



## CRS Report for Congress

### Basic Federal Budgeting Terminology

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In its most elemental form, the federal budget is a comprehensive accounting of the government's spending, revenues, and borrowing. This report provides a brief overview of the basic terminology and concepts used in the federal budget process. For more information on the budget process, see the CRS Guides to Congressional Processes at [<http://www.crs.gov/products/guides/guidehome.shtml>].

**Fiscal Year.** The *fiscal year* is the accounting period of the federal government. It begins on October 1 and ends on September 30 of the next calendar year. Each fiscal year is identified by the calendar year in which it ends and commonly is referred to as "FY." For example, FY2009 began October 1, 2008, and ends September 30, 2009.

**Spending.** The key terms of federal spending are *budget authority*, *obligations*, *outlays*, and *spendout rate*. Congress and the President enact budget authority in law. Budget authority allows federal agencies to incur obligations, such as entering into contracts, employing personnel, and submitting purchase orders. Outlays represent the actual payment of these obligations, usually in the form of electronic transfers or checks issued by the Treasury Department. The rate at which budget authority becomes outlays in a fiscal year is called the spendout rate, or the *outlay rate*. The spendout rate varies among agencies' accounts depending on the timing of activity in each account.

Budget authority may be made available for obligation for a one-year, multi-year, or no-year period. One-year, or annual, budget authority is available for obligation only during a specific fiscal year, and any unobligated authority expires at the end of that fiscal year; multi-year budget authority is available for a period longer than one fiscal year; and no-year budget authority is available for an indefinite period.

Typically, new budget authority is provided in the form of permanent appropriations or annual appropriations. Permanent appropriations provide new budget authority each year without any annual legislative action. Usually, this type of new budget authority is provided in legislation authorizing the program, such as in the case of most entitlement programs (e.g., Social Security benefits). Annual appropriations, on the other hand, generally provide new budget authority for the particular fiscal year for which they were enacted. In some cases, new budget authority in annual appropriations acts is made available for more than one year, or for a future fiscal year. Annual appropriations are provided in the regular appropriations bills enacted by Congress and the President each

year. Annual appropriations also may be provided in supplemental appropriations acts and continuing appropriations acts (often referred to as continuing resolutions).

New budget authority also may be made available to agencies in the form of borrowing authority, contract authority, and the authority to spend offsetting collections. Borrowing authority and contract authority allow agencies to borrow funds and enter into contracts prior to enactment of appropriations. Spending authority from offsetting collections, such as fees for certain market-oriented activities, may be provided to allow agencies to obligate and spend these funds. Offsetting collections are deducted from gross budget authority and outlays at the account or higher level.

**Revenues.** *Revenues*, also known as *receipts*, are the funds collected from the public primarily as a result of the federal government's exercise of its sovereign powers. Most of the federal government's revenues consist of receipts from individual income taxes, social insurance (payroll) taxes, and corporate income taxes. Preferential provisions, such as tax exemptions, deductions, and credits, which reduce government receipts, are called *tax expenditures*. Excise taxes, duties, gifts, and miscellaneous receipts are other sources of federal revenues.

Offsetting collections are not classified as revenues, but instead are treated as negative spending (i.e., as noted above, deducted from gross budget authority and outlays).

**Budget Deficit or Surplus.** The difference between government revenues and outlays in a fiscal year equals the *budget deficit* or *surplus*. A budget deficit results when outlays exceed revenues; a budget surplus results when revenues exceed outlays. What is counted as government revenues and outlays, however, depends on the presentation of the federal budget. The federal budget typically is presented in the form of the *unified budget*, reflecting a unified budget deficit or surplus. The unified budget, or *consolidated budget*, includes the revenues and outlays of all budget accounts, including federal funds and trust funds, regardless of whether they are designated in law as on-budget or off-budget. The unified budget represents a comprehensive picture of the federal government's financial activities.

The federal budget also is presented to distinguish between on-budget and off-budget accounts. That is, the federal budget also presents an *on-budget deficit or surplus* and an *off-budget deficit or surplus*. The on-budget deficit or surplus includes all accounts not designated in law as off-budget. The off-budget deficit or surplus includes those accounts designated in law as off-budget. Currently, there are three accounts designated in law as off-budget: the Federal Old-Age and Survivors Insurance Trust Fund (Social Security retirement), the Federal Disability Insurance Trust Fund (Social Security disability), and the Postal Service Fund.

**Debt.** The *gross federal debt*, almost all of which is subject to statutory limitation, consists of the *debt held by the public* plus the *debt held by government accounts*. The debt held by the public is the total net amount borrowed from the public by the federal government to cover its budget deficits over the years. Usually, analysts use the debt held by the public as the measure of the impact of the federal government's borrowing on the economy. It is this portion of federal debt that not only reflects the amount of the nation's wealth invested in federal government securities rather than in private investment, but

also determines the level of real resources the government must acquire to make interest and principal payments. The debt held by government accounts is the total net amount of federal debt issued to specialized federal accounts, primarily trust funds. It represents internal transactions of the federal government.