borrowing Authority), and Contract Authority minus all off-setting receipts.

1976-2008 Budget Authority, which includes appropriations (for both Federal Funds and Trust Funds excluding appropriations to liquidate contract obligations), Loan Authority (also called Borrowing Authority), Contract Authority and Budget Authority for reported off-budget entities, minus all off-setting receipts.

Budget Authority-Outlay Differences: Differences in the amounts annually recorded for these two separate forms of accounting for government spending. For many policy analyses, annual budget authority records are superior to annual outlay records because outlays lag obligations in complex and not easily predicted ways. Annual *budget authority* is analogous to authority to contract for a new house this year. Outlays are analogous to the house payments that will pay off that contract over the next twenty or thirty years. Analysts will get a simpler and more accurate picture of the size and cost of the house by analyzing budget authority records for the year of the contract, rather than outlay records of the long-term stream of payments that follow. Yet some BA may expire without obligation and without generating subsequent outlays. And when constant year dollar comparisons are made, BA received in one amount may be paid out in subsequent years in amounts that do not equal the original BA. That difference arises because future amounts have a lesser value in constant year dollars than current amounts. Current year and constant year amounts allow analysts to differentiate between price growth and real growth. See John L. Mikesell's text *Fiscal Administration*, 7th edition (Belmont CA: Thomson-Wadsworth, 2007):32-38, for details on using deflator indices to produce constant dollar amounts.

Contract Authority: Authority to make *obligations* in advance of specific appropriations for making contract payments or in anticipation of the collection of receipts that can be used for payment. Contract authority permits obligations to be made but requires additional funding before payments can be made. Authority to make payments can come from follow-on appropriations to liquidate contract obligations or from the collection of receipts that can be used for payment. Contract authority is a part of the current definition of *budget authority*. Before actual data for FY 1950, contract spending was reported as that part of annual appropriations made to liquidate contract obligations. In FY 1952, the *Budget* focused on new obligating authority that captured contract spending as authorizations for new contract obligations. The accounting was more straightforward after the unified budget concept was implemented in the FY 1969 *Budget* and after the provisions of the Congressional Budget and Impoundment Control Act was implemented in the FY 1976 *Budget*. Project data from FY 1950 onward reflect contract spending as the amounts authorized for new contractual obligations or contract authority. Data before FY 1950 include contract spending as part of the appropriations to liquidate contract obligations.

Direct Spending: Technically, a category of outlays from budget authority provided in law other than appropriations acts; however, direct spending also includes appropriated entitlement authority, and the budget authority for the food stamp program. For example, interest on the national debt is paid without further appropriations. Direct spending has also been called mandatory spending. Project data series capture all reported direct spending by virtue of using reports of actual budget authority for the fiscal year two years prior to the fiscal year of the budget proposal. See also *Backdoor Authority*, *Budget Authority*, and *Mandatory Spending*.

Domestic Discretionary Spending: A category of budget authority that is usually provided in annual appropriations acts and which does not include mandatory spending. Discretionary spending includes both discretionary domestic spending and discretionary national security spending. Project analyses have categorized OMB subfunctions into domestic discretionary, domestic mandatory, national security, and financial macrofunctions. The domestic discretionary macrofunction consists of the subfunctions that remained after mandatory, national security, and financial subfunctions were categorized. The 40 subfunctions included in the domestic discretionary macrofunction are:

- 251 General science and basic research
- 252 Space flight, research, and supporting activities
- 272 Energy conservation
- 274 Emergency energy preparedness
- 276 Energy information, policy, and regulation
- 301 Water resources
- 302 Conservation and land management
- 303 Recreational resources
- 304 Pollution control and abatement
- 306 Other natural resources
- 352 Agricultural research and services
- 376 Other advancement of commerce
- 401 Ground transportation
- 402 Air transportation
- 403 Water transportation
- 407 Other transportation
- 451 Community development
- 452 Area and regional development
- 453 Disaster relief and insurance
- 501 Elementary, secondary, and vocational education
- 503 Research and general education aids
- 504 Training and employment
- 505 Other labor services
- 506 Social services
- 552 Health research and training
- 554 Consumer and occupational health and safety
- 604 Housing assistance
- 703 Hospital and medical care for veterans
- 705 Other veterans benefits and services
- 751 Federal law enforcement activities
- 752 Federal litigative and judicial activities
- 753 Federal correctional activities
- 754 Criminal justice assistance
- 801 Legislative functions
- 802 Executive direction and management
- 803 Central fiscal operations
- 804 General property and records management
- 805 Central personnel management
- 806 General purpose fiscal assistance
- 808 Other general government

Federal Funds: Monies collected and spent by the national government other than *trust funds*. Federal funds include general, special, public enterprise, and intragovernmental funds.

Earmarking: The Congressional practice of designating appropriated funds for a specific project or activity. Agencies are thus directed in the appropriations acts or in the “Joint Explanatory” reports accompanying them that a specific amount of funds are available only if spent on the designated

activity. Thus incumbent legislators can use earmarking to provide funds for one-time home-state projects that have not been authorized or evaluated elsewhere.

Financial Subfunctions: Subfunctions whose budget records reflect large amounts of credit activity, offsetting receipts, or government-wide contra-accounts. The data series for financial subfunctions present an erratic and potential misleading picture of spending in their area. Such subfunctions were excluded from programmatic project analyses. Project analyses have categorized OMB subfunctions into domestic discretionary, domestic mandatory, national security, and financial macrofunctions. The 16 subfunctions included in the financial macrofunction are:

- 155 International financial programs
- 271 Energy supply
- 371 Mortgage credit
- 372 Postal Service
- 373 Deposit insurance
- 704 Veterans Housing
- 809 Deductions for offsetting receipts
- 902 Interest received by on-budget trust funds
- 903 Interest received by off-budget trust funds
- 908 Other interest
- 909 Other Investment Income
- 951 Employer share, employee retirement (on-budget)
- 952 Employer share, employee retirement (off-budget)
- 953 Rents and royalties on the outer continental shelf
- 954 Sale of major assets
- 959 Other Undistributed Offsetting Receipts

Functions: A categorization of government activities that have similar purposes addressing an important and continuing national need. OMB functional classification emphasizes the purpose the government is seeking to accomplish rather than the means of accomplishment, the agency or agencies being used, the objects purchased, or the clientele or geographical area served. For example, the AGRICULTURE function (OMB functional code 350) provides national government assistance to food producers and, to a lesser degree, to food purchasers. It consists of two subfunctions: the first for farm income stabilization and the second for agricultural research and services. The “Farm Income Stabilization” subfunction (OMB functional code 351) includes the costs of acquiring and storing agricultural commodity stockpiles through programs such as crop insurance, agricultural credit insurance, the Commodity Credit Corporation, and the Farm Service Agency (formerly the Agricultural Stabilization and Conservation Service). The “Agricultural Research and Services subfunction (352) includes support for agricultural extension services such as cooperative forestry and agricultural experimental stations with land grant universities, animal and plant inspection services, and the gathering and evaluation of economic intelligence on agriculture.

Two important analytical advantages of the OMB functional and subfunctional classifications are: (1) that the categories are exhaustive and, except for noted interfund transfers, mutually exclusive; and (2) that, according to OMB, the classification structure is supported by a detailed accounting system. As a consequence, all budget authority in the *Budget* is represented, and double counting is minimized.

Government Receipts: Money that the government collects from the public in its exercise of sovereign power. National government receipts largely consist of individual and corporate income taxes, but they also include excise taxes, customs duties, court fines, and social insurance taxes. In calculating the budget deficit or surplus, government receipts are compared in total to net outlays in calculating deficits and surpluses. Offsetting collections are funds collected from the public from a businesslike government activity as well as funds collected from other government accounts. Net outlays are gross outlays after offsetting collections have been deducted. The *Budget* reports net budget authority and net outlays in the tables that provide the basis for the BA data in this project.

For additional information, see *offsetting collections*, *offsetting receipts*, and *revenue* in this glossary.

Historical Tables: Tables in modern *Budgets* that display budget data over an extended period of time. To the extent feasible, OMB has adjusted these data to provide consistency with the most recent *Budget*. Historical tables in the FY 2009 *Budget* provide actual outlay data from FY 1962 through FY 2007 and actual budget authority data from FY 1976 through FY 2007. However, this project provides budget data from FY 1947 (the first complete fiscal year after World War II) through FY 2007.

Homeland Security Spending: OMB does not yet classify homeland security as a separate function or subfunction. The Homeland Security Act of 2002 established the Department of Homeland Security (DHS) for the purposes of preventing terrorist attacks within the U.S., reducing our vulnerability to terrorism, minimizing damage and assisting in the recovery from such attacks, and acting as the focal point regarding natural and manmade crises and emergency planning (FY 2004 *Budget, Department of Homeland Security*, pp. 141-161). Creating DHS resulted in extensive program and organizational changes involving BA and outlays of the national government. Retroactive adjustments to OMB historical tables suggest that homeland security changes have significantly affected past perspectives on homeland security for the following subfunctions:

053	Atomic energy defense activities
054	Defense-related activities
251	General science and basic research
276	Energy information, policy, and regulation
352	Agricultural research and services
376	Other Advancement of commerce
402	Air transportation
403	Water transportation
407	Other transportation
453	Disaster relief and insurance
751	Federal law enforcement activities
803	Central fiscal operations
804	General property and records management

In addition, several subfunctions exhibit measurable recent impact from homeland security missions but without significant retroactive adjustments to budget historical tables. They include subfunction 153, Conduct of Foreign Affairs, for increased passport and visa controls; subfunction 551, Health Care Services, for DHS and HHS efforts on defenses against biological threats; and subfunction 552, Health Research and Safety, for National Institutes of Health research to counter chemical, biological, radiological, and nuclear threats to homeland security.

Generally, project data series have relied on contemporary *Budgets* for the spending records of these subfunctions from FY 1947 through FY 2001 (before the establishment of the DHS) and for recent historical tables for spending records from FY 2002 through FY 2008. See the detailed subfunctional explanations in Part I for additional information.

An historical perspective on the budgetary importance of homeland security can be gained from comparing Table 3-13 of the *Analytical Perspectives* section in the FY 2005 *Budget* with the similar Table 3-12, Homeland Security Funding by Budget Function, in the of the FY 2006, 2007, 2008, and 2009 *Budgets*, and in Table3-9 of the FY 2010 *Budget*. Refer to the “Homeland Security Details” worksheet in the accompanying Excel spreadsheet, “BA472008” for functionally organized homeland security funding from FY 2004 through FY 2008 based upon the FY 2005-2010 *Budgets*. The Homeland Security Act of 2002 was passed so late in the year that the FY 2004 *Budget* (submitted to Congress in February 2003) did not make the clear functional allocations of homeland-security-related funding that distinction began with the FY 2005 *Budget*.

Although homeland security is not yet recognized as a separate budget function or subfunction, it may someday be recognized as one. The Homeland Security Act of 2002 required that the President's *Budget* include a separate homeland security funding analysis (such as shown in the *Analytical Perspectives* section of current *Budgets*), and a variety of mission areas are named in the National Strategy for Homeland Security. Table 3-2 of the FY 2007 *Homeland Security Funding Analysis* provided funding information for the following national strategy mission areas:

Intelligence and Warning,
 Border and Transportation Security,
 Domestic Counterterrorism,
 Protecting Critical Infrastructure and Key Assets,
 Defending Against Catastrophic Threats,
 Emergency Preparedness and Response,
 Other, and
 BioShield [Biodefense or biological defense countermeasures].

With the exception of BioShield, these mission areas endured through the FY 2009 *Budget*. However, the FY 2010 *Budget* made several modifications. Table 3-2 of the FY 2008 *Homeland Security Funding Analysis* eliminated the BioShield line but retained the other mission areas. Table 3-2 of the FY 2009 *Budget* also eliminated BioShield from the actual or enacted BA figures, but it added a budget request of \$2,175 million for BioShield for FY 2009. Table 3-1 of the FY 2010 *Budget* reported no actual BA for BioShield but requested \$1,264 million for FY 2010. The FY 2010 *Budget* also reported multi-agency BA for the three broad mission areas listed below with the FY 2008 BA for each.:

Prevent and Disrupt Terrorist Attacks	\$27,288.5 million
Protect the American People, Our Critical Infrastructure, and Key Resources	\$28,172.6 million
Respond to and Recover from Incidents	\$5,580.8 million

See the "Homeland Security Details" worksheet in project Excel workbook BA472008 for a functional breakout of homeland security budget authority.

Mandatory Spending: OMB defines mandatory spending or direct spending as a category of budget authority and outlays provided for in entitlement authority, law other than appropriations acts, and budget authority for the food stamp program; however, the project definition is somewhat broader. The project macrofunction of mandatory spending consists of selected subfunctions based on our analysis of the figures and subfunctions in Table 8.5, "Outlays for Mandatory and Related Programs," of the FY 1996 *Budget*. The 13 subfunctions included in the domestic mandatory macrofunction are:

351 Farm Income Security
 502 Higher Education
 551 Health Care Services
 571 Medicare
 601 General Retirement and Disability
 602 Federal Employee Retirement and Disability
 603 Unemployment Compensation
 605 Food and Nutrition Assistance
 609 Other Income Security
 651 Social Security
 701 Income Security for Veterans
 702 Veterans Education, Training, and Rehabilitation
 901 Interest on the Public Debt

Although most of the above subfunctions have face validity as mandatory spending, the subfunction for higher education (502) does not. As such, its inclusion deserves explanation. The mandatory outlays for function 500, according to Table 8.5, appear almost identical for the outlays reported for subfunction 502 in Table 3.2. The former is denominated in billions of current dollars, the latter is denominated in millions of current dollars, and an ordinary least squares regression of the mandatory function data on the reported subfunction data yields an adjusted r^2 .981, an intercept not statistically distinguished from zero, and a statistically significant slope of .00097. Table 6.2 indicates that the two largest programs in the higher education subfunction are “student financial assistance” and the “Federal family education loan program.” The preponderance of mandatory spending for this subfunction can be confirmed by Table 27-1 of the FY 2008 *Budget*. It indicates that the \$57 billion in BA for subfunction 502 consists of 68% mandatory spending and 32% discretionary spending. Those figures for federal loan support were substantially reduced in the FY 2009 *Budget*; however, that *Budget* also reported that the College Cost Reduction Act of 2007 provided \$11.4 billion in new funding for Pell Grants over the next five years. In the FY 2010 *Budget*, the Obama Administration requested that Pell Grants become mandatory as a budget reform proposal. Much of higher education funding will involve entitlements, and project data series for mandatory spending will continue to include subfunction 502. The Obama Administration also supported a renewed statutory PAY-AS-YOU-GO rule as a budget reform proposal (FY 2010 *Budget, Analytical Perspectives*: pg. 215).

National Security Spending: Spending associated with national defense (function 050) and international affairs (function 150), except for the financial subfunction 155, “International financial programs.” Project analyses have categorized OMB subfunctions into domestic discretionary, domestic mandatory, national security, and financial macrofunctions. See the above definition of *Homeland Security Spending* for information on a related topic. The seven subfunctions included in the national security macrofunction are considered discretionary and programmatic in project data series. They are:

- 051 Department of Defense-Military
- 053 Atomic energy defense activities
- 054 Defense-related activities
- 151 International development and humanitarian assistance
- 152 International security assistance
- 153 Conduct of foreign affairs
- 154 Foreign information and exchange activities

Obligations: Binding agreements that will result in immediate or future *outlays*. *Budgetary resources* must be available for obligations to be incurred legally. Obligations are actions or instruments that obligate the government to make present or future payments. They are analogous to signing a contract to buy a house.

Off-budget Entities: Off-budget entities are federally owned and controlled entities, the financial transactions for which were at one time or another excluded from budget totals. The unified budget of FY 1969 deliberately sought to include the full range of national government activities within budget totals (see the *Report of the President’s Commission on Budget Concepts*, Government Printing Office, October 1967, for additional details on the unified budget concept.) Beginning with the Export-Import Bank in FY 1972, Congress again directed some federally owned and controlled entities to be excluded from budget totals. From FY 1972 through FY 1977, the Postal Service fund, the Rural Telephone Bank, some funds for rural electrification and telephones, and the Housing for the Elder and Handicapped fund were removed from budget totals. The Federal Financing Bank and the Pension Benefit Guarantee Corporation were established as off-budget entities. However, beginning in FY 1976, some off-budget entities were by statute returned to the budget. Attention and interest in the transactions of off-budget entities led to memo additions to the *Budget of the U.S. Government*, which provided summary data on their financial activities. In order to present comprehensive and consistent annual BA figures, project data series include budget

authority data for off-budget as well as on-budget national government entities from FY 1976 to the present.

Early off-budget spending appears to have been numerically small although it is difficult to estimate precisely the size of excluded transactions for off-budget entities prior to FY 1976. The *Budget* for FY 1978 estimated outlays for off-budget entities from FY 1973, 1974, and 1975 to have been \$0.1 billion, \$1.4 billion, and \$8.0 billion, respectively. It also provided negligible estimates for the period FY 1952 through FY 1972 (see *Budget, FY 1978*, “Budget Summary,” pp. 26-31 for additional details).

Offsetting Collections: In addition to collecting taxes and other non-voluntary revenues, the national government also collects funds from the public for government’s business-like activities, and these collections are credited to an expenditure account (and called offsetting collections) or are credited at a higher level (and called offsetting receipts). Business-type activities include such things as the sale of stamps by the Postal Service, sale of power by Tennessee Valley Authority, and individual medical insurance payments made to the Supplemental Medical Insurance trust fund (Part B of Medicare).

For most purposes, there is no practical difference between *offsetting receipts* and *offsetting collections*; however, the government takes the offset for each at a different level. Offsetting collections are taken at the account level while offsetting receipts are taken at a higher level such as agency and subfunction totals, and some offsetting receipts are deducted from government-wide budget authority and outlay totals in subfunction 809 or in function 950.

From an analytical perspective, offsetting collections depress both government revenues and expenses and reduce the visibility of government transactions. From the perspective of Congress and the President, netting offsetting collections and associated expenses removes market-oriented activities from agency and subfunction figures in the budget and leaves only governmental activities funded by revenues from government acting in its sovereign capacity. Consequently, both the reported figures in the *Budget* and in the project data drawn from those *Budgets* have been reduced by largely unpublished amounts of offsetting collections. That is to say, in many reports the *Budget* subtracts offsetting collections from agency and subfunction outlays and budget authority figures before the outlay or budget authority totals are summarized. An argument can be made that accounting for these collections as revenue rather than offsetting them against expenses would provide a clearer and more comprehensive picture of government financial activities; however, there is no public plan for changing the longstanding practice of netting offsetting collections. See *offsetting receipts* and *revenue* below.

Offsetting Receipts: Offsetting receipts are collections from the public for government’s business-like activities that are not credited to an expenditure account but are credited to general fund, trust fund, or special fund receipt accounts. For most purposes, there is no practical difference between *offsetting receipts* and *offsetting collections*; however, the government takes the offset for each at a different level. Offsetting collections are taken at the account level while offsetting receipts are taken at a higher level such as agency and subfunction totals, and some offsetting receipts are deducted from government-wide budget authority and outlay totals. For example, fees for using National Parks are deducted from Dept. of Interior totals and from the subfunction totals for 303, Recreational Resources. Examples of receipts that are deducted only from government-wide totals include function 950, UNDISTRIBUTED OFFSETTING RECEIPTS and subfunction 809, Deductions for Offsetting Receipts. Offsetting receipts can come from the public as in the case of subfunction 953, Rents and Royalties on the Outer Continental Shelf or from other parts of the government for business-like activity as in the case of subfunction 951, Employer Share, Employee Retirement (On-budget). This last subfunction accepts agency payments as employers into employee retirement trust funds and records the government payments to employees as a negative outlay. In this case, if these payments were not offset at some level, budget totals would reflect the same payment twice: once in agency and subfunction accounts when the agency pays into the retirement fund and again when the retirement fund pays the retired employee. In other cases, the

offsets are taken at a government-wide level because they are not seen as applying especially to one agency or subfunction. In all cases, these receipts reduce budget authority and outlay totals because they are taken as credits (negative outlays and negative BA) rather than government revenues. In earlier contemporary budgets, some trust fund (TF) and Offsetting Receipts (R) activities were assigned to a function but not assigned to any of the subfunctions in that function. In this data set, the TF/R column lists those financial transactions that were reported at the function level but not assigned to any subfunction.

Outlays: Cash payments or cash-equivalent payments to liquidate *obligations*. Outlays are payments drawn from the Treasury during a specific period and consist of checks issued, interest accrued on public debt, cash disbursed, and other payments made. Present accounting of the annual deficit or surplus consists of the difference between revenues and outlays. There is an analytical problem in that outlays in many areas will lag budget authority by a substantial period of time. Outlays are often referred to as expenditures and sometimes as spending. “Expenditures” almost always referred to outlays, but “spending” has been used to refer to budget authority, obligations, or outlays.

The *Budget* records outlays when obligations are paid and in the amount that is paid; however, most budget presentations state net outlays. That is to say, *Budget* tables reflect outlay totals net of related refunds to the government and offsetting collections, including offsetting receipts. Receipts from some sources such as the rents and royalties from the outer continental shelf and the auction of radio spectra are reported as offsetting receipts for the government overall, and they are subtracted from total government outlays.

Programmatic Subfunctions: In this analysis, programmatic subfunctions are those whose budget histories reflect more complete transactions and thereby provide a better foundation for programmatic analyses than those categorized as financial subfunctions. These 60 programmatic subfunctions have been further categorized as *domestic discretionary spending*, *mandatory spending*, or *national security spending*.

Revenues: In the broadest sense any money coming into the government is revenue; however, the *Budget* treats revenues differently depending upon whether they arise from government acting in its sovereign capacity or government acting as a business. The first kind of revenues consists of taxes, customs duties, court fines, etc., and they are called *government receipts*. The second kind of revenues consists of collections from business-like activities and intragovernmental transactions, and they are called *offsetting collections* and *offsetting receipts*. The authority to obligate (budget authority) and expenditures (outlays) for the first kind of revenues are accounted in a relatively straight-forward manner. However, revenues from the second kind of revenue are accounted for as credits or deductions either to expenditure accounts or as a credit or deduction to overall government budget totals.

Subfunctions: Budget functions are subdivided into one or more subfunctions. For example, the HEALTH function (550) is subdivided into three subfunctions: Health Care Services (551), Health Research and Training (552), and Consumer and Occupational Health and Safety (554). There are 20 functions and 79 subfunctions in the OMB functional classifications used in this project, but not all of them are suitable for analysis. Subfunctions are composed of various programs and non-programmatic elements, such as agency administration; however, contemporary *Budgets* more often disaggregated subfunction portrayals of actual budget authority into agency portions. For example, the FY 1970 *Budget* listed some actual budget authority for FY 1968 in contemporary subfunction 652, “Income Security Payments” and further disaggregated it into the funds allocated to several departments and independent agencies. Research indicated that the portion allocated to the Department of Labor went for unemployment compensation, and we reassigned that amount to the current subfunction for “Unemployment Compensation” (603). Similarly, the portion for the Civil Service Commission was assigned to the current subfunction, “Federal Employee Retirement and Disability” (602); and the amount recorded for the Railroad Retirement Board was reassigned to the current subfunction “General Retirement and Disability Insurance” (601). In short, project analysis

focused primarily on OMB functions and subfunctions, and it used contemporary reports of subfunction disaggregation (when necessary) to reassign contemporary amounts to the appropriate current subfunction. See also the definition of *Functions*.

Supplemental Appropriations: Supplemental appropriations are appropriations acts in addition to recurring annual or permanent appropriations. They cover needs deemed to be too urgent to await regular appropriations. In the past, supplemental appropriations provided a way around budget controls or reductions during the regular appropriations process. Program proponents could sometimes acquiesce to underfunding during the regular appropriations process in anticipation of later increases through supplemental appropriations. However, the Budget Enforcement Act of 1990 limited supplemental appropriations to declared emergencies (in the absence of offsetting cuts or new revenues). That distinction has been a difficult one to maintain. For example, the U.S. Census for the year 2000 required emergency supplemental funding. More recently, the Bush Administration and Congress used supplemental funding for much of the war on terrorism. By using actual reported budget authority, project data capture both regular and supplemental appropriations.

Total Budget Authority: Total budget authority is the sum of the annual budget authority for all functions; consequently, the functional definitions of budget authority will affect total budget authority. Project budget authority totals differ from the budget authority totals in Table 5-1 of recent *Budgets* in that project Medicare BA consists of annual income for Medicare and Social Security whereas the Table 5-1 BA consists of an estimate of the current year expenses. In this way, the *Budget* complies with legislatively imposed limitations in the Budget Enforcement Act of 1990 on what some special and trust funds may count as budget authority. However, prior to BEA 1990, Medicare budget authority consisted of total income available to the fund, and project analysts used that methodology to construct BA data for Medicare for the period not covered by *Budget* historical tables. The same is true for budget authority figures for Social Security.

Budget authority and outlays for Medicare and Social Security make up a large part of the modern government budget, and different methods of accounting for their spending can have a large effect on government spending totals. Analysts interested in total government spending are advised to read the subfunctional explanations for 571 and 651 above as well as the *trust fund* and *offsetting receipts* explanations in this glossary. See the “Medicare Details” and “Soc Sec Details” worksheets in the project workbook “BA472008” for both the annual income and annual outgo figures for these two subfunctions.

Trust Funds: Trust funds are accounts, designated by law, for receiving and expending funds earmarked for specific purposes, and they present special problems to analysts. In the national *Budget*, the term “trust” differs significantly from its usage in business. In the private sector, the beneficiary usually owns the assets of the trust, which are managed by a trustee acting as the fiduciary. In the government sector, the national government owns the assets of most of its trust funds, and it can raise or lower collections and payments by changing existing law.

Generally, trust funds have not been so visible and perhaps not so closely controlled as other forms of government funding. The 1967 President’s Commission on Budget Concepts urged that the unified budget include transactions from federal trust funds, and beginning with the FY 1969 *Budget* both federal funds and trust funds were included in budget totals. The Congressional Budget and Impoundment Act of 1974 imposed controls on new trust-funded entitlement programs, but the Act exempted most extant trust funds from the backdoor spending controls that required other forms of proposed mandatory spending to be referred to the Appropriations Committees. Gramm-Rudman-Hollings (the 1985 Balanced Budget and Emergency Deficit Control Act) protected trust

funds from permanent sequestration, requiring instead a temporary delay in obligations. (See Meyers 1994:117-118 for additional details.) The Omnibus Budget Reconciliation Act of 1990 contained the Budget Enforcement Act of 1990, and BEA established pay-as-you-go (PAY-GO) rules for new legislation concerning direct or mandatory spending programs; however, Schick (2000:184) concluded that the PAY-GO process is not effective in dealing with increased spending generated by existing law. The PAY-GO mechanism was extended several times, but it lapsed in September 2002. In the FY 2010 *Budget*, the Obama Administration supported a renewed statutory PAY-AS-YOU-GO rule as a budget reform proposal (*Analytical Perspectives*: pg. 215). See *mandatory spending* in this glossary for information on PAY-GO rules.

The government definition of trust fund budget authority has varied over time. Until the 1980s, most trust funds operated on a generalized pay-as-you-go basis. Taxes and fees were set at levels to finance anticipated expenditures plus a prudent reserve (usually defined as equal to one year's expenditures). Trust fund balances, therefore, tended to parallel trust fund expenditures. However, full or partial accrual funding replaced pay-as-you-go funding for larger trust funds in the 1980s. The Social Security Amendments of 1983 raised payroll taxes above current expenditure rates in order to partially prepare for an anticipated surge in expenditures when "baby-boomers" become eligible for social security benefits. Full accrual funding was adopted for new military retirees in 1985 under the Military Retirement Trust Fund and for new civilian government employees under the Civil Service Retirement and Disability Fund. Yet some funds have liabilities for future payments that have not yet been fully funded. BEA 1990 redefined what budget authority meant for large trust funds. In the FY 1993 *Budget*, actual FY 1991 budget authority figures for military retirement were reduced from \$36 billion to \$23 billion by a "portion precluded from obligation." Similarly, the FY 1993 *Budget* reduced civil service retirement budget authority for FY 1991 from \$56 billion to \$33 billion for a "portion precluded from obligation" as a result of the limitations in BEA 1990.

Changes in definition can result in large changes in reported budget authority, and the most recent major change was not applied to all funds at the same time. The FY 1997 *Budget* retroactively applied the 1990 redefinition of trust fund budget authority to its historical tables back to FY 1976. And subsequent Budgets have continued that practice through FY 2010 for Medicare, Social Security, and several subfunctions under INCOME SECURITY. Basically, trust fund budget authority previously was the authority to expend trust fund receipts, which usually arise from collections and a permanent appropriation authority. The Budget Enforcement Act of 1990 essentially shifted trust fund budget authority accounting from covering annual receipts to covering annual expenditures. The transition from one definition to another produced the amounts "precluded from obligation" that are described above. This BA data set applies a consistent definition of trust fund budget authority by using trust fund income as budget authority for Social Security and Medicare (See "Medicare Details" and "Soc Sec Details" worksheets in the project workbook "BA472008" for both the annual income and annual outgo figures for these two subfunctions).

Trust funds are often used to finance entitlement programs. For example, Medicare hospital insurance was established as an entitlement, and the Federal Hospital Insurance Trust Fund was created as a permanent appropriation. Before BEA 1990 all the receipts of this trust fund and others like it became available for obligation without further action by Congress (See Schick 1995:123-127). BEA 1990 mandated that the trust fund budget authority for the four major trusts for hospital insurance, supplementary medical insurance, unemployment, and railroad retirement be restricted to estimates of the obligations to be incurred during the fiscal year for benefit payments,

administration, and other expenses of the fund (FY 1992 *Budget, Historical Tables: Part Seven-8*). This same restriction was applied to all major trust funds beginning with the FY 1993 *Budget*. Where previously budget authority was the total income to a fund, budget authority was redefined as an estimate of the obligations to be incurred during the fiscal year for benefit payments, administration, and other expenses (FY 1993 *Budget, Historical Tables: Part Five-8 & 9*). With the exception of Medicare and Social Security, project budget series are based on contemporary budget records, and they cope with this major redefinition of trust fund budget authority by using the pre-BEA definition through FY 1990 and the post-BEA definition for FY 1991 and subsequent entries.

In earlier contemporary budgets, some trust fund (TF) and Offsetting Receipts (R) activities were assigned to a function but not assigned to any of the subfunctions in that function. In this data set, the TF/R column lists those financial transactions that were reported at the function level but not assigned to any subfunction.